

Theme Paper
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***Southern Perspectives on
Reform of the International Development
Architecture***

**Power Imbalances
and
Development Knowledge**

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Executive summary

This paper discusses reform of the international development architecture within an analytical framework of power imbalances. In Section 1, power is defined as “the ability of human agency to exercise control over its social and physical environment” and power imbalances as “asymmetrical relations of power among persons, institutions or states”. Power imbalances in North-South relations reside in the military and economic spheres and in that of knowledge. Military power imbalances are significant but are outside the scope of the paper. Economic power imbalances are embedded in the operation of global markets and in the ownership and governance of international institutions. We summarize Southern proposals for reform of international institutions to introduce greater representativeness, transparency and accountability; but argue that imbalances in international trade, finance, and technology flows would limit the impact of such reform. Examples are given of net South-North resource flows, the impact of Northern agricultural subsidies and of the long-term decline in the terms of trade for primary commodities. Hence, there is a sense in which the international development architecture is marginal to international development.

Section 2 utilizes the concept of *knowledge hierarchies* to depict and analyze North-South imbalances in development knowledge. The hierarchy is conceptualized both as a set of epistemic/ideological systems, with “international” (Northern) knowledge at the top and “local” (Southern) knowledge at the bottom; and as an institutional hierarchy of knowledge centres with Northern centres in the dominant positions. Epistemically international knowledge in the form of the neo-liberal paradigm claims universal applicability; as such, it plays an ideological role. The dominance of Northern centres derives from their huge resources, their role as international centres of intellectual innovation, their close relationship with funding agencies and from the intellectual socialization of Southern decision-makers. However, the more advanced countries of the South have created important knowledge centres of their own and this opens opportunities for South-South collaboration in training, joint research, and staff exchange. Relative power in the system also shifts over time. The leverage of the South during the era of post-Second World War developmentalism diminished steeply during the era of neo-liberal globalization; but this is itself changing due to a legitimacy and credibility crisis now affecting neo-liberal globalization and the Bretton Woods institutions.

Section 3 argues for a context-specific and locally driven approach to development, with the knowledge empowerment of the South as a crucial element. The epistemic dimension proposes that economic processes are embedded in a specific historical, socio-cultural and institutional setting and that appropriate policies are specific in time and place. Policies must be locally engineered and rely primarily on local initiative. The institutional dimension privileges the role of local centres in generating knowledge, in making it widely accessible, and in evaluation and social learning. Hence, existing knowledge hierarchies must be overturned.

From this follows the implications for the reform of the international development architecture summarized in Section 4. Development cooperation should recognize diversity, accept policy heterodoxy; and support Southern/local capabilities in development knowledge. Multilateral and bilateral organizations should provide complementary resources and collaboration to Southern centres. Regional centres can play an important role. Reform of the system of global economic governance is integral; reaffirming the centrality of a United Nation system in international development; equipping UN agencies as sources of intellectual innovation and pluralism; re-assigning the UN Conference on Trade and Development (UNCTAD) and the regional commissions the roles of think tanks; developing linkages with Southern centres; re-positioning the global role of the World Bank and the International Monetary Fund (IMF) with a focus on the provision of global public goods that support development and international economic stability; providing other needed changes in the international financial architecture; reforming World Trade Organization (WTO) decision-making; and, more generally, addressing the rules and arrangements governing international trade, finance, investment and technology.

Abbreviations and acronyms

BDA	Bilateral Development Agencies
BWIs	Bretton Woods institutions
CIPPEC	Center for the Implementation of Public Policies Promoting Equity and Growth
DAC	Development Assistance Committee
DCE	development cooperation endowment
DKCs	development knowledge centres
ECLAC	UN Economic Commission for Latin America and the Caribbean
ECOSOC	UN Economic and Social Council
IDA	International Development Association
IFI	international financial institutions
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MNCs	multinational corporations
NAMA	Non-Agricultural Market Access
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PRGF	Poverty Reduction and Growth Facility
SDKCs	Southern development knowledge centres
SDRs	Special Drawing Rights
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TWN	Third World Network
UNCTAD	UN Conference on Trade and Development
UNDESA	UN Department of Economic and Social Affairs
WTO	World Trade Organization

Introduction

This paper discusses North-South power imbalances in relation to current issues in the reform of the international development architecture. Section 1 outlines a conceptual framework of power imbalances and summarizes Southern proposals for reform. In section 2, we outline a schema for the analysis of imbalances in development knowledge and discuss these in some detail. In section 3 we argue for the knowledge empowerment of the South as an element in a context-specific, locally driven approach to development. Finally, we summarize what this means for the reform of the architecture.

1. Power imbalances and the international development architecture

Conceptual Framework

Power can be defined as “the ability of human agency to exercise control over its social and physical environment”ⁱ. Power imbalances exist in a social setting, that is, when there are asymmetrical relations of power among persons, institutions or states. A power imbalance exists when *A* has more control or influence over *B*’s behaviour than vice versa. Control may be exercised by the use of superior force, or by economic means, or by control over knowledge and information. Each of these is present when considering power imbalances in North-South relations.

In the sphere of force, imbalances are manifested in the overwhelming preponderance of the military power of the North, headed by a super-power with a global military capability. The willingness and ability to use this power, under conditions that are unilaterally or plurilaterally determined, sets perceived limits on the allowable behaviour of lesser states. It establishes a kind of *framework of customary action* for the conduct of international relations. Furthermore, the fact that these limits can be arbitrarily redefined by dominant powers acts as a disincentive to engage in “risky” state behaviour. Military alliances also render many Southern states dependent on the North for their security, with spin-offs in other areas of their external relations.

Power imbalances in the economy are embedded in the operation of global markets and in the ownership and governance of international institutionsⁱⁱ. Hence, the institutions of international development become *sites of interaction* of North-South relations in certain matters concerning trade, finance and technology. Here power imbalances are manifested, mediated and sometimes renegotiated. But these interactions always take place within a wider system of power that conditions the possibilities, limits and consequences of change.

Power imbalances in knowledge are expressed in Northern dominance in knowledge construction, reproduction and dissemination. We are using “knowledge” here to mean the constructs, assumptions, and beliefs by which people understand and interpret the world around them. In systems of domination, knowledge serves the function of justifying hierarchical relations. It is codified as ideology, as economic or social theory, or as religious doctrine; or it may take the form of “cultural hegemony” in the Gramscian sense.

Historically knowledge domination has been an integral part of North-South relations. Religious and racial doctrines were used to justify conquest and enslavement. Later notions of “civilizing mission” were used to justify colonialism. Today neo-liberal theory is used to justify market-led and corporate-dominated globalization (Bendana 2006). Domination of higher education and of the global media is the means by which a particular view of history and world affairs is reproduced and disseminated. Knowledge renovation serves to interpret contradictions and changing realities, responding to challenges to the hegemonic discourse in ways that maintain existing hierarchies of

power. The devices used include linguistic co-optation, conceptual/theoretical innovation and revision of policy agendasⁱⁱⁱ.

In the real world the military, economic and epistemic dimensions of power imbalances overlap. But which is the most significant? Clearly the use of force most directly impacts on physical behaviour, constraining some actions and compelling others. Economic dependence is also a powerful means of control. The enslaved person is dependent on the master, the worker on the capitalist, the colonial economy on the metropolitan economy. But knowledge may be the most powerful, in its ability to condition routine behaviour without resort to physical force or material sanction. Knowledge operates at the level of internalized assumptions. People behave according to the understanding that they have of their own existential reality. It conditions what they believe to be necessary, desirable, possible and acceptable. The same holds for states. This is why imperial conquest was followed by religious conversion and colonial education. In the words of Steve Biko, “The most powerful weapon in the hands of the oppressor is the mind of the oppressed^{iv}.”

The military dimension of power imbalances is not, of course, within the scope of this paper. Economic power imbalances can be addressed through South-South economic cooperation and Southern solidarity in global negotiations to reform the international development architecture. Our approach points to addressing imbalances in the sphere of development knowledge as one important objective of reform. This is not necessarily a simple matter since it involves challenging existing paradigms and ideologies.

Southern reform proposals^v

As already noted, the scope of reform of the international development architecture will be constrained by the realities of power in the global system. Furthermore the impact of reforms on development prospects will be dependent on the resources available to the “reformed” institutions and on their ability to influence international finance and trade. This is highlighted by reference to data on resource flows to the South (Table 1). It can be seen that multilateral financial institutions have become net *recipients* of financial resources from the South at a level equivalent to approximately one-third of official development assistance (ODA). The United Nations is a marginal player. In 2005 contributions to UN agencies by Development Assistance Committee (DAC) countries were less than five per cent of ODA flows, and resource commitments by UN operational agencies were the equivalent of just 7.2 per cent of ODA^{vi}. Nearly 80 per cent of ODA is bilateral, the bulk in the form of grants. Much of this never actually reaches the recipient country, or makes at best a dubious contribution to development. Examples are tied technical assistance that is overpriced and ineffective, debt relief, administrative costs, non-poverty related flows, and the costs of resettlement of refugees in the North. According to one estimate, such questionable transactions account for up to 60 per cent of ODA (Action Aid 2005:17). Furthermore ODA, even accepting the official definition, is exceeded several times by net South-North net financial transfers on account of lending and investment, which amounted to US\$658 billion in 2006^{vii}.

Table 1. Selected statistics on resource flows to developing countries
Billions of dollars

	2003	2004	2005	2006
A. Net official flows from DAC countries				
I. Official Development Assistance (a)	69.1	79.4	106.8	
1. Bilateral grants and grant-like flows	50.9	57.2	83.1	
of which: Technical co-operation	18.4	18.7	20.9	
Developmental food aid (b)	1.2	1.2	0.9	
Humanitarian aid (b)	6.2	7.3	8.7	
Debt forgiveness	8.3	7.1	25.0	
Administrative costs	3.5	4.0	4.1	
2. Bilateral loans	-1.2	-2.9	-1.0	
3. Contributions to multilateral institutions	19.3	25.1	24.6	
of which: UN (c)	4.8	5.1	5.5	
EC (c)	6.9	8.9	9.3	
IDA (c)	3.1	5.7	4.8	
Regional development banks (c)	1.7	2.3	2.1	
II. Other official flows	-0.3	-5.6	1.4	
1. Bilateral	-0.8	-5.3	2.3	
2. Multilateral	0.5	-0.3	-0.8	
B. Net flows of financial resources by multilateral institutions & IMF				
Total	-18.4	-24	-36.7	
I. World Bank group	-6.7	-3.7	2.5	
1. IBRD	-11.2	-8.9	-2.9	
2. IDA	4.5	5.2	5.4	
II. Regional development banks	-8	-6.6	-1.7	
III. IMF	3	-10	-40	
C. Net financial transfers to developing economies (e)				
Total	-295.6	-346.6	-525	-657.7
I Africa	-21	-35	-63.4	-95.3
1. Sub-Saharan Africa ex. Nigeria & South Africa	6.8	4.5	0.6	-10.1
II. East & South Asia	-170.7	-162.1	-230.5	-222.7
III. Western Asia	-43.3	-69.8	-125.9	194.7
IV. Latin America	-60.6	-80	-105.2	123.1

a) Excluding debt forgiveness of non-ODA claims in 1990.

b) Emergency food aid included with developmental food aid up to and including 1995.

c) Grants and capital subscriptions, does not include concessional lending to multilateral agencies.

e) Equals net capital inflows less net interest and other investment income paid abroad.

Sources: A: <http://www.oecd.org/dataoecd/52/9/1893143.xls>; Table 2; Accessed 28/06/07.

B: United Nations 2007; Table A21. C: United Nations 2007; Table III.1.

In the case of the WTO, there are several issues in international trade that are of major concern to the development of the South, which this organization has been unable, or is not equipped, to address. Tariff and non-tariff barriers, and dumping and product standards, in the North are estimated to cost the South some US\$100 billion per year (Action Aid 2005: 15)^{viii}. In addition, the agricultural subsidies of the North are estimated to cost the South \$42 billion in lost agricultural output annually^{ix}. There is also the matter of the long-term deterioration in the terms of trade of the primary commodity exporting countries, which is not within the WTO mandate. Recent increases in the prices of primary commodities come against a background of falling real prices of non-fuel primary commodities since the 1960s^x, so that “Between 1970 and 1997, the cumulative terms of trade losses for non-oil-exporting countries in Sub Saharan Africa amounted to 119 per cent of the regional GDP in 1997”^{xi}.

In other words, reforms will need to be system-wide if they are to have a significant impact on development^{xii}. Southern views address the bigger picture and not only particular institutions and issues. They are calling for reform of the entire system of global governance to make it more representative of the world community and more capable of providing needed “global public goods”^{xiii}. Veto powers in the Security Council, the powerful role of the G-7 and G-10 in global economic governance, the weakness of the UN Economic and Social Council (ECOSOC), the transfer of much of the development functions of the UN system to the Northern-controlled Bretton Woods institutions (BWIs) and to the WTO — all attest to a system that is based on “outdated political and economic foundations” (Nayyar and Court 2002: vii). A reformed United Nations system is seen as the only legitimate forum that is representative of the entire world community. This framework is especially important to protecting the interests of the smaller and weaker countries.

From this flows the view that the United Nations system should play a central role in the design of the international development architecture. This calls for the establishing an *Economic Security Council*, or, alternatively, a strengthening of ECOSOC as the core institution of global economic governance. ECOSOC would provide a strategic policy framework, assess the state of the global economy, facilitate macro-economic coordination, and secure consistency between the goals of international development and the work of major international organizations, especially the BWIs and the WTO. South voices view the proposal to restructure the UN into the three pillars of development, humanitarian assistance and the environment^{xiv} as one that is likely to lead further marginalization of its development role. For the same reason the view is that UNCTAD should be retained at the very least as a think tank on the interrelationship between trade, finance and development, as proposed by the High-Level Panel on the future of that organization.

Similarly, there are major deficiencies in the international financial architecture from a Southern and development perspective. Besides the problem of net South-North financial transfers, major concerns are the debt burden of the South and the interrelated issues of systemic risk, volatility of private capital flows and the vulnerability of capital-importing countries to external financial shocks. Another part of the South, principally the low and

lower-middle income countries; are effectively marginalized from the flow of international direct investment and from access to private capital markets. Thus, the share of the 10 largest recipient countries in total flows to the South is 70 per cent of bond issues, 70 per cent of bank lending, and 65 per cent in foreign direct investment (United Nations 2007:63). Proposals for the reform of the architecture address all these issues, with IMF reform as one of several components. A summary is provided in Box 1.

Also shown in Box 1 are proposals for the reform of governance of the BWIs. These aim to make the two organizations more representative, democratic and transparent in their decision-making. Buira states the problem succinctly

Sixty years after their creation, the Bretton Woods institutions face a crisis of legitimacy that impairs their credibility and effectiveness. At the root of this crisis lies the unrepresentative nature of their structure of governance, which places control of the institutions in the hands of a small group of industrial countries. These countries consider the developing countries and economies in transition, as minor partners, despite their accounting for half of the world's output in real terms, most of the world's population and encompassing the most dynamic economies and the largest holders of international reserves. (Buira 2005: 1)

Election procedures for the heads of both organizations are widely recognized as being untransparent and undemocratic, an issue dramatized by the controversies around the most recent (2007) appointments^{xv}. Hence, proposals have addressed reforms in voting structures and rules, distribution of quotas and formulas for their calculation, veto mechanisms (especially in the Fund) and election procedures. In September 2006 the IMF Board approved an *ad hoc* quota increase for certain developing countries^{xvi} and adopted a resolution on voice and quota reform. However, the proposed formula has been criticized in the United Nations for opening the possibility of a possible *increase* in the share of the North, with the conclusion that “even if the consolidated share of developing countries (in IMF quotas) is not reduced, the result of the reform could be far from satisfactory” (United Nations 2007: 74)^{xvii}.

On the role of BWIs, Southern thinkers are virtually unanimous in opposing involvement in the determination of government economic policies in the South. They are very critical of the imposition of neo-liberal policy conditionalities, partly on grounds of appropriateness and partly on the grounds of absence of local ownership. The *soft* position on this question would allow the possibility of a role in policy-based lending; but avoidance of the imposition of neo-liberal conditionalities, acceptance of policy heterodoxy, and promotion of genuine local ownership in policy-making. The *hard* position would have the BWIs retire completely from policy-based lending in the South. The IMF would focus on the financing of temporary payments imbalances due to exogenous shocks and domestic policy imbalances. The World Bank would focus on the provision of global and regional public goods; and these would be financed mainly by grants rather than loans. This calls for the strengthening of the role of regional monetary funds and development banks. The argument is that regional institutions have superior knowledge of local conditions, and their members have much stronger representation and influence in their policy-making, than they are likely to have in global institutions.

Box 1. Influential Southern views on IMF reform and reform of the international financial architecture

José Antonio Ocampo (UNDESA, formerly ECLAC) on the international financial architecture

- Secure appropriate representation of developing countries in governance structures in the IFIs and major global fora, including the IMF, the World Bank, The International Monetary and Financial Committee, the Developing Committee, the BIS, and the Financial Stability Forum of the G-7.
- Strengthen the role of regional institutions in the international financial system to take advantage of (a) risk pooling (b) complementarity between world and regional institutions, (c) competition in the supply of services to smaller and medium-sized countries, (d) giving greater voice to small and medium-sized countries
- Ensure national autonomy and “ownership” of policies
- Address the systemic issues: coherent macroeconomic policies of major industrialized countries, adequate prudential regulation and supervision of financial activities, and adequate capacity to respond to financial crises in the industrialized world
- Allow greater room for anti-cyclical policies in the developing world
- Compensate low income countries for the high concentration of private capital flows in emerging market economies by means of increased ODA and multilateral lending and by generating mechanisms for more active participation in private capital markets. Efforts to accelerate HIPC should not crowd out new ODA financing...

Source: Ocampo (2001)

Ariel Buira (G24) on the IMF

- Restructure the Executive Board to increase representation of developing countries
- Revise quota formulas to reflect PPP-based GDP and external vulnerability
- Restoring basic votes to their original function and preserve their role in decision making

Source: Buira (2000) pp. 237-238.

Yilmaz Akyuz (formerly of UNCTAD) on the IMF

- IMF should transfer development policy/poverty alleviation to World Bank
- Focus on macroeconomic and exchange rate policies; withdraw from trade policies.
- Role in crisis management should focus on orderly workout mechanisms for sovereign debt, including temporary debt standstills and exchange restrictions.
- Lending should be to finance temporary current account imbalances due to external shocks and domestic policy imbalances; with greater automaticity in the former and confinement of conditionality to macroeconomic and exchange rate policies in the latter.
- Increased IMF resources in line with growth of international trade. Make access to Fund resources based on need.
- Increase technical ability to prevent emerging market crises.
- Governance reforms on selection of head, distribution of voting rights, transparency and accountability.
- Fund should cease to be a member-financed institution and rely on SDRs for resources.

Source: Akyuz (2005)

Southern writers recognize that greater financial independence for the BWIs is a precondition of their achieving greater policy independence from the North. Accordingly, some writers propose means of financing BWIs that do not rely on Northern governments and capital markets. One suggestion is for the IMF to use new issues of Special Drawing Rights (SDRs) to finance its lending. Similarly, a “development cooperation endowment” (DCE) has been proposed, that would be funded by innovative financial mechanisms such as a tax on international currency transactions, taxation of the international arms trade, a carbon use tax, a tax or voluntary contributions through credit card transactions, and voluntary contributions from governments and private foundations. The DCE would take the place of the World Bank’s International Development Association (IDA), would be located in the UN and would be supported by an independent professional staff.

Turning to the WTO, it is argued that the “single undertaking” character of the agreement should be changed, as it has considerably constrained the South’s room to manoeuvre in development policy. The principle of Special and Differential Treatment has been seriously diluted and needs to be strengthened by making its provisions binding, easy to monitor and legally actionable. WTO decision-making should cease to rely on the practice of reaching an agreement among the largest countries (including those of the South) and presenting it to the rest for ratification; which is undemocratic. There is considerable apprehension, for instance, that the North and the major developing country players will *strike a deal* on the Doha Round that fails to address the concerns of the smaller and less developed countries^{xviii}. Reforms should aim at strengthening the position of the smaller and poorer members in consensus building and decision-making, perhaps by making better use of groups and coalitions of countries.

With regard to Bilateral Development Agencies (BDAs), issues of ownership, conditionality and aid dependency apply with especial force. South countries have no formal involvement in the governance of these organisations. They are accountable only to ministries, parliaments and ultimately to the taxpayers that support them; and are tools of national policy. BDAs operations show a mixture of multilateralism and bilateralism. They collaborate with the BWIs and other IFIs in the provision of financing, technical assistance and policy advice. Together they function as a creditor’s cartel in the Paris Club, and as a donor’s cartel in the Development Assistance Committee (DAC). BDAs, in effect, *outsource* much of their diagnostic and policy prescriptive work to the BWIs. This can result in so-called *Worldbankification* of bilateral assistance^{xix}. The rationale is the avoidance of duplication of work among agencies and the maximization of inter-agency synergies. The effect is to increase donor leverage over recipient policies beyond the degree permitted by the actual amount provided. Cross-agency synergy in theory becomes cross-conditionality in practice.

But BDAs also work strictly on a bilateral basis, negotiating grants, concessional loans and technical assistance with Southern countries. Here they operate as instruments for the achievement of the national objectives of donor countries and of inter-state competition for influence in the South. There may be a special political relationship with the recipient, or the donor may wish to commit more resources than is possible multilaterally, or it may be seeking a strategic advantage *vis-à-vis* another donor, or the project may be politically

important. Bilateral arrangements can enhance the opportunity for exercising leverage over national policy-making. Donor priorities are supported and other areas, by implication, are discouraged. Donors do not actually tell recipients what to submit. They provide signals to recipients by indicating donor policies and priorities, and by providing assistance for technical studies in their preferred areas. Recipients read the signals and act accordingly. On the other hand, bilateral arrangements can increase recipient country leverage by promoting competition among donor agencies in the supply of assistance.

The power relationship therefore depends on several factors, which vary from situation to situation and from time to time. The recipient's bargaining position is conditioned by its geo-political and geo-economic importance; and its economic circumstances including debt, trade dependence, export concentration by product and market, preference dependency, international competitiveness, state of fiscal accounts, attractiveness to foreign investment and the quality of public institutions. Much of this is outside of the government's immediate control. Nonetheless governments can enhance their bargaining position by strong internal cohesion and commitment to sovereignty in the management of the aid relationship, including a willingness to reject aid where the conditions are incompatible with local needs and priorities. Also important is the degree of social consensus and political support for the negotiating position of the recipient government. Sharp domestic divisions weaken its position *vis-à-vis* the donor; but domestic unity strengthens its hands. This signals to the donor that an alternative regime is unlikely to adopt a different position, while an agreement based on the government's position is likely to be durable.

The experience of Vietnam shows the value of internal cohesion and insistence on sovereignty. Vietnam has sought to manage its relationship with 50 separate donors by drawing up the Hanoi Core Statement on Aid Effectiveness, which calls for harmonization and simplification of donor procedures, respect for the country's sovereignty, and a unified institutional arrangement for aid management (Nguyen *et al.* 2007: 5). Not all donors conform to the HCS but it provides the government with a sound negotiating platform and powerful management tool in the aid relationship. Indeed, Vietnam abandoned an IMF Poverty Reduction and Growth Facility (PRGF) in 2002 after the Fund demanded changes in the accounting and auditing standards of the State Bank that were incompatible with local laws. In contrast, the Bolivia experience pre-2006 shows how domestic instability and disunity can lead to a situation where the development effort is largely donor-driven with a high degree of external control (Barja 2007). The new administration that took office at the end of 2005 places a high premium on the regaining of national sovereignty and the adoption of communitarian values to guide development. This has signalled moves to forge a new kind of relationship with the donor community.

The donor's bargaining position, in the first place, is conditioned by the amount of resources it can commit. The leverage can be multiplied by the provision of technical assistance for problem identification and policy advice that is linked to funding; and by the political and military clout of the donor; and as noted, through cross-conditionality. However, BDAs from smaller countries may be able to derive leverage from their

relationship with the NGO community, from their willingness to support initiatives not supported by the larger donors, and even from their moral authority due to being untainted by political association with dominant powers.

Power imbalances with BDAs are therefore greatest where the donor is economically and politically powerful and where there is close cross-conditionality with other BDAs and with the IFIs, on the one hand; and where the recipient is small, heavily indebted, has a fragile economy, has poor administrative capabilities and is of little strategic value on the other hand. The converse also holds. In fact many writers, especially from Africa, believe that the fundamental answer to *aid dependency* is to give priority to efforts for indigenous development, for the mobilization of internal resources, and for local involvement in development (Morton 2005: 10). The main issues for reform are conditionality, imposition of neo-liberal policies, cross-conditionality with the IFIs which results in a highly asymmetrical relationship, and the need for local ownership in program design and implementation.

One subject that has largely escaped the attention of reformers is the growing role of private foundations in funding development-related activities. Recently estimated at around \$3 billion annually^{xx}, this trend was dramatized by the announcement of a \$31 billion gift from Warren Buffet to the Gates Foundation, which already commands resources of \$33 billion. Table 2 shows indicative information on the activities of some of the better-known foundations. Health, education^{xxi}, agriculture, the environment, peace and security, and information technology feature prominently among the subject areas supported. There are, however, issues of transparency, accountability, and priority setting. For example, the major foundations support projects in their own home countries as well as in the South; and it is not always easy to separate the two in their reports. And foundations are accountable solely to their respective boards. Hence, their priorities for giving to the South are those that they themselves determine as the most useful and appropriate. In that sense foundation support for development is essentially paternalistic^{xxii}.

Table 2. Private Foundations¹ in Development: Indicators

Foundation	Assets	Annual Grants	Main areas
	(\$ B)	(\$ B)	
Gates	33-60 ²	3	Small farmers/agriculture; financial services; information
Ford	11	0.5	Economic development; community and resource development; media, arts and culture; human rights; education, sexuality and religion; governance and civil society
Macarthur	6	0.225	Sustainable development; human rights; peace & security; migration; population
Rockefeller	3.5	0.109	Health, agriculture; environment; innovation
Carnegie	2.5	0.09	Education; peace; development; democracy

1. Information sourced from the websites of the respective foundations.
2. The Gates Foundation has total assets of \$33 billion. In June 2006 Warren Buffet pledged an amount then valued at \$31 billion to the Gates Foundation, to be effected over a period of several years.

Another subject that needs to be addressed is the role of new and emerging donors from the South. Several countries — notably China, India, Brazil and Venezuela — are rapidly expanding their development cooperation to a level comparable with that of many Northern donors^{xxiii}. Social, cultural physical and industrial infrastructure projects are supported; as well as scholarships and the supply of health and education services. Such cooperation is usually tied to the provisions of donor country goods and technical services and questions arise about the suitability of technology and the degree of knowledge transfer to host countries. However, they are not conditioned on the adoption of the policies favoured by the Washington-based financial institutions and are not coordinated with the programs of the Northern donors through the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD). To that degree they have increased the policy space of the South and its room to manoeuvre *vis-à-vis* the North. For that very reason, efforts will be made to bring these new and emerging donors into the OECD DAC fold. The probable effect of such a development will depend on how far the new donors use their clout to secure changes in the policies and practices of DAC member countries, as compared to how far they go along with the already established existing framework.

Reviewing Southern reform proposals, we would list the following as the most significant:

- (i) Strengthening of the development role of the UN system and its role in global economic management

- (ii) Re-engineering the BWIs to perform responsibilities in the promotion of global financial stability and the provision of global public goods; disengage them from determination of national policies in the South; and securing greater financial independence from Northern government and capital markets
- (iii) Re-engineering of the WTO in support of development
- (iv) Re-alignment of BDAs to support locally designed and implemented development policies strategies free of neo-liberal conditionalities
- (v) Strengthening of regional commissions and regional development banks strongly oriented towards catering to their principal constituencies in the South.

2. Knowledge hierarchies in international development

A schematic representation

Power imbalances in development knowledge can be discussed within a conceptual framework of ‘knowledge hierarchies’^{xxiv}. Here these are conceptualized as a set of epistemic/ideological systems, with so-called international (that is, Northern) knowledge at the top and so-called local (that is, Southern) knowledge at the bottom. They can also be conceptualised institutionally, with Northern knowledge centres in the dominant positions. We consider each in turn, and then the relationship between them.

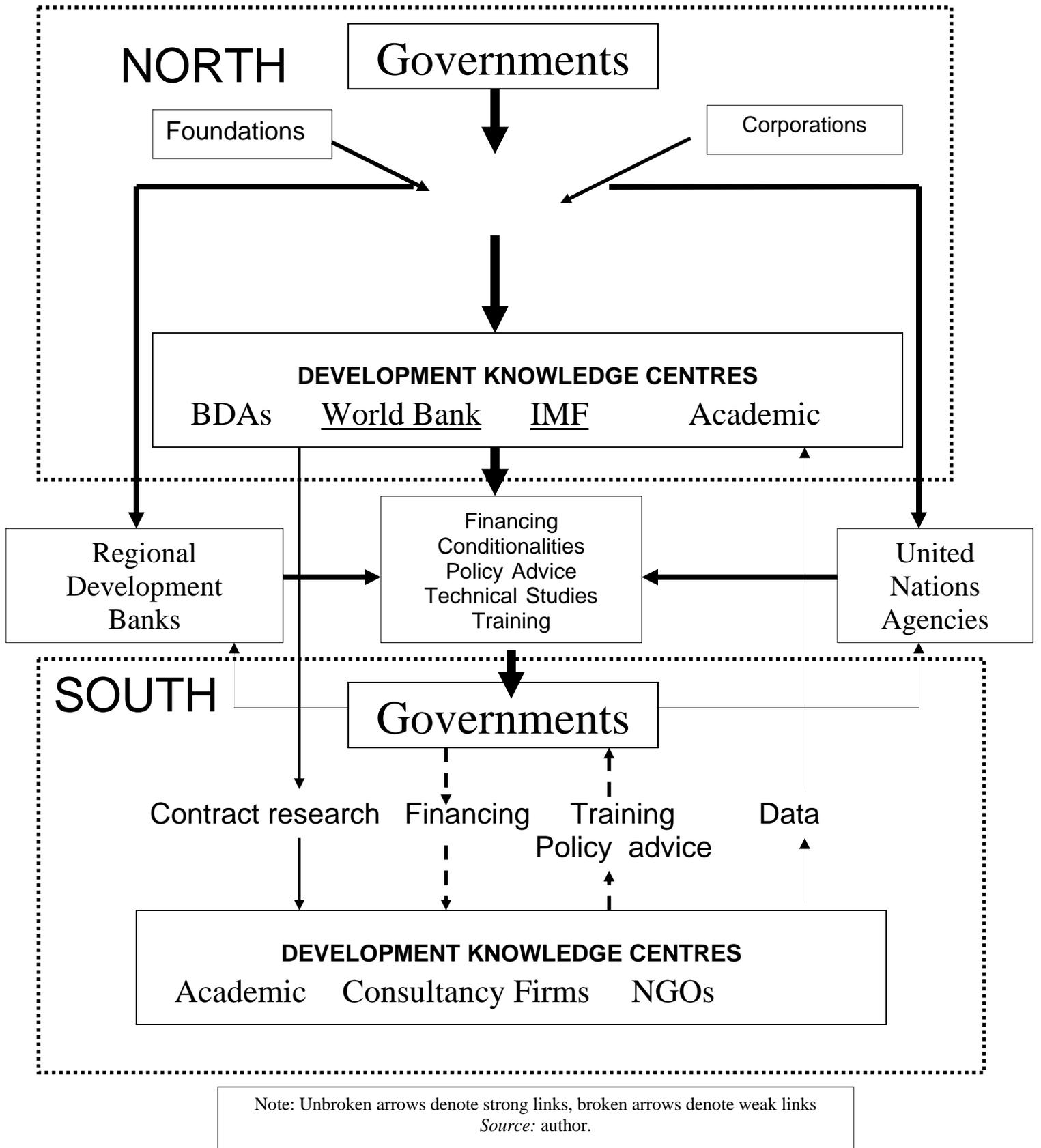
Considering first the epistemic/ideological dimension, we argue that international knowledge, in the form of the neo-liberal paradigm, claims universal applicability. Markets are, everywhere, the best form of organizing economic life. Free markets will lead to the optimum allocation of resources, in individual countries and in the world as a whole. Optimum resource allocation will maximize human welfare. Free markets will also maximize economic growth and poverty reduction. If some countries are left behind, it is because their policies are wrong. They need to open their economies fully to the influence of global market forces, allow domestic markets to function freely, and to remove market imperfections by means of policy and institutional reform. If they still do not grow, it is because their governance needs to be improved — made more democratic, transparent, efficient and non-corrupt — in a word, more Western. This is a package: markets and “democratic” systems go hand in hand.

It hardly matters that this is a highly idealized version of the Western experience that is largely contradicted by the historical record (Chang 2004)^{xxv}. To a significant degree international knowledge functions as ideology, conditioning the way in which decision-makers view the world and the policies that they follow. This is why neo-liberal policies are often followed even when direct institutional influences are absent, or when empirical evidence points to the contrary^{xxvi}. Today the economists who staff the ministries of finance, development cooperation, and trade, and central banks, in both the North and the South, are largely those who have been trained since the neo-liberal revolution in economics of the 1980s. Lacking an alternative frame of reference, many become prisoners of their training and unconscious purveyors of an ideology the purpose of which is to privilege particular interests at the expense of others.

Within this ideological system, the main role of local knowledge is to tell decision-makers what it is in the local situation that needs to be “corrected” in order to allow the world of optimally functioning markets to operate. Local knowledge cannot be the source of original solutions, since the general answers are universally prescribed. Furthermore, international (Northern) knowledge centres are regarded as inherently superior in carrying out the path-breaking research leading to intellectual innovation. Here, we have the interaction with the institutional system of knowledge hierarchies.

This is represented schematically in Figure 1. At the apex of the institutional hierarchy are the governments of the North. They provide the bulk of the funding for the development knowledge centres (DKCs) in the North and, to a significant degree, in the South. DKCs are the multilateral organizations, universities, research institutes, think tanks and other academic centres that undertake development knowledge research, advisory functions and technical assistance. Hence, for the most part, it is the Northern governments that set the research and advisory agendas of these organizations. They control the governance of the multilateral and bilateral organisations and are highly influential in that of the academic centres. Also located near the apex of the system are the large multinational corporations (MNCs) based in the North. They exert an influence indirectly, through Northern governments, by means of lobbying and the funding of electoral campaigns; and directly, through funding and research contracts given to DKCs in the North and (less so) in the South. Note should also be taken of the growing role of private foundations in funding development knowledge^{xxvii}.

Figure 1. North-South Development Knowledge Hierarchies



Northern DKCs are the IFIs, the bilateral agencies and the development research and advisory departments of universities and other academic centres. They are pre-eminent in the actual functions of knowledge generation, dissemination and application by reason of the size of their budgets, number of professional staff, access to the “best and brightest” researchers, technology infrastructure, size of libraries and data bases, privileged access to the centres of political and financial power, access to information, and ability to carry out comparative cross-country and cross-country research and advisory functions — their global reach. Not the least of their privileged position is their ability to attract the brightest students and recruit the most talented officials from the South, thereby presenting a Southern face. They constitute a network with synergistic and symbiotic relationships among themselves and with governments, including financing, knowledge flows, training, recruitment and consultancies.

The World Bank and the IMF as Global Knowledge Centres

At the apex of the network is the World Bank — the self-styled knowledge bank — which has positioned itself as the foremost global centre of development knowledge. With a research budget of \$25 million and a research department of 93 researchers plus more than 30 support staff, the Bank has been described as “by far the biggest single group of high-quality researchers in development economics” (Banerjee *et al.* 2006: 11). The actual scale of the Bank’s knowledge production is far greater than these figures suggest. Since the research budget, so defined, accounts for only 11 per cent of the amount spent on analytical and advisory work^{xxviii}, actual research expenditure is in the region of \$225 million and the actual staff engaged in research may be in excess of 800. Furthermore the budget for analytical and advisory *activities* is some \$600 million^{xxix}. A great deal of the Bank’s research is conducted outside of the research department itself, in the six regional units^{xxx}, in six crosscutting research networks^{xxxi} and in the World Bank Institute. This creates an interface between the Bank and development professionals in a wide range of development issues across all the regions of the globe. The Bank’s knowledge output is targeted at academics, policy makers and the general public and is delivered through a variety of modes that include journal articles and books, policy research working papers, analytical tools, policy research reports, data products, the annual Conference on Development Economics, special Flagship reports, and the annual World Development Report. Thus in the eight-year period 1998-2005 “bank researchers and their consultants produced nearly 4,000 papers, books and reports” (Banerjee *et al.* 2006: 5). The fact that the Bank’s knowledge output is closely allied to its policy-based lending and advisory operations also gives it tremendous prestige and influence amongst policy-makers in the South^{xxxii}.

There is considerable evidence that the Bank’s knowledge output is slanted to provide justification for policies that serve the interests of its Northern sponsors. Southern thinkers and development NGOs have long been critical of the bias towards neo-liberal policies, notably trade, investment and financial liberalization, privatization of state-owned enterprises and adoption of user fees in the supply of social services. These criticisms have recently received support from an unexpected quarter: the report on an independent evaluation of the Bank’s research output commissioned by the Bank itself

and conducted by a team of eminent economists drawn largely from prestigious US universities and from the English-speaking academic world^{xxxiii}. The report in effect lambasted the way in which the Bank's research on globalization "was used to proselytize on behalf of Bank policy, often without taking a balanced view of the evidence, and without expressing appropriate skepticism" (Banerjee *et al.* 2006: 6). In its work on globalization, aid and poverty the Bank repeatedly trumpeted its early empirical results "without recognizing their fragile and tentative nature" although the results "appears to have such deep flaws (that they) cannot be regarded as remotely reliable" (53). And in its work on pensions and insurance, the Bank's zeal in promoting funded privately managed individual accounts led to analytical errors "that would be well understood by a first-year graduate student in economics"(58).

Box 2. Power and knowledge in the evaluation of World Bank research

The report on an independent evaluation of its research commissioned by the World Bank corroborated much of the critique of Bank thinking made by economists from the Global South over the years. But the composition of the team of evaluators itself reflects the biases in the system of development knowledge production. Of the panel of four eminent economists in charge of the evaluation, none was from an institution based in the Global South, supposedly the primary constituency for the use of the Bank's development research. Three were from prestigious U.S. universities: Angus Deaton (Princeton, Chair), Ken Rogoff (Harvard), and Abhijit Banerjee (MIT); and the fourth, Nora Lustig, was from the UNDP. Of the team of thematic evaluators that reviewed a sample of 186 of the Bank's research projects: 20 of the 24 were North-based, 19 of these from U.S. and British universities.

According to the Bank, evaluators interviewed 'developing country policymakers, NGOs and other users of Bank research'. It would doubtless argue that it sought to select the best economists for the evaluation, independent of their nationality or location. It is difficult to believe, however, that the South could be so grossly under-represented in competence, authority and eminence in the subject area of its own development. Notably, the UNDP's important study *Making Global Trade Work for People* (Earthscan, 2003); was guided by a group of six "eminent experts in global economic policies, governance, trade and human development", of whom four were from the Global South. The UNDP study also made use of the work of a large number of eminent scholars from the Global South, and reached conclusions on the mixed evidence on the benefits of trade liberalization similar to those of the subsequent evaluation of World Bank research.

One possible explanation for the Bank's one-sided selection is that it was guided by the established canons of eminence in the Northern, Anglo-Saxon dominated economics profession. Another is that management believed that by using the most impeccable sources such criticisms would be more acceptable to the Board, dominated as it is by the US and other Northern interests. Whatever the reason, this exemplifies the way in which power imbalances in knowledge creation operate to devalue and marginalize the contribution of the Global South. One consequence is that knowledge produced by the South only becomes acceptable when it is 'discovered' by the North.

Note: The Report is cited as Banerjee *et al.*, 2006 and is available at [www.worldbank.org\data&research\evaluationofbankresearch\htm](http://www.worldbank.org/data&research/evaluationofbankresearch/htm))

While the evaluators attributed this situation to the absence of checks and balances that should separate advocacy and research, we suggest that the ultimate cause is to be found in the system of power relations within which the Bank operates. Research bias is systemically related to the need to please the Bank's principal governance and funding constituencies. To put it bluntly, management knows whom they need to please, and research staff knows what management prefers to hear^{xxxiv}. The panel concedes as much in quoting Nicholas Stern, Vice President for Research from 2000-2003, who observed that "among researchers there is considerable concern with what superiors will think of conclusions reached"^{xxxv}, going on to add candidly:

To this we would add that the superiors themselves are sometimes under pressure from the Bank Presidency and elsewhere not to say things that go directly against the broad policy line that the Bank is espousing. Stern and Ferreira (1997) give the example of Bank research on debt rescheduling and other ways of relieving pressure on developing countries during the debt crisis years of the 1980s. They suggest that the reason why Bank research lagged behind research outside which had already turned against forcing developing countries to pay everything they owed, is that *the Bank's major shareholders were worried about hurting the banks in their own countries.*

The fact that the Bank values its connections with country governments (often for the very important reason that this is what allows it to have policy influence) also makes it hard for Bank researchers to publish and publicize results from research that the government does not like (20, my emphasis).

The ideological bias of Bank-generated knowledge has to be viewed in conjunction with its global *centralization* of development research if we are to fully appreciate its prejudicial effect on the knowledge-generating capacities of the South. Hence, Devesh Kapur, co-author of an officially sponsored history, poses the question "what has the Bank done in the last half-century to build institutions in developing countries that could help them think for themselves?". He goes on to say, "For the most part, the answer is 'not much'." (2006: 6). He points out that "research is still relatively centralized in the Bretton Woods institutions — and to the extent that ideas shape agendas, centralized control of research is an excellent unobtrusive approach to set the agenda". He speculates as to the possible effect of the Bank reallocating "part of its large transfers from net income (about \$600 million annually over the past few years) to create endowments for centres of learning in LDCs", and argues "that the World Bank should give greater emphasis to financing rather than producing research, in particular, financing developing country research institutions" (2006: 2).

These observations almost certainly apply with equal force to the IMF. Second only to the World Bank in scale of operation and global reach, the IMF is the principal source of knowledge on the relationship between finance and development and of advice on "correct" policies. With a total staff of over 2,700, the IMF's influence on the Global South is indicated by the following data for fiscal year 2005: "surveillance consultations" with 128 countries, 429 person years of technical assistance to member countries, and loans outstanding to 28 countries^{xxxvi}. This is complemented by an extensive publication program of statistics and technical studies and a training program for officials from

developing countries. The IMF's role in transmitting orthodox neo-liberal thinking to finance ministries and central banks in the South is well-known, and has been the subject of much critical evaluation^{xxxvii}.

Other Northern Centres and Bilaterals

The development centres of leading universities in the North play a strategic, if double-sided, role in the network. On the one hand, they are centres of independent intellectual innovation in concepts, theories and applied research; not subject to the political constraints of the IFIs and free to subject the knowledge output of the IFIs to critical evaluation. Their role in undergraduate and postgraduate training in economics gives them enormous power in the reproduction and dissemination of development knowledge. Hence, they produce the high-level professional staff for the IFIs, the bilateral and multilateral development organizations, and the top echelons in central banks and finance and development ministries in the Global South. On the other hand, these academic centres have a symbiotic relationship with donor governments and with IFIs that render their independence problematic. Much of their income comes from research grants and many of their staff opportunities for research, travel and policy involvement come from consultancy and advisory work with these organizations. This limits the degree to which the development knowledge they produce can depart from established orthodoxy.

The bilateral development agencies (BDAs) serve as key linkage institutions in the network. They are responsible for the lion's share of ODA and, as such, contract out research and advisory work to IFIs and the academic centres, while interfacing with Southern governments in loans and policy advice. Hence, the BDAs together with the IFIs are the key institutions by which Northern generated development knowledge impacts policy-making in the South.

Southern governments and centres

Within the hierarchy Southern governments and their agencies are consumers (of knowledge) and implementers (of advice). At the bottom of the knowledge hierarchy itself are the Southern centres. These are planning ministries, quasi-governmental agencies, universities and other research and advisory bodies, and research units attached to industry associations, labour unions, civil society organizations, and the like. We believe that in much of the South^{xxxviii} these centres have significantly less influence on local policy-making than those from the North. This situation can be characterized as one of *development knowledge dependency*. It is a result both of objective and subjective factors. The former concern power and resources; the latter relate to ideology, psychology and culture.

Objectively Northern centres have significantly greater resources than the majority of those of the South. One need only think of the huge research budgets of the IFIs in comparison with the under-funded, under-staffed and financially and institutionally precarious position of most Southern centres^{xxxix}. Secondly, Northern centres have enormous leverage as a consequence of their relationship with their home country

governments and with the IFIs. The World Bank itself is a major subcontractor of development knowledge and competes directly with local and regional centres for research funding^{xi}. Other formal and informal conditionalities give rise to “tied knowledge”. Developing countries routinely use knowledge and technical assistance from metropolitan partners as part of a broader political relationship, including military and security cooperation. This serves as a kind of bonding agent — a sign of its trust and confidence in the relationship. IFI/BDA conditionalities routinely tie development knowledge with loans, technical assistance and trade agreements.

Hence, a developing country may choose to accept offers of studies and technical assistance, and to implement the policy advice thereby generated, because there are powerful incentives on decision-makers for it to do so. The incentive may be the greater probability of a loan approval, of debt relief, or of a trade concession; or the “free” (in financial terms) nature of the assistance provided. In these circumstances, the decision as between external and local sources of knowledge is not taken purely on an assessment of relative technical competence of knowledge providers or the relative quality and value of what they may provide. *Positive externalities* associated with the use of alternative sources play an important part, with Northern centres having a clear advantage.

But what about *negative externalities*? Is there not an opportunity cost represented by the local staff time and other resources deployed to negotiations with external agencies and to data collection on their behalf? It is true that opportunities for local learning may be provided, through local counterpart arrangements and research subcontracting. Yet the functions of problem formulation and research design are normally the reserve of the Northern DKC in its capacity as principal researcher. As one African scholar put it, the new international division of intellectual labour mirrors the colonial international division of labour in production: primary production is conducted on the spot while processing and marketing are carried out abroad^{xii}. Similarly, Kapur (2006: 7) observes that the World Bank *and* Northern foundations have “joined the bandwagon against supporting research institutions in developing countries on the grounds that they were elitist... (but this) has meant that developing country researchers are by and large restricted to data collection and country-specific applied work.” Evidently this restricts opportunities for local learning in high-level research functions, while enabling Northern centres to enhance their international reputation in cross-country comparative research.

There is also the opportunity cost of “roads not taken”: the studies that might have been undertaken, and the policies that might have been implemented, had local centres been utilised. Over the long term, there would be a cumulative process of learning and capability development due to continuous policy evaluation, modification and innovation. These opportunity costs are difficult to quantify, since the counterfactuals cannot be precisely specified. But it is an additional factor to be considered; and it is likely to be given more importance with growing dissatisfaction with the relevance of neo-liberal policies. A possible counterfactual scenario is one that involves local centres in a systematic and coherent manner as the basis for the development of local problem-solving capabilities over time. We would argue that the ‘shutting out’ of this path

constitutes the *most* significant of the opportunity costs of development knowledge dependency.

At the subjective level, ideological, cultural and even psychological factors can predispose decision-makers to the use of Northern centres. For example, it is now a widespread practice for developing countries to appoint, as planning and finance ministers, former officials from the IFIs or executives from the international financial community. This follows from the importance of relations with these organizations in facilitating access to foreign finance. It seems likely that many of these officials will have a world view in which Northern centres are by nature better than local centres because of their superior competence in and access to “international” knowledge. This attitude percolates downwards to other levels in the system, due to the pattern of professional training and recruitment.

One consequence of this is to put pressures on local centres to mimic those from the North by employing the same theories, models, methodologies and recruitment patterns; and by making cooperation arrangements for training and technical assistance that may be financed by Northern governments. The danger with these programs is local assimilation of externally generated models that are inappropriate to the local reality. This is not an argument against cooperation, but against arrangements that are imitative/passive on the part of the local centre. The danger can be avoided, if the local centre has a conscious policy to retain control over the intellectual content of cooperation by engaging in continuous dialogue with the foreign partner over the validity of assumptions, theories and methodologies in the local context, and by conscious selectivity about what is provided. If, on the other hand, they seek to play catch up with the North, operating with a view that defines the state of the art in terms of what is *international* and *universal*, they will always be regarded as second best.

Another factor is the psychological legacy of colonial rule. Colonial education exalted the “civilising” force and devalued the “native”; whether people, culture or knowledge. Individual success required assimilation of the culture and values of the colonizer. The local elites that succeeded colonial rulers, while nationalist in outlook, confronted a formidable legacy in the form of a psychology and culture of local inferiority that imbues the education system and the educated classes. Even in countries that were not formally colonized, this can happen as a result of the hegemony of Eurocentric thinking that accompanied the rise of the West over the past 500 years. Such historically rooted prejudices may operate unconsciously, reinforcing a predisposition that is rationalized by objective factors.

Domestic knowledge hierarchies may also operate to cut off local decision-makers from valuable sources of local knowledge. They consist of differential access of civil society organisations to information, knowledge generation capabilities, public discourse and opportunities to influence government policy. These may interact with domestic power structures and with global systems of power to disempower local non-formal knowledge in concrete country situations. Consider the following account of the post-Tsunami relief effort in Sri Lanka provided by Rajasingham-Senanayake,

... post-Tsunami UNICEF advertisements in Colombo were aired where family members, relatives, kinship networks, religious networks, local business and civil society groups had worked round the clock from the moment the disaster struck in an unprecedented effort of giving and coordination across ethnic, religious, class and caste lines. One could not but be amazed at the scripted and casual manner in which the celebrities suggested in hushed tones that UNICEF best understood the needs of child victims of the Asian Tsunami disaster and was therefore best able to address them. There was no mention that in the Asian countries where the disaster struck, there exist strong extended family and kinship networks as well as local civil society and religious organizations, that worked ceaselessly to care for and reclaim the children who had lost their parents. Nor did we hear of State, social services ministries and civil and administrative structures, health care systems, religious welfare organizations and civil society organizations of these countries that used their long years of experience to deal with the emergency. Nor was there mention of the local organization and individuals who had done much of the work before the international humanitarians, be they UN agencies, 'volunteers', other expatriates or INGOs flew in weeks later. The advertisement left one with a numbed sense that all local institutions, organizations, and critical adults must have floated away, and Tsunami devastated Asia was left with child victims and UNICEF.^{xliii}

This is an example of the way in which the apparatus of the global media, in conjunction with the global celebrity culture that it promotes, and the institutional imperatives of a resource-starved international agency, operate to marginalize local knowledge and effort in the construction of information. People act on what they know. A perception of people as passive victims awaiting external rescue actually helps to reproduce the very existing structures of power that block the internal effort essential to an effective and sustainable response, whether to natural disaster or to the challenge of development itself.

Finally, there is the issue of *information legitimacy*. As a general rule, the credibility of information to users is conditioned by the credibility of the source. The same author points to the Sri Lankan experience to show that civil society may lose confidence in government-sponsored information, giving greater credibility to information from international sources because they perceive it to be free from political bias. As a result, they may come to view their own society through the eyes of others^{xliiii}.

Domestic knowledge hierarchies therefore interact with national politics in complex ways that vary from country to country. The general principle is that democratic and participatory governance requires that access to information, and problem-solving capabilities, be widely diffused throughout the society. Where these are concentrated within national, centralized state agencies, or large corporations, there are restricted opportunities for ordinary citizens and disadvantaged groups to participate in informed decision-making. This is another form of social exclusion. Decisions will tend to reflect the interests of those with privileged access to information and power, exacerbating domestic inequalities.

Differentiation and power dynamics

The above is a highly simplified representation of the situation in the South. Moreover, it is static. It is probably more applicable to some parts of the South than in others.

Knowledge centres in the more advanced countries — such as China, India and Brazil — have much more significant policy roles and greater autonomy *vis-à-vis* the North, than the picture presented here. To the extent that this is so, substantial untapped opportunities exist for South-South collaboration. In other words, the institutions in these countries could be transferring knowledge-generation capabilities to the others through training, joint research, staff exchange and the like. In any case, one notes that there is a wide range of actual situations in countries according to size, level of development and relative autonomy in the global power hierarchy.

Moreover, the situation is a dynamic one. Relative power shifts over time, both institutionally and in sources of knowledge generation. The era of developmentalism that followed the end of the Second World War was more favourable to the South than the era of neo-liberal globalization that emerged in the 1980s. During developmentalism, Southern centres made significant gains because of decolonization, nation-building and institutional modernization. The South's bargaining position was strong due to the Cold War and role of the United Nations system^{xliv}, the Non-Aligned Movement, the Group of 77, OPEC and other similar developments. In the UN system, agencies like the Department of Economic Affairs, the Special Fund, the Technical Assistance Bureau, the regional commissions and later UNCTAD, had a role and impact comparable to that of the World Bank and the IMF today. They attracted some of the best and most innovative economists from the North and the South, provided space for independent thinking and intellectual innovation, and became sources of policy advice not tainted by the stigma of a colonial past^{xlv}. During this period the subdiscipline of development economics enjoyed significant prestige and influence. It was widely accepted that the economies of “underdeveloped” countries were different from those of the advanced countries in their structures and institutions and in the widespread existence of market failure. The prevailing intellectual climate favoured the invocation of context in economic analysis and legitimized the role of the state in economic development.

Note that economists from the Global South played a major part in these developments. The names of Raul Prebisch (Argentina), Arthur Lewis (West Indies) and Hla Myint (Burma) spring readily to mind. Prebisch's centre-periphery model of the world economy and his explanation of the declining terms of trade provided intellectual justification for policies of import-substituting industrialization and the creation of UNCTAD. Lewis's dual economy model of economic development with unlimited supplies of labour became a standard text in development economics, justifying policies of industrialization and an agricultural revolution. A later generation of *dependencia* thinkers from Latin America (Furtado, Cardoso, and Sunkel) and Africa (Samir Amin) achieved considerable international standing; as did the Caribbean plantation school founded by Best, Levitt and Beckford. Their work led to calls for institutional and structural reforms and redefining relationships with the international capitalist system^{xlvi}. These are only some of the more notable examples of the South contribution to self-understanding.

During the era of neo-liberal globalization that commenced in the 1980s many national centres became casualties of the fiscal, institutional and epistemic repercussions of neo-liberal policies. Development economics was trashed, and with it the idea of a locating analysis of Southern economics in a specific historical, institutional and structural context. Southern economists trained since the 1980s are likely to have been taught to disregard the intellectual legacy of development economists that their own antecedents helped to create. In referring to the situation in the Caribbean, Kari Polanyi Levitt observed:

The disjuncture between the real economy and the burgeoning of financial institutions in the region is replicated by an intellectual disjuncture between the economy as modelled in the classroom, and the economy as daily experienced by the population. Narrowly defined models of economic behaviour based solely on rational self-interest, devoid of institutional context, whether presented conventionally or in mathematical form, cannot address the real and urgent economic problems of the region. Additionally, the methodological individualism which underlies these models contributes to a socialisation process which emphasizes private agendas of career advancement over the larger social concerns which motivated past generations of Caribbean economists. Years of official tutelage of public policy by international multilateral agencies have eroded the critical faculties of the profession. Mimicry and dependence on ‘ready-made’ doctrines based on simplistic assumptions of ‘homo-economicus’ have displaced an earlier institutionalist tradition of Caribbean economics which sought to understand the persistence of economic underdevelopment in terms of societal structures inherited from the plantation legacy. Notwithstanding the shortcomings of that approach, it had the merit of pointing toward independence of thought as the critical step toward breaking patterns of dependence, and unleashing the creative capacities of all the people of Caribbean societies. (Levitt: 2005: 358)

Yet is there not evidence that neo-liberal globalization is itself in crisis? It has been accompanied by the rise of huge income/wealth inequalities globally and within countries, by global financial instability and a by global environmental crisis of unprecedented proportions. Thus, the limitations of a world society organized around the principle of the unfettered market are everywhere becoming evident. Its theoretical and ethical foundations are being questioned; its leading agencies face legitimacy and a budget crisis; and political opposition to its practices is growing in both the South and the North. Donors are scrambling to find ways to address their policy failures by adopting the terminology of “participation” and “ownership” arising from popular resistance and NGO campaigns, and by supporting projects, such as the present one, on Southern views on the reform of the international development architecture. The major institutions, however, continue to show contradictions between the objectives of local policy ownership on the one hand and the maintenance of existing neo-liberal policies and institutional practices on the other. A case in point is the Paris Declaration on Aid Effectiveness, which attempts to reconcile the two by not questioning the pre-existing policy framework established by IFI and Paris/London conditionalities (see Box 3). The IMF-World Bank Poverty Reduction Strategy Papers (PRSPs) — supposedly drafted with strong local participation — also presume the existence of a macroeconomic framework previously laid down by Fund-Bank and creditor conditionalities (Toye 2006: 106)^{xlvii}. Notably a recent internal evaluation of the IMF’s Poverty Reduction and Growth Facility (PRGF),

reported that after introducing a program that was meant to be “far more than a name change...the Fund gravitated back to business as usual” (quoted by Tan: 2007).

Box 3. The Paris Declaration on Aid Effectiveness: A critical perspective

The Paris Declaration on Aid Effectiveness was signed in March 2005 by development ministers of developed and developing countries, with the support of major international development agencies, with a large number of NGOs in attendance. The Declaration adopts many of the principles of developing country leadership in the formulation and implementation of national development strategies, local ownership over donor-funded development programs, and local institutional capacity building. The targets for 2010 include 66 per cent joint conduct of analytical work, 40 per cent joint conduct of field missions, and 66 per cent of aid flows provided ‘in the context of program-based approaches’ that are aligned with recipient’s development strategies. Maximum use is to be made of national procurement systems.

However, the Declaration makes no reference to the development policy framework within which the strategies will be developed and the programs implemented. How much flexibility will recipients have on policy issues regarding the role of state and market and the degree and sequencing of trade and investment liberalisation? The Declaration is silent on these questions, but there is nothing to suggest that it involves a willingness to move outside of the box of current orthodoxy. In effect, it assumes the existing policy framework as a given, and endorses greater local involvement as a tool of improving implementation in program delivery. Most of the targets are about the mechanics of program delivery and project implementation; and appear to be driven by the Northern preoccupation with management, accountability, corruption, monitoring and evaluation.

This can be illustrated by considering the content of the Asian Regional Forum on Aid Effectiveness of 2006, that evaluated the experience of implementing the Paris Declaration in Asia. The questions of the five thematic papers were (i) How have program-based approaches helped countries established effective leadership over development assistance? (ii) What is required to deliver external assistance through country systems? (iii) Are donor harmonisation initiatives a good investment in improved aid effectiveness? (iv) What methods have proved most effective for establishing country leadership of relief and reconstruction following natural disasters? and (v) What new structures are emerging at country level to support a more effective and accountable development partnership?

Sources: Paris Declaration sourced from <http://www.realityofaid.org/themeshow.php?id=36> on March 14, 2007
Information on Asian Regional Forum sourced from <http://www.adb.org/Documents/Events/2006/Aid-Effectiveness/thematic.asp> on March 14, 2007

Indeed, recent developments indicate that Northern governments have been strengthening their efforts to discipline the policies of the weaker countries of the South, and to prise open the markets of the stronger, through heightened conditionalities on the former and intensified neo-mercantilist and even neo-imperialist policies on the latter. We see this in the terms attached to debt reduction and write-offs; in the criteria employed for the allocation of development aid; in the extension of the scope of trade agreements to include services, intellectual property, investment, government procurement and competition policy; in increasing resort to bilateral trade agreements where these aims are frustrated in multilateral forums; and even in the brazen use of military force and the threat of force. BWI conditionality, now applied mainly to the highly indebted and the least developed countries, has been extended over time from the factors directly governing repayment capacity, to detailed supervision of macro-economic and sectoral policies, institutional and legal reform, and most recently to governance as a whole. We now have the World Bank's Index of Country Performance (ICP), employed since 1997 to guide the allocation of concessional assistance to the 80 poorest countries in the world^{xlviii}. The method means that "the subjective judgement of World Bank economists over the quality of a country's public sector management plays an enormous role in the decision over how much money is available to that country"^{xlix} (see Box 4). Euphemistically referred to as *meta-conditionality*, this procedure is more accurately seen as a 21st century form of imperial oversight.

Ambitiously we can characterize the opposing responses of the centres of global power and the social movements that declare that "another world is possible", as the *authoritarian/monolithic/backward looking* and *participatory/pluralistic/forward looking*. Hence, reforms in the international development architecture can be placed in a wider context of bringing some sanity and stability to world affairs.

Box 4. New conditionality or new colonialism? How the World Bank allocates its assistance to the world's poorest countries

(Selected extracts quoted from: "The World Bank policy scorecard: The new conditionality?" *At Issue* Jeff Powell | November 22, 2004.

<http://brettonwoodsproject.org/art.shtml?x=84455>). Accessed February 25, 2007)

"Since the late 70s, at the behest of the deputies of the International Development Association (the Bank's concessional lending window), the Bank has been making assessments of the policies of governments of the poorest countries to guide the allocation of cheap loans. In 1997, came the inception of a new, more formalized system. Since that time, the countries have annually received a country performance rating, known as the 'IDA Country Performance', or ICP.

"The ICP is obtained by calculating a weighted average of the policy scorecard (80 per cent) and the Bank's rating of the performance of outstanding loans to the country (20 per cent). This weighted average is then multiplied by a 'governance factor'. The governance factor itself is drawn from the governance-related criteria in the scorecard. The ICP, in conjunction with an assessment of need (based on gross national income per capita) determines the allocation of available funds. What this convoluted calculation means is that the subjective judgment of World Bank economists over the quality of a country's public sector management plays an enormous role in the decision over how much money is available to that country.

"The policy scorecard, known as the Country Policy Institutional Assessment (CPIA), is made up of 16 indicators...In 2000, the Bank began disclosing the CPIA ratings. But only in an aggregated format that revealed little about the differences between individual countries, why those differences existed, or how the ratings were calculated...In 2002, the governors of IDA urged full disclosure of the rating system to "allow it to benefit from open scrutiny". But management dithered on full disclosure...(at the discussion at the October 2003 Board meeting)...A "large number of speakers" argued that disclosure should be delayed until the ratings had been improved. The current methodology "was based largely on staff judgment rather than clear, objective measurable indicators".

Note: The Bank's account of the process can be found at IDA (2007).

3. Empowering the South

In this section we argue the case for the *knowledge empowerment* of the South. This has both an epistemic and an institutional dimension. Epistemic gains require institutional support in order to be transformed into policy. Institutional development will improve the effectiveness of policies only to the extent that there are advances in knowledge. Southern proposals for reform have tended to focus on international institutions. In section 2, we discussed institutions first, followed by knowledge hierarchies. This corresponds to an approach to development in which initiative rests mainly with international agencies. In this section we reverse the order: transforming knowledge hierarchies first, reforming international institutions second. This follows from an approach in which initiative comes from within, with the international institutions providing support.

Towards context-specific, locally-driven development

We suggest a fairly fundamental change in the approach to development research and policy-making — a kind of paradigm shift, if you like — guided by the following three principles:

- i. Acceptance of *diversity* as an over-arching characteristic of the global community
- ii. Recognition of *specificity in national context* as the point of departure for development research and policy making
- iii. Designation of *local knowledge, effort and initiative* as the key resources in development.

In this case national context is not seen as a matter of local variation from a universal norm or of exception to a general rule. It becomes the starting point for analysis. The kinds of questions that need to be posed are: How do markets function in this society? What are the true capabilities of the state? What kinds of people are involved in business activity? Who controls the land, the banks, the import trade, manufacturing? Who are the agricultural producers? How do social institutions, history and culture influence attitudes to savings, investment and consumption?

It is not that definitive answers to these questions can be given. Rather, it is to suggest a way of posing problems, gathering information, conducting analysis and seeking policy solutions.

A context-specific approach does not aim to replace neo-liberalism with another paradigm that claims universal applicability. It proposes that economic processes in any society are embedded in a specific historical, socio-cultural and institutional setting that conditions the ‘economic’ behaviour of social agents and the functioning of markets and the state. Hence the appropriate balance of market and state is a matter of context and experimentation. No dogmatic answers can be given. As Kapur has observed, “The search for universality offers little by way of prescriptive knowledge in a particular

situation...which institution is most critical in which country at any specific period of time cannot get around the need for its having *a deeply textured knowledge of the circumstances of the country itself*” (2006: 4-5; my emphasis).

The context-specific approach to economic theorizing has well-established intellectual antecedents in the subject areas of political economy, economic history, economic anthropology, institutional economics and development economics¹. Indeed, the industrial revolutions of the advanced industrial economies were all associated with the use of heterodox policies that were adapted to the specificities of national circumstances and historical conjuncture. Similar lessons can be drawn from the high growth performance of several Asian developing economies in the post-war period. What is common to these experiences is that none of them left industrialization entirely to market forces, and all had a proactive state. Nonetheless, the mix of institutions and policies varied from country to country and in any give country over time. What worked for Korea might not be right for St. Kitts and Nevis, and what worked in Barbados might not work in Bangladesh. Countries need to have the intellectual space to devise their own solutions and the policy space to employ them.

This is why we propose that local knowledge is the critical resource in development policy making, and that local actors should be the primary agents of diagnosis and prescription. Local actors are not only governments but also include the private sector, civil society and people at the community level. Local knowledge includes that which is embedded in cultural traditions, values and social processes. Use of community-based knowledge as a development resource is rooted in the traditions of South peasant-based social movements and rural and community development strategies^{li}. In Asia, Africa and Latin America a wide variety of similar initiatives are now being undertaken.

Local knowledge is not static, but continually being expanded as a result of a social learning process. Trial and error, experimentation and learning from mistakes are a necessary part of improving the effectiveness of development efforts. What is important is that these processes are endogenized. Participation, transparency, accountability, and the practice of cooperation and consultation are needed if the process is to realize its fullest potential. These are not easy requirements to fulfil, especially in societies that are wracked by internal conflict or hampered by weak institutions. But they cannot be imposed^{lii}.

Let us be clear that this is not about intellectual autarchy or intellectual xenophobia. The South needs to be able to draw upon the entire body of accumulated human experience and on various intellectual traditions. But it should not confine itself to a monolithic body of knowledge that has a strong ideological content and that interprets other experiences through a prism distorted by particular economic interests. It needs to draw on all available knowledge and to filter this through a conscious process of selection, evaluation and adaptation to local circumstances. Other experiences in the Global South will be of especial interest. Nonetheless, *all* experiences will be on the table.

Southern development knowledge centres (SDKCs)

The role of SDKCs in this process is critical. It is to appropriate, generate and analyze local knowledge; to make it accessible in widest possible form to social agents; to formulate and analyze policy options for development; to evaluate the results of previous policies; and generate modifications for further consideration. In other words, SDKCs become a tool for the knowledge empowerment of the society. To do this, they must have the necessary authority and the resources. They must be in a position to determine their own agendas independently of external influences and to be responsive to the local needs. They must have the staff, equipment and overall budgetary support required to sustain long-term research commitments.

At the local and national levels SDKCs will be of various kinds: community-based, occupation-based, sector-based, and problem-based; special-purpose policy centres, and university departments and research centres. A variety of capability levels can be envisaged. At the community level, teams of community members can be organized through voluntary effort to collect information on the basic needs of citizens in housing, health, and facilities for youth, women and the elderly; permitting collaboration with state and voluntary agencies on the basis of better information, and enhancing community self-reliance. Research units attached to women's, farmers and workers organizations can improve access to national and global information flows and enable civil society to better hold to account government agencies and international organizations. Sector-based research has an established track record in many developing countries, for example in agriculture; and this can be a platform for the elaboration of sectoral policies to improve competitiveness. Another form is the *policy implementation think tank* — a think tank that is involved in micro policy formulation and actively lobbies and assists government agencies in policy implementation. A case study from Argentina suggests that such think tanks can play a key role in bridging the gap between research and policy making that often exists in the South (Braun *et al* 2005: 7). Highlights of the case study are shown in Box 5.

National centres of excellence, whether stand-alone or university-based, are at the apex of the national system of development knowledge generation. Broad social recognition of the importance of knowledge in development, backed by long-term commitment of adequate resources from government and the private sector, is an indispensable requirement for the system to play its proper role. (This is similar in conception to a national innovation system in production.) Only on this basis do external support and collaboration stand a chance of success. In this, as in all other areas, external inputs cannot substitute for internal effort.

Regional centres may be a way of overcoming the resource limitations of smaller and less developed countries in maintaining centres of excellence. Different regions in the South have considerable experience in the operation of regional centres and research networks as means of attaining critical mass in high-level research, both in the field of development and in the physical sciences. The record of performance has been mixed. Financing by member states is often unstable, leading to lack of continuity in research and high staff turnover.

Box 5. Policy implementation think tanks: A case from Argentina

Braun *et al.* argued that there is a key role for think tanks dedicated to policy implementation in developing countries. They define a policy implementation think tank as “a think tank that is involved in micro policy formulation, and that actively lobbies the different levels of government to promote the implementation of these policies”. Unlike a typical think tank, its emphasis is not on research but on helping different levels of government to implement better policies through technical assistance, consulting and advocacy campaigns. Besides the usual advantages, such think tanks are able to (1) articulate the efforts of domestic and international think tanks and research centers, bringing the best ideas to the hands of policy-makers; (2) contribute much needed human capital at the local level of government and (3) help reform-minded policymakers implement their programs more effectively.

The case of the involvement of the *Fundacion Gobierno y Sociedad* (FGS) in the implementation of an innovative—and controversial — charter schools program in San Luis province, Argentina, is used as an illustration. FGS was hired as an independent think tank by the Minister of Education and helped to guarantee the correct implementation of the key elements of the program. In some situations, the team “used its independence as a way to effectively push the agenda”; in others, it “practically acted as an official voice of the executive power”. Three factors that came into play were (a) *The prestige factor*: the fact that the team was part of a prestigious Buenos Aires organization; (b) *The independence factor*: the fact that FGS was an external organization with high autonomy for developing the project, insulating it from government interference in key aspects; and (c) *The flexibility factor*: with its own funding and hiring capabilities, FGS escaped the rigidities of provincial bureaucracies in Argentina.

The authors conclude “Had the government lacked the political vision and courage to carry on with a policy that has so many powerful enemies, it would not have been possible to develop successfully the San Luis charter schools project. At the same time, it was a crucial fact that a policy implementation think tank had a main role in the process”.

Braun, M.; Cicioni, A.; Ducote, N.J. *Should think tanks do policy implementation in developing countries? Lessons from Argentina: A call to action for research NGOs* Center for the Implementation of Public Policies promoting Equity and Growth (CIPPEC) 2000; pp. 7-8, 12-13. Sourced from <http://www.eldis.org/fulltext/cippecl.pdf>. 5 March 5, 2007.

Accordingly many regional centres have become dependent on external funding; rendering them subject to donor pressures in their agenda setting and methodology; or vulnerable to the influence of hegemonic powers. Hence, regional centres work best where long-term funding from member states is assured, professional leadership is strong and continuous, and a relationship is negotiated with states and donors that satisfies the need to be responsive while maintaining the professional independence and integrity of researchers. The importance of these critical success factors is illustrated by the experience of regional graduate training program in the applied social sciences in the Caribbean, summarized in Box 6.

Establishment of regional knowledge centres by international organizations is another form of regionalism. Although this might be characterized as regionalism from the top down (in contrast to the bottom-up regionalism resulting from national cooperation), the experience of the UN regional commissions suggest that these have the potential to be centres of intellectual innovation that reflect the circumstances, and cater to the needs, of their respective regions^{liii}. A recent study of the experience of the UN regional commissions over the past 50 years observed:

Multisectoral, they illustrate the sectoral richness and complexity of the development process; regional in scope, they stress the very importance in development of initial conditions, institutions, and the social dimension...automatically, they go against neo-classical approach, that, in its tendency to prescribe “one-size-fits-all” policies, plays down the rule of cumulative socio-economic processes as a constraint on policy-makers freedom of action. By the same token, they go against the tendency of some entities in the UN system to jump to global conclusions without first assessing whether the regional building blocks really add up to a coherent global approach (Berthelot 2006:1)

Box 6: Strengthening local knowledge centres: A Caribbean case

The Consortium Graduate School of Social Sciences (CGS) operated in 1985-1999 at the Mona (Jamaica) Campus of the University of the West Indies with the collaboration of the University of Guyana. During those years it produced over 100 graduates in the Applied Social Sciences and Policy Research at the Master's and Doctoral Level. CGS graduates produced several books and many published papers on key policy issues in the Caribbean, including fertility, population and migration, the environmental issues, tax policy, youth sub-culture, women in the labor force, gender, education, land tenure, land distribution, rebellion, rural society, poverty, health policy, social consequences of structural adjustment, the oil industry, technology and innovation, foreign policy, political participation, eco-tourism, telecommunications, export promotion, the elderly, tourism promotion, self-help policies, the sugar industry, security, craft industries, trade unions, ethnicity and governance. Graduates went on to serve in influential positions in academia, government, regional and international organizations and the private sector.

Critical success factors in the CGS story were (i) funding by donor agencies for students fellowships for living expenses and field research, and occasionally for short-term training in overseas universities, that allowed the CGS to attract highly capable graduate students, most with a strong background in one of the mainstream social science disciplines, (ii) donor funding for a small complement of core staff, that allowed dedicated faculty time to graduate teaching, supervision of graduate students and all-round development of the program, (iii) a multi-disciplinary course structure that exposed students to historical context and to a range of theories, social science perspectives and research methods, (iv) rigorous training in research methods, (v) close collaboration with public and private sector entities for internships and research, and (vi) close supervision of student research.

After 1997 the donor agencies phased out their support and the program was incorporated into the regular budget and structure of the UWI. Many of the distinctive features continued, but there was significant decline in the quantity and quality of student research due to the relative scarcity of funding for student fellowships and research.

The case of the CGS confirms that the human resource potential for local knowledge generation is present even in the smallest countries — the average size of the territories served by the UWI/UG system is less than 500,000 — especially with regional cooperation. But it also shows that guaranteed institutional funding for core staff, research and student fellowships are necessary for quality policy research and sustainability. Future initiatives of this kind must count on guaranteed long-term funding, perhaps through some form of endowment or capital fund.

Source: Norman Girvan and Kirk Meighoo, "Formación y desarrollo de capacidad en la interdisciplinariedad: la experiencia de la Consortium Graduate School para las Ciencias Sociales", in Danilo Antón and Isabel Izquierdo (eds.) *Conocimiento Sin Barreras: Propuestas, Discusión y Síntesis*. Ottawa; IDRC and Montevideo; Editorial Nordan-Comunidad, 1996, pp 89-114.

The UN Economic Commission for Latin America and the Caribbean (ECLAC) is the outstanding example of this potential in the contemporary context. Drawing on the Prebisch legacy and on the structuralist tradition, ECLAC publications have provided alternative perspectives to the Washington Consensus and on neo-liberal globalization^{liv}. Thus, in *Globalization and Development* (2002), ECLAC analyzed the growth of North-South asymmetries^{lv}, and outlined key elements of a more equitable globalization^{lvi} and of alternative national development strategies^{lvii}. The report concludes that there are no “universally valid” models, and consequently that there is great scope for institutional learning (2002: 29-30). It argues that global institutions should respect diversity, that regionalism can be a key instrument to bolster the position of the smaller and poorer countries, and that a network of international institutions is superior to a hierarchical system.

Given the range, depth and technical quality of this report, the absence of its key ideas from the mainstream of policy discourse in the North is noticeable. This may be another example of the marginalization of innovative Southern thinking on development, when it runs counter to prevailing paradigms^{lviii}.

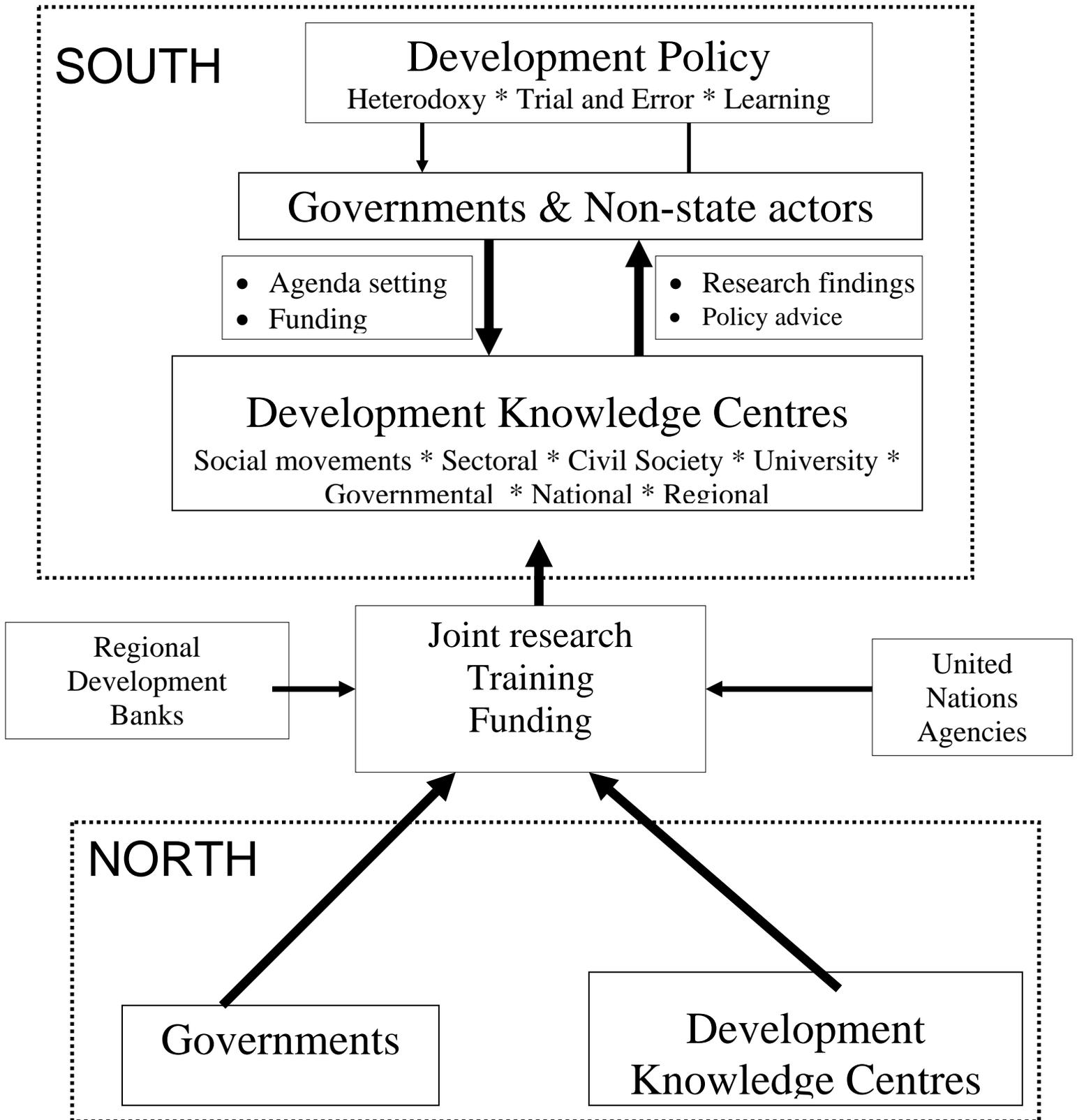
In general regional knowledge centres can create opportunities for local governments, agencies and professionals to influence intellectual content and policies that may not exist in global bureaucracies; while opening space for intellectual experimentation that may not be available at the national level because of political constraints. However, the potential may be constrained by influences exercised by hegemonic powers though dependence on external funding. This can be a problem, for example, in the case of regional development banks. Furthermore, where regionalism is weak because of wide intra-regional disparities and/or political/ideological differences, the imperatives of catering to different constituencies may militate against intellectual innovation^{lix}.

Inter-regional centres, South-based centres catering to the Global South as a whole, and South-South research networks, can also be important. Several examples exist. The Malaysia-based Third World Network (TWN)^{lx} has been active in providing critical analysis on the impact of globalization; supported by research, technical studies, numerous publications and a highly effective outreach program. TWN activity is strongly focused on the WTO process. Its on-going reports on the WTO negotiations have helped to influence the content of positions adopted by the developing countries on several occasions; especially at the third, fourth and fifth Ministerial Conferences; on the issues of the TRIPS agreement, on special and differential treatment, and on Non-Agricultural Market Access (NAMA). The Geneva-based South Centre^{lxi} is an independent think tank with the status of an inter-governmental organisation of the South, which aims to promote South-South cooperation and South solidarity in negotiating with the North. Its research projects are oriented to global negotiations on trade and intellectual property, global governance, and South-South cooperation. Projects are supported by Northern donors, while the core budget is supported from its endowment. The South Centre is highly valued by South governments for its reports prepared for global conferences and the WTO negotiations. Other examples are the India-based Research and Information System

for Developing Countries^{lxii}, the annual conferences on Globalization and Problems of Development of the Cuban and Latin American Economists Association held in Havana, and the India-based IDEAs Network^{lxiii}.

South-South and South-North knowledge networks may serve as means of sharing of information and experience, the training of young researchers and technical cooperation between countries at different levels of institutional and human resource development. The need in this instance is to articulate the different interests of the different parties; to design and execute arrangements that are mutually beneficial; and to guard against the danger of reproducing existing size and resource imbalances between countries, in the sphere of development knowledge. There is also a role for *epistemic communities* that utilize the scope for information technology to free knowledge centres from the constraints of physical location.

Figure 2. South-North development knowledge hierarchies



The logic of this is to turn existing development knowledge hierarchies “on their head”, as shown in Figure 2. Power, legitimacy and initiative will flow from the bottom up, from the local to the national, regional and global levels. The role of the Northern institutions will be to support Southern knowledge centres with resources, expertise, information, training, technology, and collaborative research. Research agendas will be set by the South and the terms of collaboration should be equitably negotiated. In other words, the system should be South-driven and North-supported, rather than North-dominated and South-reactive. Some will believe that this is an unrealistic goal, given the existing realities of power. But change, if it is to be meaningful, should be in this direction.

4. Conclusions, implications, suggestions

What concrete steps might be taken towards effecting the knowledge empowerment of the South? Towards up-ending existing knowledge hierarchies? Towards producing relevant and useful development knowledge and making it available to those who matter? Towards effective monitoring and evaluation so that knowledge is continuously improved, that we learn from experience, and that mistakes once made are avoided in the future?

The thrust of this paper is that the South needs to take the responsibility. Responsibility starts in the mind. The first step is the jettisoning of the mind-set of mendicancy and dependency — one in which research can only be undertaken if it is externally supported and its results are only worthwhile if they are externally legitimized. Knowledge empowerment begins at home.

Once this happens, there are *supporting reforms* of the international development architecture that can be envisaged. Redesign of the architecture, in other words, only makes sense if based on the foundations of local responsibility, initiative, effort, and knowledge. Here are some principles and possible actions that flow from this:

- Knowledge is an important input in development — as important as physical capital or any other input. This elementary fact deserves due recognition at all levels in the South. Governments, business and civil society organizations must accordingly be prepared to devote resources to the accumulation and dissemination of knowledge of all kinds, including development knowledge. This holds true no matter how “poor” the entity or how modest its resources. Knowledge is not a luxury that only the rich can afford. It is a necessity without which the poor will remain without the effective means to take themselves out of poverty.
- Knowledge is also power. The South needs to recognize that autonomy — the right to choose one’s path to development and to act in function of that choice — cannot be secured without a knowledge base. As long as the South is dependent for its development knowledge on the global centres of power, its own autonomy will be compromised.

- Fostering of *local knowledge centres* must, therefore, be a strategic goal of Southern governments and organizations. How many, how large, in what areas of specialization, where to be institutionally located — all these questions depend on the country and on the organization, in a word, on context. Critical mass is important. So too is accessibility to users. There are many trade-offs to be negotiated.
- *Regional centres* can be helpful in achieving critical mass in research activities and in securing synergies from complementary human resources and physical facilities. It is particularly important for the smaller and less developed countries. Hence, their establishment and fostering is important as another general principle.
- In complementary manner, *regional commissions of the UN system* and *regional development banks* can play a valuable role by serving as an interface between the national and the global in knowledge and financing; seeking to mobilize the global in support of the local on the one hand; and to adapt globally agreed principles and priorities to local processes.
- Creation and fostering of *inter-regional centres and networks* should be another strategic objective of the South. This format offers the advantages of (a) comparative cross-country and cross-regional research/experience exchange, (b) South-South collaboration and knowledge transfer from larger/more advanced to smaller/less advanced countries, and (c) supporting Southern solidarity in negotiations with the North. Wide differentiation within the South poses the main political and intellectual challenges to be handled under Southern global inter-regionalism.
- South-South development cooperation should be placed within the wider context of South-South cooperation and solidarity as a whole. The phenomenon of new and emerging donors from the South provides an opportunity to create a new model of equitable development cooperation that is both of intrinsic value and can be used as a reference framework for South-North negotiations. The countries of the South could utilize the South Centre, the Third World Network, the G-77 and the non-aligned movement for this purpose.
- Regarding *international development cooperation*, the following principles should be accepted as basic:
 - i. recognition of diversity among nations and of the right of each nation to chart its own course of development
 - ii. acceptance of policy heterodoxy
 - iii. support for the accumulation of local capabilities in the South for knowledge generation, problem solving and policy-making.

- Development cooperation should not be used as a means of imposing neo-liberal policy conditionalities, or any other pre-ordained macroeconomic policy framework, on a country.
- ODA should be the subject of monitoring and evaluation by the South in its capacity as the putative beneficiaries of development cooperation. Any monitoring and evaluation agency set up for this purpose should therefore be Southern-controlled and driven.
- The practice that is consistent with these principles is for the Bretton Woods institutions, bilateral agencies and Northern centres to have as their principal mission, the *support of the research and problem-solving capabilities of centres in the South, the support of regional centres, and the support of South-South research and policy collaboration*. Southern centres may be helped with provision of complementary resources, expertise, information, training, and technology and by participating in collaborative research with Northern centres. However, such assistance should never substitute for local effort and it should not be used as a means of influencing the agenda, staffing, and ideological content of the SDKC program.
- Northern centres and other agencies should be prepared to argue the case with their governments and donors that the best form of assistance is non-intrusive and supportive of the development of local capabilities. In doing so, they will often be perceived to be working against the political, economic and institutional interests of Northern governments, corporations and development organizations. But if resources cannot be provided on these terms, it should not be offered; and if offered it should not be accepted; otherwise it will serve to perpetuate a cycle of knowledge dependency and disempowerment, and hinder development.
- Similarly, national participatory policy projects should only be supported when *local actors take the initiative and the agenda is locally determined*. They should not be pre-set to deal with poverty reduction, Millennium Development Goals (MDGs), or any other objectives determined by the BDAs, the IFIs or the international community (including the UN). In such processes, all possibilities should be on the table; including those that imply changing policy commitments made under existing agreements in the WTO and with the BWIs.
- Reform of the system of *global economic governance* is integral to the reform of the international development architecture. The main features of reform should be:
 - i. The centrality of a United Nation system in the international development architecture
 - ii. Strengthened role of ECOSOC
 - iii. Adequate resources for UN agencies to be sources of intellectual innovation and pluralism in development thinking

- iv. UNCTAD and the regional commissions to have significant roles as think tanks on (a) the inter-relationship between trade, finance and development; and (b) interfacing the global, regional and national
 - v. Linkages with Southern centres should be developed, with Northern collaboration giving added value
 - vi. Repositioning of the global role of the World Bank and the IMF with an organic relationship to ECOSOC arrangements for genuinely multilateral governance, and greater independence in sources of financing. (Both institutions would withdraw from policy-based lending in the South; and focus instead on the provision of global public goods that support development and international economic stability.)
- Provision of *global public goods* by the World Bank would focus on health, human security and the environment. Regional public goods could focus on infrastructure to support regional integration. There should be a shift away from loan funding to grant funding, financed by government and private donations and by international taxation. The Bank's technical expertise should be available to member states to undertake technical studies in particular areas. Member states should take the initiative in defining the terms of reference for these studies and should have the final say on the terms.
 - The IMF would focus on the *finance of temporary payments imbalances* that arise from exogenous shocks or domestic policy shocks. The lending should be of a duration that is related to the recovery period; and on conditions related to the source of the problem, as determined by genuine and equitable dialogue between Fund staff and the borrowing country, with provision for appeal to an independent panel set up under the UN system. Consideration should be given to the expansion of IMF resources by means of issues of Special Drawing Rights (SDRs), in order to give the Fund the necessary degree of independence from major donor countries.
 - Other needed changes in the *international financial architecture* include: (i) appropriate representation of developing countries in governance structures in major global forums, (ii) strengthening the role of regional institutions in the international financial system, (iii) adequate prudential regulation and supervision of financial activities, (iv) allowing greater room for anti-cyclical policies in the South and (v) compensation of low income countries for the high concentration of private capital flows and private international investment by means of increased ODA and multilateral lending and by generating mechanisms for more active participation in private capital markets.
 - Reforms of the WTO should eliminate informal decision-making mechanisms that privilege the influence of the largest trading countries (including the South) in reaching agreement, and utilize country groups and coalitions that are representative of the South as a whole.

- Finally, a more adequate and functionalist definition of the international development architecture would include all the *rules and arrangements governing international trade, finance, investment and technology*. These need to be structured so as to give the countries of the South the policy space to pursue development strategies that they themselves determine, with scope for learning and capability development, which is a long-term process. As distant as this prospect might appear to be at present, it is ultimately the most effective means of correcting power imbalances and promoting development.

[19/07/07]

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ENDNOTES

ⁱ Of nine definitions of power given by the American Heritage Dictionary, we have adapted one, “The ability or official capacity to exercise control; authority”. From *The American Heritage® Dictionary of the English Language, Fourth Edition* Published by Houghton Mifflin Company; 2004, 2000. Sourced at http://try.starware.com/landing/reference/intro_01.php on 21 September 2006

ⁱⁱ It seems unnecessary to discuss these in detail, as they are well documented in the literature.

ⁱⁱⁱ On these issues see especially articles by Cornwall and Brock (2006), Guttal (2006), and Utting ((2006)

^{iv} Cited by Alejandro Bendana, “Shifting Paradigms of Thought and Power”, *Development*, (2004) 47, 22-26. doi:10.1057/palgrave.development.1100001; sourced 8/14/2006.

^v The following highly summary account draws on several sources including Akyuz 2004, 2005; Buirra 2000, 2003a, 2003b; Culpeper and Wangwe 2005; Nayyar and Court 2002; Morton 2005; Ocampo .n.d, South Centre 2006a, 2006b; UNCTAD 2006.

^{vi} See United Nations 2007; Table A.21. The actual figure is \$7.7 billion for UN operational agencies out of a total of \$71.7 billion for selected multilateral institutions.

^{vii} ‘Net financial transfers’ equals net capital inflows less net interest and other investment income paid abroad. See United Nations 2007; chapter III, especially Fig. III.1 and Table III.1

^{viii} Action Aid gives the source for this estimate as *Oxfam International, Rigged Rules and Double Standards*

^{ix} See UNCTAD 2006b; tables 18-19. The estimates were done using DEA and CGE models, and relate to ‘Green Box’ subsidies, supposedly the least trade-distorting category allowed under WTO law. Information supplied by the South Centre.

^x See UNCTAD 2002.

^{xi} UNCTAD 2003: 4-5. The report goes on to note if non-oil exporters in Africa had not suffered from continued terms of trade losses in the past two decades, the current level of per capita income would have been higher by as much as 50 per cent’

^{xii} A strong case can also be made for factoring in the cost to the South of natural disasters and other environmental damage induced by climate change due to excess per capita carbon emissions from the North. This ‘ecological debt’ has been estimated at \$400 billion per annum (Action Aid 2005: 15).

^{xiii} Besides those of poverty and inequality, new challenges include financial crises, international migration, transnational crime, natural disasters, and climate change.

^{xiv} I.e. as proposed in the debate over System-Wide Coherence and reform of the UN system.

^{xv} The CEOs of the BWIs wield enormous influence over direction and policies. A joint committee of the Fund and the Bank was set up following the election of Horst Kohler as IMF Managing Director in 2000, and recommended wide consultation and transparency in the election of the two chief executives. This was egregiously ignored in the election of Paul Wolfowitz as World Bank President in 2005, his successor Robert Zoellick in 2007; and most recently the proposed election of Dominique Strauss-Kahn of France to succeed Rodrigo de Rato of Spain as IMF Executive Director when de Rato retires in October. See Culpeper and Wangwe 2005; Chowla 2007.

^{xvi} China, Mexico, the Republic of Korea and Turkey.

^{xvii} See the same source for an extended discussion of this issue.

^{xviii} The main concerns are (i) a large number of unresolved ‘implementation issues’ that have been on the table since the 3rd Ministerial in 1999 (ii) market access for their agricultural exports, with flexibilities for the effective safeguard of food security, livelihood security and rural development; (iii) modifying NAMA frameworks to permit industrial development policies and retaining present flexibilities; (iv) in services, retaining the existing discretion of developing countries to choose the areas, degree and timing of liberalization, according to national policy priorities (Khor 2006). The fears of the smaller and less developed countries find corroboration in model estimates of the likely impact of different outcome scenarios of the Doha Round (for example Polaski 2006).

^{xix} This term was suggested in the discussions of the Strathmere meeting.

^{xx} OECD 2007: 2

^{xxi} An example is the \$200 million support by six large U.S. Foundations for a five year programme called “Partnership for Higher Education for Africa” reported in the Annual Report of the Rockefeller Foundation for 2006, p. 16 (<http://www.rockfound.org>; sourced July 16, 2007)

^{xxii} Notably, a recent (March 2007) Conference organised by the OECD Global Forum on Development on fostering partnerships between foundations and governments, involved mainly Northern organisations and a few small Southern foundations. (See OECD 2007.)

^{xxiii} China has announced a \$20 billion program of cooperation; Venezuela’s PetroCaribe and PatroSur programs are financing several investments in Latin America and the Caribbean; while Cuba grants several thousand scholarships and tens of thousands health and education professionals serving in other developing countries.

^{xxiv} The concept of ‘knowledge hierarchies’ was suggested in a comment on the first draft of this paper in the Strathmere meeting. It is used to great effect in an article by Rajasingham-Senanayake (2005).

^{xxv} Chang has documented how the industrialised countries of the North used the very interventionist and protectionist policies to foster industrialisation that they now seek to prohibit developing countries from using. It is also interesting to note the industrial revolutions in Britain, continental Europe and the United States took place at a time when neither country was a model of democracy, transparent government or lack of corruption; and that China, the fastest growing economy in recent times, does not conform to the Western model of governance or economy.

^{xxvi} This may be one reason for the observation, made at the Strathmere meeting, that recent IFI research findings throwing doubt on the benefits of trade or financial liberalization have not deterred governments from pursuing such policies. Another reason could be that IFI conditionalities simply ignore research findings that contradict the orthodoxy, even when the research is generated by IFIs themselves (see Box 2 on evaluation of World Bank research).

^{xxvii} This is still a relatively uncharted area. For instance, the OECD Development Forum referred to earlier (OECD 2007) did not appear to address the research function of the private foundations.

^{xxviii} The figure is for 2005 and is taken from the report of the independent evaluation of Bank research (Banerjee *et al.* 2006: 24),

^{xxix} Kapur 2006: 161. This figure appears to include activities other than technical studies proper.

^{xxx} Africa, East Asia and the Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, and South Asia. Source: Banerjee *et al.* 2006: 28

^{xxxi} Research networks are for: Poverty Reduction and Economic Management, Environmentally and Socially Sustainable Economic Development, Financial Sector, Human Development, Infrastructure, and Private Sector. Source: Banerjee *et al.* 2006: 28

^{xxxii} According to Banerjee *et al.* (2006:8): staff in the Development Economics Group spend some 30 percent of their time in operational support.

^{xxxiii} The composition of the team of evaluators was itself an example of the bias in knowledge production, as the Global South, the putative constituency of the Bank’s development research was hugely under-represented. See Box 2.

^{xxxiv} A notable example of the politicisation of Bank knowledge was the internal debate over the role of the state in explaining the Asian development experience. An excellent account is given by Wade (1996).

^{xxxv} The quotation is from an article on “The World Bank as an Intellectual Actor” co-authored by Stern and Francisco Ferreira.

^{xxxvi} Information sourced from the IMF website www.IMF.org.

^{xxxvii} See for example the various reports prepared by the ‘Group of 24’, a group of 24 developing country member states of the IMF, available at www.g24.org; and various papers published by the Third World Network at http://www.twinside.org.sg/crisis_3.htm.

^{xxxviii} Caveat: this proposition does not apply to the larger and more advanced countries of the South. Please see the next section on differentiation.

^{xxxix} There is need for empirical research comparing the research budgets and outputs of DKCs in the North and the South.

^{xl} I am grateful to Darini Rajasingham-Senanayake, Darini for bringing this point to my attention.

^{xli} See Olukoshi 2004: 5. The actual comment was made in his verbal presentation at the United Nations Research Institute for Social Development (UNRISD) Conference on the contribution of Social Knowledge to International Policy- Making (UNRISD 2004); and relates to the practices of UN agencies.

^{xlii} Darini Rajasingham-Senanayake; 2005: 112.

^{xliiii} Drawing from the Sri Lankan experience, the author observes “...in countries with skeptical publics, information from international development and financial institutions are sometimes given greater authority because of the presumption that they may be more independent and accurate than government’s figures. In turn, these authoritative indexes, measures and narratives of developmental progress or regress configure local perceptions of local conditions.” (116)

^{xliv} See for example Jolly *et al.* (2004); especially chapters 3-5.

^{xlv} A detailed account is contained in Toye and Toye (2004), chapters 2-8

^{xlvi} More recently, of course, Amartya Sen is credited with being the intellectual father of the human development approach; and Mahboub Ul Haq with operationalizing it.

^{xlvii} This is an example of the use of ‘buzzwords’ appropriated from critics to mask the preservation of the status quo, as discussed by Cornwall and Brock (2006).

^{xlviii} I am indebted to Roy Culpeper for drawing my attention to this development.

^{lix} Jeff Powell, “The World Bank’s policy scorecard: the new conditionality?” Bretton Woods Project, <http://brettonwoodsproject.org/art.shtml?x=84455>; sourced February 24, 2007

^l Chang (2002) has presented an ‘institutionalist, political economy alternative’ to neo-liberal theory. See also Chang (2003)

^{li} Examples are the Gandhian movement of village-based development, Maoist strategies of self-reliance based in the People’s Communes, Jamaica’s community development movement of the 1930s/1940s, the Grameen Bank for the economic empowerment of poor women.

^{lii} On the contradictions of ‘imposed’ development and the application of ‘locally-driven’ development to development assistance, see Bendana’s summary of the principles proposed by Ellerman (2006) as summarised by Bendana (2006). Ellerman’s principles are a rediscovery of the principles of community development that were developed at least 70 years ago in places like Jamaica. See for example Girvan, D.T.M. (1993)

^{liii} See Berthelot (2004) for the case of the UN regional commissions.

^{liv} For a useful review of ECLAC’s work in the 1990s, see Ocampo (1998)

^{lv} I.e. asymmetries are in the concentration of technical progress, in the greater macroeconomic vulnerability of developing countries to external shocks, and in the high international mobility of capital compared with the low international mobility of labour (2002: 13-1)

^{lvi} i.e. guaranteeing an adequate supply of global public goods, gradually overcoming global asymmetries and establishing a rights-based social agenda (2002: 27-30).

^{lvii} Four core elements are identified: macroeconomic policies to reduce vulnerability and facilitate productive investment, promotion of systemic competitiveness, prioritisation of an environmental agenda, and highly active social policies.

^{lviii} The report implies need for a far greater degree of public involvement in the operation and regulation of the international economy than is presently favoured by Northern governments, corporations and financial interests; while its recognition of diversity and its pointed rejection of universally valid models strikes at the basis of the knowledge monopoly that the IFIs seek to retain.

^{lix} The above caveats on the potential contribution of regional knowledge centres were suggested by comments made at the Strathmere meeting.

^{lx} www.twinside.org

^{lxi} www.southcentre.org

^{lxii} www.ris.org.in

^{lxiii} www.networkideas.org