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The Evolution of the
United Nations Economic System

Ho-Won Jeong

THE EVOLUTION OF THE UNITED NATIONS ECONOMIC SYSTEM

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The development of the United Nations economic system has been influenced by challenges arising from the international political environment. It also reflects changing perceptions of economic development in a rapidly integrating global economy. In considering that policy is made in certain political and cultural contexts, normative values cannot be separated from technocratic decision making (Jeong, 1995:79). One of the main issues in the United Nations reform has focused on how the system serves better basic needs of poor and vulnerable social groups with a stress on investment in human resources. On the other hand, the issues of human needs are not equally represented in different economic development strategies subscribed to by various agencies. The struggle over the reform represents changing relationships between poor and rich countries as well as the internal dynamics of the system.

Functionalist ideas based on cooperation on social and economic problems for the promotion of peace and human welfare facilitated the establishment of networks of specialized agencies after World War II. The increased number of independent states in former European colonies and the need for economic assistance led to the initiation of the UN Development Decade in the early 1960s. The dissatisfaction of Third World countries with the Western dominated economic order brought about the declaration on a New International Economic Order (NIEO) which emphasized changes in the international economic structure toward the goal of reducing the gap in the redistribution of global wealth in the favor of the poor. The dismay of the system on both the rich and the poor followed the failure of reaching agreements on global economic co-operation since the early 1980s. In recent years, developing countries were disappointed with the lack of any progress in their negotiation with industrialized countries, whereas developed countries moved serious economic discussion to

institutional mechanisms, which they can easily control, such as the OECD and the G7.

Over the past several decades, changes in the UN have been directed toward the expansion of the system by adding new units and organs, in response to the emergence of new issues such as the environmental pollution and a lack of development in the Third World. No policy center, however, has been successfully installed for coordinating economic development policies in the system. More significantly, the absence of consensus on the role of the UN has resulted in illusions of the UN's capacity and influence as well as the misperceptions of economic cooperation and international development. One of the main purposes of this paper is to analyze how the UN system has evolved in response to changes in the international political economy. Based on this analysis, the paper discusses questions concerning major aspects of economic cooperation under the UN system. Finally, various reform proposals are considered in the context of how to strengthen the UN economic system in serving the majority of the global populations.

Functionalism and Specialized Agencies

After World War II, the theory of functionalism inspired the creation of a system of specialized agencies at the world level which are responsible for economic, social, cultural, educational, health and related fields. In Chapter IX on International Economic and Social Cooperation, there is a strong emphasis on a general pledge for the promotion of higher standards of living, full employment.² Technical experts may easily agree on international standards, rules or other recommendations for enhancing economic development. It was believed that the agencies constitute building blocks towards the construction of an orderly world system. The essential goal of the institutional framework was to prevent future problems of liberal capitalism. (Mayall, 1988:53)

The economic and social system of the UN was based on the loose relationships between

separate organizations. According to Article 57 of the Charter, "The various specialized agencies, established by intergovernmental agreement and having wide international responsibilities, as defined in their basic instruments . . . shall be brought into relationship with the United Nations." In Article 63.2, the Economic and Social Council "may coordinate the activities of the specialized agencies through consultation with and recommendations to such agencies and through recommendations to the General Assembly and to the Member of the United Nations." The role of ECOSOC is only consultative and advisory, and, right from the outset, no central authority was accorded ECOSOC. Specialized Agencies undertake to submit regular reports to ECOSOC, to send representatives to each other's meetings and to exchange information. However, they are not in any sense under ECOSOC jurisdiction or control.(Muller, 1992:7)

Specialized agencies were also loosely coordinated by other mechanisms. The Administrative Committee on Coordination (ACC), chaired by the Secretary General and attended by the heads of Specialized Agencies, was given a mandate to manage and coordinate general activities in economic and social fields of the UN system. Later such institutions as the Consultative Committee on Substantive Questions (CCSQ) were introduced to assist the task of ACC. In addition, Specialized Agency budgets were, albeit superficially, reviewed in the Fifth (Administrative and Budgetary) Committee of the General Assembly. They can visit the Specialized Agencies once every two years to review budgets.(Taylor, 1993:134)

The autonomy which the 1945 Charter accorded to the Specialized Agencies was a deliberate attempt to encourage them to build confidence in their functional fields. The various Specialized Agencies were set up as separate institutions, with its own membership, intergovernmental institutions, budget, staff, executive head, and policies. It was envisaged that the Agencies would

not be formally supervised by ECOSOC, nor would their secretariats be formally accountable to the Secretary General. No matter whether development issues, administration or financial methods are concerned, the Agencies cannot be obliged to adopt policies laid down by the Secretariat or other bodies of the United Nations. The dangers and disadvantages of having one monolithic organization were considered to outweigh the dangers and disadvantages of having a dispersed network. However, the main problem of the system was later pointed out as the absence of a central body which can co-ordinate or control independent sectoral policies of Specialized Agencies. For instance, in the Capacity Study of 1969, also known as the Jackson Report, the Specialized Agencies were called "principalities," and the organization of the system was considered to be the equivalent of "some prehistoric monster."(United Nations, 1970:v)

Technical Assistance and the Creation of the UNDP

The core of the technical assistance concept at an early stage focused on the development of human capital, and this was viewed as a natural task for the UN. To meet the urgent need of investment in human resources, the Economic and Social Council subsequently established the Expanded Programme of Technical Assistance (EPTA) to be financed by voluntary contributions. Whereas EPTA was only coolly received by industrialized countries, it was later supported by President Truman's address in 1950 which emphasized the need to provide large-scale assistance to developing countries, preferably through the UN. In considering the optimism of those first years after the Second World War, EPTA represented the belief that the transfer of knowledge, skills and technology, would help recipient countries achieve economic independence in a decade or so. Long-term experts and grants for fellowships were the two main instruments to achieve these objectives.(Kaufmann, 1991:88)

Later it proved that "technical assistance alone was inadequate in solving the problems of the poor countries. The work of the experts in the field could be made much more effective if supplemented with long-term low-interest loans to finance investments in schools, hospitals, agricultural equipments and industrial plants." In response to this challenge, a Special UN Fund for Economic Development (SUNFED) was recommended by a committee, appointed by the UN Secretary-General. However, the recommendation was not adopted due to strong opposition from the Ministers of Finance of developed countries led by the United States.(Weiss, *et al.*, 1995:179) They argued that the primary responsibility for international lending activities belonged to the World Bank. As a compromise, the UN Special Fund was set up in 1958 with a broader mandate than EPTA. The Special Fund focused on large projects which could yield immediate results. In addition to offering technical assistance, it would support preinvestment studies and demonstration projects.(Kaufmann, 1990:19) The pressure for financing development also led to the creation of the International Development Fund (IDA) which since has been affiliated to the World Bank.³

The First UN Development Decade was inspired by President John F. Kennedy's address at the General Assembly in September 1961. It was designed to promote development worldwide in accordance with a set of targets laid down by the United Nations. This increased the need for co-ordination, and the General Assembly decided to merge the EPTA with the Special Fund for the creation of the UNDP in 1965. The role of the UNDP was soon recognized as a central co-ordinating agency by the 1969 Jackson report. In accordance with a "Consensus Resolution" of the General Assembly Resolution in 1970 based on the Jackson report, the UNDP adopted the partnership principle and the five year development cycle.⁴ The scheme was supposed to enhance the co-ordination between the various parts of the UN system as they all had to work within the framework

of the country program.

This phase in UN efforts to strengthen international cooperation for economic development was led by the American belief that a second Marshall plan could bring a rising curve of economic development to the new independent states of the Third World. "This appears to have been a mixture of arrogance and naivete. It was arrogant to take it for granted that the Western model of economic development had universal validity. It was naive to believe in instant modernization. It was naive, too, to idealize the politics of liberation and ignore the diversity of cultural backgrounds in the Third world." As indicated by the appointment of Paul Hoffman, former administrator of the Marshall Plan, as the head of UNDP, American enthusiasm for First UN Development Decade was part of the great ideological contest between capitalism and communism (Jakobson, 1993:136).

In the last twenty years, the reality has substantially changed from that of 1970. The central funding principle was seriously undermined by the emergence of "multi-bi" projects executed by Specialized Agencies. Donor countries began to prefer projects which allow them to influence the selection of the beneficiary. This new practice led to the disintegration of the country program process. Independent financial resources enabled Agencies to implement a technical assistance project which does not have any direct link with the country program. (Kaufmann, *et al.*, 1991:94)

The sudden rise in funding for technical cooperation by the World Bank since the 1970s has also seriously weakened the function of the UNDP.⁵ Compared to \$38 million in 1968, the Bank, by the early 1990s, attained a level of about \$1.5 billion, surpassing the contributions to UNDP, and this marked the end of the central funding principle. (Kaufmann, *et al.*, 1991:93)

Response to the NIEO

By the end of the first Development Decade, Third World countries themselves began to lead the discussion of economic development in the UN system. This inevitably resulted in a new approach to the development issue. "It was not enough for the developed countries to provide assistance; the structure of economic relations in the world also had to be changed before developing countries could have a genuine chance to improve their economic performance." (Jakobson, 1993:137) The restructuring of the international economic system required planned policy actions on a wide range of issues, including commodity prices, trade in manufactured products, international shipping, the international monetary system, the transfer of technology, transnational corporations, etc. For this objective, the UN became the principal forum for negotiations.

Representing the interests of Third World countries, the UNCTAD attempted to facilitate the co-ordination of activities of other institutions within the United Nations system in the field of international trade and related problems of economic development. In a similar manner, all activities of the United Nations System in the field of industrial development were promoted by the UNIDO. However, to press their demand, developing countries soon switched their battleground to the General Assembly during the second half of the 1970s. The Sixth UN Special Session of 1974 dramatized these efforts of developing countries by adopting the Declaration and Program of Action for the Establishment of a New International Economic Order (NIEO).⁶ The Declaration recognized the demands of the Group of 77 in the areas of trade, commodities, aid, industrialization, the transfer of technology and similar matters. Developed countries accepted it but only with many reservations.

Some argue that the NIEO was never concerned with protecting economic and social interests of people. It was rather a reflection of the demands of the governments of the new countries.⁷ "By

basing its normative propositions on the principle of the sovereign equality of all states, it has afforded the cover of its ideology to all political regimes, even those which systematically violate civil and political rights and pay no heed to social justice." Moreover, it offered only a limited analysis of the economic relations between developed and developing countries. Thus, it is not surprising that "it has not won support either from the representatives of the rich countries or from all of the defenders of the Third World." (Bertrand, 1989:48)

Stalemate in Dialogue

The North-South dialogue has not been successful in many areas after the failure to launch a new round of Global Negotiations in the 1980s and the 1990s, including UNCTAD VI in Belgrade, 1983, UNCTAD VII in Geneva, 1987, and UNCTAD VIII in Cartagena, 1992. The frustration with multilateral cooperation soon led to an attack on the UN's function as a North-South dialogue platform. The situation was worsened by changes in the political environment of major Western governments. They quickly put emphasis on free market solutions and opposed collective action often called for by UN and Specialized Agency resolutions. Bilateralism and regionalism replaced multilateral efforts to achieve economic development through the UN system.

Meanwhile, the global debt of developing countries doubled in the 1980s to more than \$130 billion, while official development aid transfers did not increase. Moreover, capital flight and high interest rate payments caused a reverse net capital movement from developing to developed countries. Thus, the 1980s witnessed the stagnation in economic growth of the planet's poor regions. Despite a few economic problems such as unemployment and inflation, on the other hand, the average income of rich countries has at least quadrupled since World War II. This international situation was reflected in the politics of the UN system.

The General Assembly's Eighteenth Special Session, from 23 April to 2 May 1990, focused on the world economic situation and international economic cooperation. It discussed conditions for growth and development in developing countries, but the atmosphere was completely different. Ten years ago dominant issues were how to achieve the goals of NIEO, and discussions focused on launching a new round of global negotiations for supervising and controlling transnational corporations. Instead of these issues, the 1990 Special Session heard of domestic economic policy failures, the need of a free market approach, the significance of human rights, etc. The Eighteenth Special Session revealed the increasing marginalization of developing countries and their peoples. The Session was unable to reach agreement on a substantive debt relief paragraph in its Resolution.

Especially since the 1980s, operative control over international development policy has been taken over by the IMF and the World Bank whereas the various UN Agencies superficially discussed global economic and social issues without any action. As President George Bush pointed out, "in a world where ideology no longer confronts and big power blocs no longer divide, the Bank and the Fund have become paradigms of international cooperation." Reflecting this view, the US and some other Western countries adopted policies which deny the UN any significant role in the discussion of international economic policy matters. The best example is the US government's reluctance to participate in the Special General Assembly Session on development questions in April 1990. This Western position contributed to the failure to initiate a new round of global negotiations on international economic policies in the UN. (Kaufmann, *et al.*, 1990:17)

Structural Divisions and Political Realities

The UN system has expanded in an ad hoc manner as new institutions were established on the basis of newly perceived needs. (Donini, 1988:292) For example, in response to the needs of

Third World countries, more than two dozen new Agencies and Special Funds were created in the UN system between the middle of the 1960s and the early 1980s. These agencies include International Fund for Agricultural Development (IFAD), United Nations Population Fund (UNPFA), United Nations Institute for Training and Research (UNITAR), World Food Programme (WFP), United Nations Development Fund for Women (UNIFEM) as well as United Nations Conference on Trade and Development (UNCTAD) and United Nations Industrial Development Organization (UNIDO). Compared with the IFAD, UNPFA, UNITAR, and WFP, a few agencies, including UNCTAD and UNIDO, clearly represented the dissatisfaction of poor countries with western dominated agencies like GATT and ILO. Even though the goals of the NIEO were never achieved, its supporting institutions remain. Now the UN system "resembles an army equipped and deployed to fight an enemy that has vanished." (Jakobson, 1993:149)

These agencies have different economic theories and organizational ideologies from those of such agencies as the Bretton Woods Institutions and GATT. Contrary to a free market economic approach, the UNCTAD and the General Assembly supported an interventionist approach. In the views of the interventionists, "the division of the benefits of economic interchange between the rich and the poor countries must be reviewed as a consequence of the relative bargaining strengths of the two groups rather than be left to the working of normal market forces." Thus, interventionists argue that poverty was caused by the drain on their resources which results from the powerful entrenched institutional position and bargaining power of developed countries. Institutional mechanisms are needed to redress the balance. (Williams, 1987:145)

Since the UNCTAD Secretariat primarily promotes the interests of less developed countries, developed countries have a tendency to bypass the UNCTAD. (Weiss, 1986) Unlike other organs

in the UN system, the Fund and the Bank are like corporations in which each member holds a certain number of shares. Their decision making process is not based on the majority vote but on the amount of financial contributions. Another character of those agencies is that they maintain a technocratic approach to economic problems.⁸ The power and influence of the Bank, the Fund, and the GATT come from sufficient financial support of rich Western industrialized countries. On the other hand, the Fund is widely resented in developing countries as "a stern custodian of financial rectitude." This dichotomy between agencies oriented to the needs of Third World countries and the Bretton Woods institutions has been detrimental to the functioning of the UN economic system.⁹

The Third World does not have the political and economic strength needed to restructure the world economy, but they have the voting power to influence the UN. Marginalization of Third World countries and the renewed emphasis on a free market approach weakened the role of the UN system in major international economic decision making. The reality is that industrialized countries discuss world economic problems through G7 and OECD. They are not interested in strengthening the UN system where Third World countries can have a majority vote. For industrialized countries, the role of UN agencies is minimal except the World Bank, the IMF, and GATT. Other UN agencies are not viewed as having any influence on their prosperity by rich countries. This significantly undermines the function of such UN organs as the Second Committee of the General Assembly, the Economic and Social Council, the UNCTAD, and the UNIDO.

The resurgence of free market economic approaches since the early 1980s strengthened a role of international financial institutions in economic policy making in poor countries. Given the fact that the concern with human welfare is certainly less distinctive in the World Bank and the IMF than other major UN agencies, development goals would be better served both when no single foreign

source of ideas and finance has disappropriate power and when indigenous technical capacity is built to the point that genuine policy dialogue, based on mutual respect, takes place between external donors and local people.¹⁰ A single model of development cannot be recommended as a universal norm in which circumstances, possibilities, socioeconomic preferences, and political values of developing countries are so varied.¹¹

Institutional Inadequacies for Economic Cooperation

Ever since the drafting of the Charter, defining common objectives for all member states at the world level has been a difficult task. Consensus on the role of international co-ordination is more difficult to attain now than at any time since 1945. Developed and developing countries could agree on broad development goals and some important policy strategies before the 1970s. In the 1960s a major role of a government in achieving growth through economic planning was widely recognized, and state action was encouraged to stimulate and direct economic growth. International policies generally supported the efforts of Third World governments to develop technology and industrial skills. However, the consensus which had earlier emerged over major principles of economic development was broken down. Since the early 1980s there has been more emphasis on strengthening existing social, economic, and cultural structures of a free market economy.

Economic development policies have been influenced by conflicting interests in the world which is comprised of a mass of organized and unorganized economic, social and political forces. There are different perceptions, expectations, interests between industrialized and developing countries. However, no reliable methods or structures for multilateral negotiation were adopted. The most serious obstacle is inequality between the member states. Poor countries do not have any influence on problems which are important to their economies. Their efforts have been mainly

concentrated on building majorities. (Renninger, 1989:249) But the success in gaining the majority in the executive boards of various UN bodies did not produce any meaningful dialogue between the North and the South. The paragraphs of resolutions show fine words simply to "conceal the fact that no agreement has been reached, either because there were no genuine negotiations or because the positions of the various governments are so far apart that there is no chance of a true rapproachment." (Bertrand, 1989:29)

The absence of procedures designed for binding agreements is related to the failure to define negotiation structures that are suited to the problems and are accepted by all participants. Binding solutions cannot be achieved in a weighted voting system as was adopted by the Bretton Woods organizations. The system does not recognize the fact that member states take decisions jointly by allowing the weak to make themselves heard. On the other hand, the majority votes of the Group of 77 did not prove of any real importance, since the majorities formed by poor countries are not taken seriously by rich countries. It produces the adoption of resolutions that have no practical consequences. Thus, the lack of realistic representation resulted in preference to bilateral negotiations in which concrete questions can be dealt with. (Bertrand, 1989:50)

Proposals for Reform of the UN Economic System

Most UN reform proposals have paid attention to the coordination among agencies and the cooperation between rich and poor countries. Unmanageable intergovernmental decision making and negotiation apparatus are responsible for the lack of systematic resource allocation procedures and effective accountability mechanisms.¹² However, building consensus on new mechanisms for economic assistance has not been easy. New financial and institutional arrangements can influence power relations between UN agencies which have different economic priorities. The discussion

about a more coordinated policy making structure cannot be separated from how to reconcile different economic strategies such as the promotion of a free market and the satisfaction of basic human needs.

One of the most important tasks for the UN is to ensure an economic dialogue between rich and poor countries. In most UN reform proposals (United Nations, 1970, 1975, 1985), there has been emphasis on strengthening the ECOSOC.¹³ Recently, the Secretary General suggested that ECOSOC, a body of fifty four member states, should be transformed into a Council of Ministers supported by a policy-planning staff for development at UN headquarters. In this proposal, the Council of Ministers for Economic and Social Affairs would be given the authority to review the medium-term plans and documents of the organizations of the UN system. Thus it would contribute to rational utilization of resources in the light of global priorities as defined by the Council and bring about greater strength and coherence to the system as a whole. (Bertrand, 1989:125-6)

The report of the Nordic UN Project presented to the General Assembly in 1991 also proposes the establishment of a high-level international development council to discuss development issues and bring general guidance for the UN system.¹⁴ The function of the council may be undertaken by a reformed ECOSOC. The report also suggests "strengthening and enlarging ECOSOC so it becomes a universal body in session in parallel with the General Assembly while the Second and Third Committees of General Assembly should be abolished." (Seufer-Barr, 1993:40)

The UN working group established in October 1992 suggests the transformation of the governing bodies of the UN Development Programme (UNDP), UN Population Fund (UNFPA), and UN Children's Fund (UNICEF) into smaller executive boards under the overall authority of the Economic and Social Council. (Seufer-Barr, 1993: 39) Similar arrangements would apply to the

Committee of Food Aid Policies and Programmes, which sets policy for the World Food Programme (WFP). Some believe that improved leadership is required to cope with urgent tasks of the UN and suggest creating three deputies to the Secretary General one of whom would assist in the areas of economic and social matters with stress on sustainable development. (Urquhart and Childers, 1990)¹⁵

Several proposals, including reports of a study group of the World Institute for Development Economics Research (WIDER), suggest the creation of a World Economic Council, equivalent to the Security Council, in order to carry out a reform of existing global multilateral institutions and, more generally, supervise and coordinate "global macroeconomic policy." (WIDER, 1989) According to the UNDP and the North-South Roundtable proposals, a new Development Security Council needs to design a global policy framework in all key economic and social areas. (UNDP, 1992; ul Haq, 1995)¹⁶ More specifically, it should reach political agreements on specific policy responses to such issues as global poverty, unemployment, food insecurity, and ecological pollution. These proposals recommend that smaller industrial countries and developing countries join forces and delegate authority to a representative group which would participate in the world summit. Especially, the WIDER report presents an elaborate scheme for a voting system based upon three objective criteria reflecting their economic and political weight in the world--GNP, trade, and population. Some of former UN civil servants have also proposed an Economic Security Council which would be able to formulate macro-economic policy that can be supported by the North and the South. (Childers and Urquhart, 1994) They believe that the new Economic Security Council is needed because the current ECOSOC does not function at a high enough level of representation. (Childers and Urquhart, 1994:61)

On the other hand, others propose regional approaches to development by strengthening the

regional economic commissions. The UN can still remain as a forum for generating concerns and ideas of development. But the structure is not adequate for producing agreements. Specific negotiations should be based on a collective bargaining process at a regional level. Operational structures of the UN system should be reconverted into regional development agencies or enterprises. (Renninger, 1987:90)

In a special report for the 1985 UN Anniversary, the Joint Inspection Unit of the UN proposed transformation of the UN system into a European community style decision making body based on the structure of commissions and councils. (United Nations, 1985:52) In its view, an expansion of this type of structure on a global scale could require the establishment of two or even three commissions. Commissions will include people who were chosen by national governments but act in accordance with the interests of the community. Though this proposal indicates that consensus can be more easily reached in the structure of councils and commissions, this approach may not solve the North-South problems. Unlike the European Community, economic disparities between poor and rich countries in the world would make it difficult to reconcile different views on economic development strategies and redistribution of global wealth.

Some believe that the best hope for coordination can be found at the country level. They suggest the use of Country Strategy Note (CSN) voluntarily created by recipient countries.¹⁷ It should identify programs which are compatible with the country's development needs. It can facilitate a coherent approach by identifying plans and priorities which are unique for a specific country. (the Stanley Foundation, 1995:27) The CSN can strengthen the status and capacities of the UN resident coordinators who coordinate policies at the sectoral as well as the project level. On the other hand, the CSN may not represent the needs of people by too heavily relying on the government

for identifying development goals.

The Need for New Institutional Arrangements

The recognition of human need oriented development at various international fora generates demand for more radical reform than the creation of a more efficient system. While the Economic Security Council can be organized to seek to design a global policy framework in all key economic and social areas, it will be very difficult to create such a body given the objections to a more centralized UN system. It is politically unrealistic to expect Western industrialized countries to pay more attention to the elimination of poverty in Third World countries than the maintenance of the international economic order based on principles of free market economies. Most importantly, the creation of a new central organ would address only the interests of government elites and international economic bureaucrats.

There is fairly general professional, governmental and popular consensus within Third World countries that the relative influence of the IMF and the World Bank, particularly the latter, has grown too large. How to address the imbalance in decision making power between different regions of the world has not been seriously considered in most official UN proposals. Despite the need for a policy framework to promote basic human needs, there is little agreement as to what should or can be done about it. For example, should Third World governments seek to reform the ECOSOC or to strengthen a regional policy making framework such as the UN Economic Commission for Africa or Latin America? How should they press for more diversified sources of external assistance while somehow still seeking to minimize dependency and improve aid coordination? In what ways should they improve various forms of South-South exchange and cooperation within the UN system?

In considering problems with and opposition to the current role of the Bretton Woods

Institutions in the Third World, human development is likely to be best served when no single foreign source of ideas and finance has disproportionate power; and indigenous technical capacity is built to the point where genuine policy dialogue, based on mutual respect, takes place between external donors and local policy makers, and where development programs are fully and unambiguously locally constructed. The reduced role of the IMF and the World Bank, larger influence of UN technical agencies, and economic integration and cooperation within the South will remain the major agenda for the reform of global economic governance.

In pursuing global policies to deal with economic insecurity such as deteriorating living standards and a lack of social welfare, in the views of the Vice Executive Director of UNICEF Richard Jolly, various UN technical agencies are more appropriate to the development of programs since they are multidisciplinary and already concerned with a variety of the broader, but often neglected, areas of development such as women's concerns, children's needs, urban problems, environment, etc. The common element among UN technical and regional agencies is their human focus and concern which are certainly "less distinctive" in the World Bank and the IMF. It would be helpful "to bring the U.N. agencies together in support of some form of special and coherent commitment to the human dimension of economic development, not merely as short term, stopgap arrangement, but as a means for strengthening long-term survival and development on a new basis." (Jolly, 1985:395)

On the issues of satisfying the basic social and economic needs of the poor, there has been discussion on the role of WHO, UNICEF, ILO, and other UN agencies and the ways for more effective international collaboration with other international groups. One of main issues in this area has been the lack of a clear definition of links between development agencies of the UN and the

Bretton Woods Institutions, and their respective roles. In considering financial power of the Bank and the Fund, perhaps, a merger of development programs would not be desirable nor necessary. (Jolly, 1985:395) The discussion of cooperation should focus on institutionalizing the human development issues in macro-economic planning.

More active involvement of UN agencies in the development of Third World countries should be related to strengthening a democratic process in economic policy making and local capacity to manage economic programs. More specifically, efforts need to be made to recognize sustainable development initiatives and to involve diverse cultural and ethnic groups in the formulation and implementation of community projects. The participatory decision making process can facilitate open and efficient communication between development agencies and local groups engaged in promotion of basic human needs projects. In this context, it is essential to redefine the relationship between international financial institutions, UN technical agencies, and grassroots development groups. Non-government organizations should be strengthened given the fact that they are more actively involved in the human aspects of development than governmental or intergovernmental agencies.

New Roles for the UN Agencies and Regional Institutions

The current systems for development coordination are compartmentalized. To avoid duplication and overlapping, various agencies need to have greater collaboration. The relationships between UN Special Agencies vary, and cooperation is often based on individual and ad hoc relationships. Effectiveness has been a major concern in the discussion of reform. Yet the efficient management of the UN economic system should be considered in the context of the creation of a more participatory process. Especially, the consultative process can emerge more easily on a regional

basis. Specific development issues such as food and health should be coordinated by relevant UN technical agencies. Initiatives for development planning can be led by UN regional Economic Commissions, given the fact that each region has its own set of economic problems. The voice of NGOs would be represented better in a regional planning process. To give more impact on policy making, NGOs may organize a consortium or a network on a regional basis. They can interact with each other as well as with regional Economic Commissions.

In the areas of establishing an appropriate framework of development aid coordination, we may suggest different roles for the UNDP. One approach is that since UNDP has more technical expertise on economic planning and project development, UNDP offices can play a key role in identifying development problems in certain countries, allocating resources, linking projects of various UN agencies to the overall planning. This approach may guarantee efficiency in resource allocation but may create an undesirable bureaucratic process with concentration of more planning and decision making power at one or few offices. In addition, it is not politically feasible given the fact that other UN agencies will not sacrifice their perceived missions and roles for better aid coordination.

The UNDP can engage in the policy dialogue on employment, poverty, human resources development which can be neglected because of the focus on crisis management and financial imbalances. The UNDP can cultivate its special relationships with the planning ministries in developing countries and work as a major funding agencies for technical assistance. The UNDP may also assist in reducing the institutional divide between the Finance Ministry, which negotiates with the financial institutions, and the Planning and sectoral ministries, in order to reintroduce in the dialogue concerns about the real economy and society; to mobilize the energies and thinking of the

UN specialized agencies in order to bring co-ordinated analysis and advice to the developing countries.

An alternative role for the UNDP puts stress on communication rather than planning activities. The UNDP currently has a resident representative system in many countries and has organized many Roundtable Meetings designed to coordinate development assistant programs of various donors. It also tries to help economic planning ministries of Third World countries build indigenous economic planning capacities through its technical aid program. Thus UNDP is in a good position to develop communication networks to link various UN and government agencies. They also need to extend their relationships to grassroots development groups. By actively organizing Roundtable Meetings in developing countries and utilizing the system of resident representatives of its own or other UN agencies, UNDP can gather information about aid programs of various UN agencies and provide analysis of economic necessities of specific countries. In addition, it may identify similar projects initiated by different agencies to help avoid any waste of resources, and improve communication among agencies which may intend to develop common projects. In this approach, while UNDP needs to be more active in promoting communication, aid planning should be made at each agency but in consultation with other agencies. Most importantly, however, if necessary, other UN agencies should also play a leading role in their areas of concern, as UNICEF did in the area of programs to reduce social impact of government austerity programs on the poor.

With respect to regional coordination, few reform proposals in the past emphasized strengthening the regional economic commissions. The UN can still remain as a forum for generating concerns and ideas of development. But the structure is not adequate for producing agreements. It is very difficult to reach consensus at a global setting, no matter whether discussion is made at the

Council, Committee, or Parliamentary structure. Thus, specific negotiations should be based on a collective bargaining process at a regional level. Operational structures of the UN system should be reconverted into regional development agencies or enterprises. (Renninger, 1987:90)

The UN Economic Commissions for Africa, Latin America, and Asia should participate more in economic planning. The regional Economic Commissions have special knowledge and focus on the specific regions of the world and can share planning functions with UNDP. The role of regional banks such as African Bank in financial mobilization needs to be strengthened especially in considering that Bank/Fund loans have strict conditions which may actually have a negative impact on poor regions of the world. In addition, self-reliance can be achieved only by the increased lending activities of the regional banks rather than external funding.

In the context of economic policy reform in Third World countries, another important dimension is regional cooperation and efforts to build an economic community. For example, the OAU (Organization of African Unity) summit, which took place in Abuja, Nigeria, from June 3-5, 1991, proposed the idea of an African Economic Community. Reflecting experiences of existing West African and South African Economic Communities, African countries gradually recognize the need for regional self-reliance which requires utilization of indigenous technology and exchange of resources within the region. The OAU proposal envisions, within the first quarter of the twenty first century, the eventual creation of a free trade area in the region, which will be developed from existing regional economic communities (West Africa, June 1-30, 1991:10152-4). The influence of regional agencies will grow if current efforts to build mechanisms for regional economic cooperation such as African Economic Community are realized.

Another issue for the future reform, perhaps, the most important, is participation of local

NGOs. One of the most ignored concerns is the involvement of NGOs in economic policy making within the UN system. NGOs should be part of a consultation and decision making network. NGO liaison offices of UN agencies should gather information about indigenous, home grown NGO projects. It is desirable for UN agencies to avoid initiating any programs or projects in the areas where NGOs are actively involved. It is also desirable that NGO projects be supported or complemented by UN agency programs. Consultative policy making mechanisms need to be built to strengthen the ties of the UN to local NGOs.

The most complicated issue is how to define relations with the World Bank and the IMF. About twenty seven years ago, one of the most influential UN study on reform for international aid coordination suggested that UNDP should be more engaged in preliminary research and initiation of development aid programs, while the World Bank take a lead in formulation of programs. (UN, 1969) The introduction of structural adjustment, which emphasize devaluation of currency, removal of price controls, and elimination of government subsidies to basic necessities, placed many UN agencies in odd relationships with the Bank since the early 1980s. Given their interest in human development, some of the most important UN agencies, including UNICEF, ILO, WHO, and UNCTAD, criticized either directly or indirectly various aspects of Bank/Fund sponsored adjustment programs and showed concerns about the increase in Fund and Bank influence. The most vivid and direct criticisms have been so far made by Economic Commission for Africa, and the World Bank even had to issue an internal memorandum to defend their policies. Though UNDP cooperated with the Bank on the production of a document in support of structural adjustment in 1989, its annual reports on Human Development clearly point out problems with human dimensions of Bank/Fund adjustment programs. Overall, as many UN agency officials argue, any cooperation with the Bank

should not be made by its terms, and their financial support on UN development projects should be carefully reviewed.¹⁸

The reform may start with promoting cooperation between UN agencies involved in basic human needs projects and building coalitions with government agencies and local groups interested in human need issues. One interesting example is the role of UNICEF in the formulation of programs to mitigate the social impact of structural adjustment in Ghana. Structural adjustment programs based on macroeconomic balance often sacrificed the needs of the poor and the vulnerable in society. Since the beginning of structural adjustment in Ghana in 1983, UNICEF conducted research on human welfare conditions in Ghana in cooperation with University of Ghana. This research was soon supported by the ministries of health and education, but was ignored by the World Bank and the ministry of finance. But later the impact of adjustment policies on the economically marginalized groups became clear, and the significance of UNICEF research was recognized even by Bank officials. Subsequently, a program to deal with the negative impact of structural adjustment in Ghana was launched in 1987. Given the small budget of the program and its complementary nature to orthodox adjustment programs, the program may be considered insignificant, but UNICEF study has some impact on policy orientations of the Bank and Fund.¹⁹ Even though they did not produce any tangible outcome, UNICEF efforts also helped hold meetings among some UN agencies, including WHO and ILO, to discuss the impact of liberal economic reform on the urban and poor populations.

Conclusion

Reform in UN social and economic activities has become an important issue over the last several decades. More than a decade ago, a UNITAR study by Martin Hill (1978) warned of the danger of the UN being by-passed and rendered ineffective. Currently, the Bretton Woods

Organizations are perceived as being the places where the real action takes place, and the United Nations, in the economic sphere, is left with the management of residual functions. In addition, no one can ignore "the significance of the rapidly growing importance of the OECD, the tendency of the EEC to take independent action. This trend seems to have been intensified with the Western economic summits and the preference of some donors for bilateral rather than multilateral development assistance." (Renninger, 1987:99-100)

The reform of the UN requires efforts to build consensus on the management of global economic issues. States cannot take joint activities in the fields in which they are not able to agree. Economic cooperation would not be brought about by action programs devoid of any substance. On the other hand, independent national strategies in the economic and social fields cannot be effective without taking into account the strategies, methods, and principles accepted by other countries. The principle of reciprocal support at the UN can create the need for a solid world political framework that has to be built.

The role of the UN is to organize an international debate that would allow the North and the South to explore, jointly, their differences in perception and to find a common ground at a time when there is no international consensus on development and the working assumptions about the nature of the world economy. International economic decision-making toward the next century will require, without doubt, much broader vision. (Jolly, 1995:191) UN agencies need to be brought together in support of some form of special commitment to the human dimension of development not merely as short term arrangement but as a means to strengthen long-term survival of the poor. The inclusion of NGOs in the policy making and implementation would be especially beneficial in the periods of economic deterioration in many parts of the world.²⁰

Notes

1. The author wishes to thank members of the IPRA (International Peace Research Association) Global Political Economy Study Commission for their support in preparing this paper. The valuable comments from Miles Wolpin (State University of New York, Potsdam, US), Imtiaz Ahmed (University of Dhaka, Bangladesh), Imre Levai (Hungarian Academy, Hungary), and Rainer A. Ibana (Manila University, Philippines) on an early draft of this paper especially need to be recognized. The preparation of the final draft was helped by the comments of Chadwick F. Alger (the Ohio State University, US) and Martin Rochester (University of Missouri-St. Louis, US). However, the views expressed in this report do not necessarily represent all the comments of the reviewers.
2. The emphasis on economic cooperation in the UN Charter reflects, in part, learning from mistakes of the League of Nations. The League Covenant contained only a single reference to economic affairs. The intellectual hegemony of liberal economics since World War I led to the rejection of any regulatory role of economic institutions. It was also believed that welfare would be optimized by the free operation of international markets.
3. In addition, the United Nations Capital Development Fund was created under the auspices of the UN General Assembly in 1966 and has become fully operational since 1974. It has been administered by the UNDP. The Fund supplements other sources of capital assistance for the least developed countries by offering grants and loans on concessionary terms.
4. UNDP has a consensus rule at its governing council. 45 industrialized countries, and 50 developing countries are represented in the body. The decision of aid is based on the need of recipients. They calculate the population, per capita GNP, and decide the amount of funding needed for a country. They also use a 5 year plan to estimate the medium and long term needs of

the recipients.

5. This view is shared by a report presented to the Second Committee of the General Assembly. Due to "a consequence of the shortcomings of the United Nations system, the World Bank group and the regional development banks have become more prominent, in the field of technical assistance, than was the case when the present system conceived. There are, thus, clear tendencies of a marginalization of the United Nations." (United Nations, 1991:2)

6. The Charter of Economic Rights and Duties of States adopted by the UN later in the year helped Third World countries extend the scope of the NIEO. This document includes, in detail, the principle and practices needed to implement the NIEO.

7. In his comments on this paper, Miles Wolpin, Professor, State University of New York, Potsdam, suggests that the UN system itself is comprised of nation-states which are represented by government elites. The economic interests of people are not well represented by a system which does not lend significance to the welfare of grassroots people. The NIEO can be criticized for a lack of dramatic structural change which is necessary to deal with poverty and inequitable distribution of wealth in the world. The comments were received in August 1994.

Similar views about the structure of the UN are suggested by other scholars. "As the United Nations attempts to deal with global problems, there are contradictions between its basic structure and the tasks it is called upon to perform. It is fundamentally a union of states founded to preserve the system of states. Its relationships with the peoples of the world are normally carried out through state officials, who naturally wish to preserve the prerogatives of states, including their own positions in the state system." (Alger, 1995:27)

8. In the international financial institutions, ministers of commerce and finance are represented, and the use of technical language by them contributed to their reputation as serious institutions. This can be compared with the discussion of broad economic issues at the General Assembly by representatives of governments who do not have deep economic knowledge.

9. Though the Bretton Woods institutions are associated with the ECOSOC under the terms of Article 57 of the UN Charter, the relationship is mostly symbolic. The institutions are not subject to substantive coordination at the ECOSOC or the ACC meetings. Their link is limited to occasional appearance of their chief executive officers before ECOSOC and their participation in some other meetings. (Adedeji, 1995:70)

10. Development, defined as the full development of individual human potential, can only be achieved by "a highly decentralized global policy process." (Alger, 1990: 167)

11. In the views of Imre Levai, Senior Researcher, Hungarian Academy of Sciences, Hungary, the "political difficulties inherent on the (long) existing and 'amortised' system" should be more explicitly recognized. "We may speak of development in general but the newly emerged world

develops in a particular way and even the questions relating to the paradigms are not asked." The present UN Economic System needs to take into consideration pragmatic aspects in this context. These comments were offered by Dr. Levai on October 1994.

12. In his comments on the early draft of this paper, Imtiaz Ahmed, Professor, University of Dhaka, Bangladesh, points out that it would be unwise to "take a positivist approach (i.e. isolating 'economic system' from other systems) in the understanding of the problem at hand. A more holistic and dialectical approach would be better." In this connection, we need to ask to what extent the UN economic system has served and failed. His comments were received on November 1994.

13. ECOSOC's failure can be attributed to complexity of issues, inadequate size, resistance of the specialized agencies to give up their autonomy, the shift of major discussion to UNCTAD, the General Assembly's Second or Third Committee, and the Group of Seven, etc. (Rochester, 1993:138-139)

14. The report was jointly prepared by the governments of Denmark, Finland, Iceland, Norway, and Sweden.

15. The most recent efforts to strengthen the leadership capacity to streamline and rationalize development activities led to the creation of the Department for Policy Coordination and Sustainable Development, the Department of Economic and Social Information and Policy Analysis, and the Department of Development Support and Management Services within the UN Secretariat. This resulted from the consultation of the Secretary-General with a panel of independent high-level advisors in 1992.

16. Similar proposals were also made by the US World Federalist Movement. They call for the creation of "an Economic Security Council reorganized out of the current UN Economic and Social Council" which would coordinate monetary stabilization and trade programs as well as development programs. This body would also assist nations with non-military economic conversion and support the role of women in development (Allen, 1991:87).

17. The CSN was adopted in General Assembly Resolution 47-199 in 1992 which is intended to create a demand oriented method of coordination. It describes a recipient country's expectation of the role of the UN agencies in development. It is to be used to evaluate how the UN projects help to satisfy the country's development needs.

18. Interviews with WHO officials in Geneva in July 20, 1990, and UNICEF and UNDP officials in New York, December 19, 1990.

19. Interviews with a high IMF official, Washington, D.C., December 12, 1991.

20. There is growing belief that "it is no longer enough to coordinate international organizations. NGOs play a role in filling gaps left by the relative loss of power of the state." (Stanley Foundation, 1995:29)

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