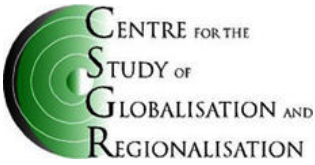


CIVIL SOCIETY AND GLOBAL FINANCE PROJECT



**The United Nations
University**

- Project Description
- Participants
- Report/Book (with chapter abstracts)
- Future Events

CIVIL SOCIETY AND GLOBAL FINANCE PROJECT

A group of leading civil society organisers, officials of multilateral institutions, and academic researchers has joined efforts to investigate the role of civil society in the governance of global finance. The project seeks to establish how civil society can become involved in this area of globalisation, and how civil society inputs can contribute to and/or detract from effective, equitable and democratic regulation of global finance.

More specifically, the project is examining:

- what kinds of civil society engages with global finance, including differences depending on ideological, regional and sectoral contexts
- the various ways that civil society obtains (or fails to obtain) access to governance institutions in the area of global finance
- the contributions of civil society to governance of global finance, including the provision of information and expertise, the promotion of compliance with standards and rules, and the advance of democracy in the regulation of global finance
- the diverse strategies that civil society actors adopt in respect of global finance
- the legitimacy or otherwise of civil society activities with regard to global finance.

The twenty core members of the study group are drawn from the Bretton Woods Committee, the Brookings Institution, the Carnegie Endowment for International Peace, the Chinese Academy of Social Sciences, the International Confederation of Free Trade Unions, the International Monetary Fund, the Latin American Association of Advocacy Organisations, the North-South Institute, the Russian Academy of Sciences, the United Nations Development Programme, the United Nations Department of Economic and Social Affairs, Women in Development Europe, and the World Bank. The group has also benefited from the participation of individuals from the Bank for International Settlements, the European Bank for Reconstruction and Development, the Japan Center for International Finance, the UK Department for International Development, and the Warwick Business School.

The project team held an initial meeting at the University of Warwick on 29-31 March 2000. A work plan was agreed that will produce a report in book form by June 2001. Various chapters of this report will be available as working papers from August 2000 onwards. Interim results will also be presented at the United Nations, the International Monetary Fund and the World Bank in November 2000.

The Civil Society and Global Finance Project is coordinated through and funded by the Centre for the Study of Globalisation and Regionalisation (CSGR) at the University of Warwick (UK) and the Peace and Governance Programme of the United Nations University (UNU) in Tokyo. More information can be obtained from the project coordinators, Jan Aart Scholte of the CSGR (scholte@warwick.ac.uk) and Albrecht Schnabel of the UNU (schnabel@hq.unu.edu), or view the project webpage at <http://www.csgr.org> under 'Research Projects'.

CIVIL SOCIETY AND GLOBAL FINANCE PROJECT

List of Participants

Project Coordinators

Albrecht Schnabel, Peace and Governance Programme, United Nations University

Jan Aart Scholte, Centre for the Study of Globalisation and Regionalisation, University of Warwick

Paper Writers

Gemma Adaba, Representative to the United Nations of the International Confederation of Free Trade Unions, New York

Nancy Birdsall, Director of Economics Programmes, Carnegie Endowment for International Peace, Washington; former Executive Vice-President, Inter-American Development Bank

Ralph C. Bryant, Senior Fellow, Brookings Institution, Washington

Sandra Cesilini, Social Development and Civil Society Specialist, World Bank Sub-Regional Office, Buenos Aires

Manuel Chiriboga, Executive Secretary, Latin American Association of Advocacy Organisations (ALOP), Quito; former Chair, World Bank-NGO Liaison Committee

John Clark, Civil Society Specialist, World Bank, Washington

Thomas Dawson, Director, External Relations Department, International Monetary Fund, Washington; former Executive Director for the USA at the IMF and former Director for International Financial Institutions, Merrill Lynch

Andrea Durbin, Director, International Program, Friends of the Earth-US

Zie Gariyo, Coordinator, Uganda Debt Network

Barry Herman, Chief, Finance and Development Branch, Department of Economic and Social Affairs, United Nations Secretariat, New York

Inge Kaul, Director, Development Studies Bureau, United Nations Development Programme, New York

Kamal Malhotra, Senior Civil Society Adviser, Bureau for Development Policy, United Nations Development Programme, New York

James Orr, Executive Director, Bretton Woods Committee, Washington

Nodari Simonia, Deputy Director, Institute of International Relations and World Economy (IMEMO) and Presidium Member, Russian Academy of Sciences, Moscow

Irene van Staveren, Institute of Social Studies, The Hague and Women in Development Europe, Brussels

Alison Van Rooy, Senior Fellow, North-South Institute, Ottawa

Yu Yongding, Director, Institute of World Economics and Politics, Chinese Academy of Social Sciences, Beijing

Other Participants

Gita Bhatt, NGO Liaison Officer, International Monetary Fund, Washington, DC

Pierre Cailleteau, Member, Financial Stability Forum Secretariat, Bank for International Settlements, Basle

Richard Higgott, Director, Centre for the Study of Globalisation and Regionalisation, University of Warwick

Hidenori I, Economist, Japan Center for International Finance, London

Malcolm McIntosh, Director, Corporate Citizenship Unit, Warwick Business School

Shirin Rai, Senior Lecturer, Department of Politics and International Studies, University of Warwick

Sir Shridath Ramphal, Chancellor of the University of Warwick and Co-Chair of the Commission on Global Governance

Ajay Sharma, International Financial Institutions Division, Department for International Development, London

Karen Shepherd, Executive Director for the United States, European Bank for Reconstruction and Development, London

CIVIL SOCIETY AND GLOBAL FINANCE

Edited by Jan Aart Scholte and Albrecht Schnabel

Chapter Abstracts

Towards a New Paradigm of Finance for Development: The Role of Civil Society

Inge Kaul, United Nations Development Programme

The financial crises of the 1990s have given rise to an active debate on a new financial architecture. So far, this debate has, primarily, been one *among* finance experts. Simultaneously, there has also been an evolving debate on the mounting costs of past economic growth strategies and the importance of more sustainable, human development. Yet again, however, this debate has primarily been one *among* development experts, often even only among environmentalists or only among those concerned with social issues. The challenge is to bring together these different and so far quite separate strands of policy analysis and dialogue and to move towards a paradigm of financing *for* development. Such a paradigm shift has two implications for civil society. It calls for a strengthened role of civil society in designing a new financial architecture; and it requires a well-defined role for civil society within that new architecture.

Civil Society and Global Finance: An Overview

Jan Aart Scholte, University of Warwick

This chapter surveys some key issues of civil society involvement in the evolution and governance of global finance. The discussion first examines the nature of 'civil society', including different interpretations of this concept. The chapter then considers the various roles and impacts that civil society can have in respect of global finance and its governance. These inputs include the provision of information and expertise, the promotion of global standards, rules and ethics, and the furtherance of democracy in global financial governance. A third part of the chapter assesses several key strategies of civil society's engagement with global finance. These matters include the targets of civic activism (e.g. national governments, markets, or multilateral institutions), the formation of coalitions (e.g. across different sectors of civil society), and strategies of incremental reform versus those of transformational change. A final section examines the legitimacy of civil society involvement in policies on global finance. This assessment addresses issues of credibility, representation, and accountability.

Cross-Border Finance and International Governance: Fundamentals and Guidelines for Architectural Reform

Ralph C. Bryant, Brookings Institution

This chapter provides an analytical overview, from the perspective of an economist, on cross-border finance and collective international governance for financial activity. It summarizes some basic points about financial intermediation within a single economy and then adapts those points about fundamentals to open economies and the world financial system as a

whole. It also summarizes some fundamental points about collective governance and international financial institutions in a progressively integrating world economy. The chapter then surveys key issues at stake in discussions about ‘reform of the international financial architecture’ and presents a personal view of the guidelines that should shape incremental policy actions and institutional modifications.

Latin American NGOs and the International Financial Institutions: The Quest for a South-Determined Agenda

Manuel Chiriboga, Asociación Latinoamericana de Organizaciones de Promoción

This chapter discusses the evolution of advocacy efforts of Latin American NGOs in respect of international finance institutions (IFIs) and the challenges that these civic groups face in constructing their own regional and national agendas. The first section discusses the general context of an increasing presence of IFIs in Latin America: as lenders; as reformers of policies and institutions; and as rescuers of countries hit by the volatility of international capital. The second section reviews the responses of Latin American NGOs to these trends, including: regionalising advocacy efforts; discussing with governments their relations with the IFIs; developing mechanisms of democratic accountability in respect of the IFIs; and expanding discussions between NGOs and other civil society groups. These developments have in turn brought a redefinition of relations between Latin American NGOs and Northern NGOs. Finally, the chapter discusses the challenges that regional NGOs in Latin America face: to develop their institutional capacities for advocacy; to establish new alliances with academia; and to strengthen their internal accountability procedures.

Civil Society and Global Finance in Africa

Zie Gariyo, Uganda Debt Network

This chapter examines the complexities of civil society engagement in global finance issues in Africa. The analysis stresses that Africa’s financial crisis cannot be fully understood unless one addresses the ramifications of the continent’s debt crisis, with particular reference to the involvement of the World Bank and the IMF. Debt has become a backdrop for poverty as well as civil, political and economic unrest in Africa. The analysis will refer to the experience of the Uganda Debt Network to discuss how civil society organizations (CSOs) have been able to mobilize and engage their governments and global financial institutions such as the IMF and the World Bank. The analysis considers the impact these activities have had in redefining relationships between global financial institutions and civil society, looking especially at the participation of civil society organizations in the development of Poverty Reduction Strategies (PRS). The discussion looks at the complexities, challenges and difficulties that have been encountered and presents proposals regarding the way forward for civil society in global finance in Africa.

Civil Society and the Asian Financial Crisis

Kamal Malhotra, United Nations Development Programme*

This chapter first briefly reviews the chronology, causes and consequences of the Asian financial and economic crisis and its critical interface with key aspects of globalisation. It

*Written in a personal capacity; the views expressed do not necessarily reflect those of UNDP.

then identifies the range and types of civil society organisations that were actively involved in this crisis at national and transnational levels. In assessing their role and impact, the chapter argues that, by linking political and economic democracy and governance issues, at both national and transnational levels, civil society organisations crucially advanced progressive critiques of both the ‘miracle’ in East Asia and dominant aspects of globalisation. The crisis also provided a rare opportunity for simultaneous national and transnational civil society mobilisation both to present critique and to promote more coherent and holistic alternatives than was possible before. This mobilisation and set of proposals have had and continue to have significant impact on mainstream views and institutions. Civil society’s response to the Asian financial crisis has also provided impetus for further civic mobilisation, for example, as witnessed recently in Seattle and Washington, DC.

Civil Society and Global Finance in Russia

Nodari Simonia, Russian Academy of Sciences

This chapter presents a case study of ‘uncivil society’ in the controversial experience of Russia during the 1990s. The analysis first surveys Russia’s involvement with global finance between 1991 and 1998, especially speculative portfolio flows and loans to the government from the IFIs. As a result the country’s foreign debt increased sharply and its general economic situation deteriorated. Civil society in Russia responded to this situation with total passivity. Civic associations are still at an early stage of development in Russia, and they have very limited capacities to handle issues of global finance. There is only some ‘uncivil’ behind-the-scenes lobbying for private gain by different factions of bureaucratic capitalists (the so-called ‘oligarchs’). The limitation (if not the elimination) of the dominant role of bureaucratic capital in the economy, government and mass media is a major precondition for the development of a veritable civil society in Russia.

Civil Society and Global Finance in China

Yu Yongding, Chinese Academy of Social Sciences

This chapter offers a perspective from China on the involvement of civil society in global finance. The discussion first reviews China’s general engagement with global finance during the period of reform since 1978. The second section summarises official Chinese policies toward financial globalisation, including issues of exchange-rate regimes and capital controls. The third section examines the concept of ‘civil society’ as it relates to China and surveys the development of civic activity in China to date, including its achievements and limitations. The fourth section considers the responses of civil society in China to global finance more particularly, including the debates and controversies that have unfolded. The fifth and final section assesses the prospects of civil society’s role in respect of global finance in China.

The World Bank and Civil Society: An Evolving Experience

John Clark, World Bank*

This chapter examines how civil society has come to play an influential role in shaping World Bank policies and programmes and the underlying dilemmas and challenges for both parties. The discussion starts by charting a shift in civil society campaigning on development issues

*Written in a personal capacity; the views expressed do not necessarily reflect those of the World Bank or its affiliated organisations.

from a narrow focus on specific topics to a broader critique of global policies and macroeconomics. It then describes why, within this, the Bank became a particular target and questions how pertinent this special attention remains. The chapter then maps the evolution of Bank-civil society relations, their contribution to institutional change, and the resulting changing attitudes of both Bank and civil society organization (CSO) staff. The analysis explores the impact of specific campaigns on global finance topics and then discusses the relevance of CSOs to the Bank's approach to the recent East Asian economic crisis. The chapter concludes by examining outstanding differences between the Bank and its major critics in civil society, in particular the perceived rhetoric-reality gap, and discusses possible strategies for tackling these issues.

World Bank Consultation with Civil Society in Argentina

Roberto Senderowitsch and Sandra Cesilini, World Bank*

This chapter offers a field perspective on interactions between the World Bank and civil society, focusing on consultation processes in the Bank's Country Assistance Strategy (CAS) for Argentina. In particular this study explores the challenge of using highly heterogeneous participation to build a good quality product. It is argued that a high level of heterogeneity can enrich the CAS process only when clear rules of the game exist, which in turn increase the level of predictability. Other crucial elements for successful interactions between civil society and the World Bank include a favourable background environment, successful planning and timing, adequate resources, thorough preparation, clear structure, careful selection of participants, well-organised forums, and well-designed follow-up activities. Consultations convened by the Bank can create capacity within civil society and build social capital in the community, though the Bank's consultations with civil society should not replace the responsibility of governments to listen to their citizens. The Argentine experience shows that, despite partial mistrust between CSOs and the World Bank, a participatory process can be conducted in a highly collaborative and fruitful manner.

The International Monetary Fund and Civil Society

Thomas Dawson, International Monetary Fund

This chapter looks at the evolution of the IMF-civil society dialogue. The Fund has developed frequent contacts with a wide array of civil society organizations, including business associations, labour unions, academic institutions and NGOs (comprising not only development groups, but also environmental, human rights and women's organizations). Through dialogue with civil society organizations the Fund seeks to foster better public understanding of its activities, to evaluate and enhance the effectiveness of the economic policies it recommends, and to encourage local ownership of adjustment programmes. Since public participation is expected to be an important part of the development of national poverty reduction strategy papers (PRSPs), the Fund's interactions with civil society organizations – especially NGOs with significant operational or advocacy roles – are likely to broaden and deepen.

Civil Society and the United Nations Financing for Development Initiative

Barry Herman, Department of Economic and Social Affairs, United Nations*

This chapter explores the involvement of civil society organisations (CSOs) in the United Nations (UN) initiative on Financing for Development (FfD). This initiative, formally approved in December 1999, involves an unprecedented intergovernmental meeting at the level of political decision makers, to be held in 2001. The Member States have called for the participation in both the preparatory process and the FfD meeting itself of 'all relevant stakeholders'. CSOs are clearly among those stakeholders. That they are welcomed at the UN is not accidental. The United Nations is increasingly seen as a forum for building global consensus on policy norms and new initiatives in the economic and social arena. Advocacy CSOs seek a role in this process. Member States have accepted this involvement (up to a point) and have established mechanisms to channel the participation of CSOs. This chapter

*Written in a personal capacity; the views expressed do not necessarily reflect those of the World Bank or its affiliated organisations.

*Written in a personal capacity; the views expressed do not necessarily reflect those of the United Nations.

describes these mechanisms and sets them in the context of the FfD initiative and the longer history of North-South discussions of financial issues at the UN.

Trade Unions and Global Finance

Gemma Adaba, International Confederation of Free Trade Unions

This chapter examines the long-standing engagement of the international trade union movement (in particular the ICFTU) with the institutions and processes of globalization in general and global finance more specifically. The chapter reviews the ICFTU's policy objectives with respect to issues of global finance and governance, showing how these aims have been shaped by the ICFTU's accountability to its membership and its analyses of the negative impacts of global processes on working men and women worldwide. The chapter examines the ICFTU's strategic engagement with global financial institutions on the social dimensions of major financial issues such as: debt relief; official development assistance; capital flows and their impacts on labour markets; and capital controls. This examination highlights the involvement of trade unions through their national, regional and international structures. The chapter argues for a paradigm shift from the primacy of free markets to social markets, underpinned by values of equitable resource allocation, democracy, civil society participation, and respect for trade union rights.

Business Associations and Global Financial Governance

James C. Orr, Bretton Woods Committee

This chapter examines the history and experiences of business associations that have attempted to influence global financial governance. Business associations' activity in this area spans a broad spectrum. At one end are efforts by local farmers' groups in borrowing countries to persuade national governments and global institutions to adopt specific policies or provide financial support. At the other end are international business associations centered in the North that work for reform of the institutions of global financial governance, either for commercial advantage and/or out of a sense of social responsibility. The chapter recounts how several noted business associations came to direct their attention to global financial issues and assesses their current aims, strategies and tactics. Today these associations see a growing imperative to defend global institutions, and they see advantages for all when emerging economies adopt international business norms that facilitate global commerce. Concluding sections of the chapter assess the impacts of business associations on global financial governance to date and look at their future prospects.

Global Finance and Gender

Irene van Staveren, Institute of Social Studies and Women in Development Europe - WIDE

This chapter analyses the gender dimensions of global finance that underlie women's involvement with financial markets and financial policies. Four gender biases of global finance are discussed: (1) the under-representation of women in financial institutions and decision making; (2) increased gender gaps in the economic positions of women and men because of gendered transaction costs in financial markets; (3) gender-based instability of financial markets; and (4) inefficient resource allocation through financial markets because of an under-investment in women's assets and capabilities. The chapter then describes the involvement of the women's movement in the subject of global finance, which gained

importance after the Beijing Platform for Action (Fourth United Nations Conference on Women of 1995). On the basis of this convention as well as other international agreements, the women's movement is monitoring the implementation of the promises made, including those in the field of finance. Finally, the chapter presents some policy recommendations for a more gender-balanced global financial system.

Environmentalism and Global Finance

Andrea Durbin and Carol Welch, Friends of the Earth-US

This chapter traces and analyzes the efforts of the environmental movement over the past decade to influence international economic institutions and global financial flows to promote environmental sustainability. Drawing on the international advocacy experience of a leading environmental organization, Friends of the Earth, the authors explain how the environmental movement has expanded its purview and influence into the world of global finance. Starting with monitoring loans of the World Bank more than a decade ago, the environmental movement has become more aware that other institutions, such as the International Monetary Fund, Export-Credit Agencies, the World Trade Organization, corporations and Wall Street investors have a direct impact on the global environment and sustainability. The chapter evaluates the successes that environmentalists have achieved, as well as the obstacles and challenges that remain.

What Next? Civil Society's Prospects in a World of Global Finance

Alison Van Rooy, The North-South Institute

This chapter considers the future of civil society advocacy and the world of international financial processes and institutions. CSO activism in respect of global finance is being shaped by changes in the so-called 'Washington Consensus', paired with debates over the UN-IFI relationship and concerns over capital markets and corporate social responsibility. Within civil society movements, moreover, there are ongoing debates regarding: North-South partnership; relationships between NGOs, unions, and other kinds of actors; competing demands for 'legitimacy'; and concerns over strategic investments of civic energy. Future scenarios in civil society involvement with global finance may include a change of target, as CSOs jump from the IFI ship to more strategic opportunities. In addition, we might witness a change of discourse, as the IFIs shift to new vocabulary, rather than new behaviour. We might also see a change of mechanism with the creation of new 'mediating structures' connected to the IFIs to engage CSOs more formally and directly in policymaking around global finance.

Global Finance: Representation Failure and the Role of Civil Society

Nancy Birdsall, Carnegie Endowment for International Peace

This chapter assesses the possible contributions of civil society with regard to democratic representation in global financial governance. Existing institutions (the International Monetary Fund, the World Bank, the Basle Committee, the G-7) are not democratic, undermining their effectiveness and their fairness. Representation failures include weak representation of those governments most affected by these institutions' rules and decisions, and weak representation of citizens of those countries where governments are not themselves representative. Civil society groups that are 'disinterested' (working for a common good, not a particular interest) and accountable to their members are better able to think globally than governments. However, since current rules and institutions of finance are more

intergovernmental than global, the fundamental contribution of civil society can be as a vigilant benign lobby for more representative *governance* of global finance. This pressure can be exerted directly on the G-7 and other governments that set the governance rules, and indirectly on developing countries and the markets to focus on equity and fairness as well as on growth and stability.