



**Economic and Social
Council**

Distr.
GENERAL

E/CN.4/2004/NGO/123
8 March 2004

ENGLISH, FRENCH
AND SPANISH

COMMISSION ON HUMAN RIGHTS
Sixtieth session
Item 17 of the provisional agenda

PROMOTION AND PROTECTION OF HUMAN RIGHTS

**Written statement* submitted by the Europe-Third World Centre,
a non-governmental organization in general consultative status and the American
Association of Jurists (AAJ), a non-governmental organization in special
consultative status**

The Secretary-General has received the following written statement which is circulated in accordance with Economic and Social Council resolution 1996/31.

[31 January 2004]

* This written statement is issued, unedited, in the language(s) received from the submitting non-governmental organization(s).

Good Governance against Good Government?¹

Good governance: conceptual vagueness, ideological clearness

1. Since the beginning of the 1990s, the major international organizations, first and foremost among them International Monetary Fund (IMF) and the World Bank, have been lavishing upon their member countries recommendations for “good governance”. However, the definitions of this term and, along with them, its substance, have varied noticeably from one institution to another, preventing the formulation of a precise legal definition –particularly since governance can also be global, corporate... Within the framework of its loans and “oversight” operations, the IMF seeks to promote good governance covering “*all aspects of the conduct of public affairs*”. Applicable in countries benefiting from its technical aid, and closely associated with its anti-corruption fight, the IMF code of good governance aims to make economic policy decisions more transparent, to make available a maximum of information regarding public finances, to standardize audit procedures and, more recently, to “*combat the financing of terrorism*”². According to the World Bank, the governance of “*client countries*” should “*go beyond the dysfunctioning of the public sector (the ‘symptom’) to help these countries adopt the reforms*” designed to improve public resource allocation mechanisms, “*the institutional development of state, the processes of formulation, choice and implementation of policies, and the relations between citizens and their government*”. If the UNDP links good governance to sustainable human development, the Asian Development Bank emphasizes private sector participation, whereas the Inter-American Development Bank stresses the strengthening of civil society, the OECD accountability, transparency, efficiency and effectiveness, economic forecasting and the primacy of law, the EBRD human rights and democratic principles, etc. In spite of the vagueness of the concept and of the normative judgement criteria involved, the goals formulated by these organizations are quite clear and convergent: what is at stake is the shaping of states’ policies to create those institutional environments most favorable to the opening up of the countries of the South to globalized financial markets.

Good governance vs. good government

2. The official line in this matter is, of course, that of the IMF. For its purposes, good governance consists essentially of “*deregulating the exchange, trade and price systems*”, of “*limiting ad hoc decision making and preferential treatment of individuals and organizations*” and of “*eliminating direct credit allocation*” by the state. It is clear that reaching these is inseparable from pursuing neo-liberal economic policies and the social model that is the ultimate purpose of their implementation. This strategy, which has been imposed since the beginning of the 1980s upon the majority of the countries of the South (structural adjustment plans, deregulations, privatizations, free movement of capital, etc.), has brought in its wake, in every domain and on every continent, the proof of its failure. As a reflection of the hegemonic power of finance – to wit of the major owners of capital, especially United States capital– neo-liberalism is not a development model, but a domination model. Its social disasters, its human dramas are too well known to need to be cited. Its new ideological anti- state dogma, good

¹ Statement written with the collaboration of Mr. Rémy Herrera, researcher for the National Centre for Scientific Research (CNRS), France.

² IMF, *Good Governance The IMF Role*, Washington, D.C., 2003.

governance, can thus only be seen as an inversion of *good government*. In any event, the aim is not the development of democratic participation of individuals in decision-making processes, nor the respect of their right to development, but state-sponsored market deregulation, in other words re regulation by the brute forces of capital on a world-wide scale.

3. Confronted with economic neo-liberalism's impossibility of managing the crisis of the world system and with the refusal of the international organizations to acknowledge the urgency of finding an alternative that might impose upon capital's dynamic of expansion limits independent of its drive for maximization of profit, good governance can only intensify its criticism of *'the state failures'*. Civil servants are not only accused of *'rent seeking'*; what is henceforth called into question is their own capacity to manage public affairs, especially in the indebted countries of the South, and to build and sustain "decent" institutions –not so much for people, but for capital. Nevertheless, the coincidence of moralizing rhetoric about the *responsibility* of states (to which, alone, all errors are imputed) and discourses about the *irresponsibility* of their agents (when it is not their basic decency that is being questioned) is nothing other than a *legitimizing* of the ultra-liberal option of abandoning the regalian prerogatives of state, which in some cases goes so far as to delegate national defense, to substitute a foreign currency for the national one, or privatize the tax collection...

4. Whence this striking paradox, inherent in good governance, of calls going out from the international organizations to national governments that these latter adopt, indeed "appropriate", neo-liberal economic policies imposed from without while the globalized financial markets dispossess these states of their sovereignty and insinuate themselves into the countries' ownership structure of capital. Managing the state apparatus of the South directly from the center of the world system, while neutralizing their state power by stripping them of all prerogatives and reducing to a minimum their margins of maneuver, would this not be, in the final reckoning, the secret of *ideal governance*? What democracy could public authorities pretend to when they limit the exercise of national sovereignty to the opening up of and liberalization of markets, to the payment of dividends on foreign investment, and to the repayment of the foreign debt?

5. In such circumstances, we can only be disquieted by the "public-private partnerships for development" initiatives launched by the Secretary General of the United Nations, and in particular by the setting up of the Global Compact.³ This moral pact concluded between the United Nations and big business intends, officially, *'to give to the globalized market a human face'* by taking care that a core of *"shared values and principles"* relative to human rights, labour legislation and the protection of the environment be observed by transnational corporations. In reality, this all too risky deal allows these firms to make United Nations institutions dependent on corporate financing and to use the public and universal UN "label" for their own private purposes.⁴

³ Speech by Kofi Annan at Davos, in 1999.

⁴ Cf. *Building on Quicksand*, CETIM, Declaration of Berne and IBFAN-GIFA, Geneva, October 2003.

The IMF: *bad governance* model?

6. The IMF's insistence on good governance, which has become one of the conditions of aid to countries in the South and of relief from their foreign debt, reveals the progressively greater politicization of its interventions and the drift of its missions into areas beyond those encompassed in its mandate. Its oversight of macro-economic policies and of the private-sector-activities environment, confidence in which is supposed to constitute the *sine qua non* of sustained growth, applies henceforth to "*all aspects*" of all state institutions, including the nature of the political regime, which is required to be as *transparent* as possible. The question that one must then ask is whether this body enforces with equal single-mindedness, regarding its own *modus operandi*, the standards it imposes upon the South. If the IMF is to be believed, the answer would be affirmative: guidelines are in place to assure ethical behavior and to prevent the corruption of its personnel, a professional ethics counselor is on the scene, and so on... Nonetheless, numerous facts converge to suggest that the IMF is today a model of *bad governance*.

7. Democratic and impartial institutions, the diffusion of information to the public, transparency in decision-making procedures, the participation of all actors, free and fair elections, efficient management of resources, expert competence in assessing situations, accountability, integrity, respect for human rights, etc. should be some of the hallmarks of good governance. How does the IMF measure up to this?

- i. In this institution, where the weight of a member is a function of its monetary contributions, the United States alone disposes of the right of veto over all major decisions.⁵
- ii. In spite of recent progress, still limited in scope, the availability of documents drafted by the IMF is subjected to considerable restrictions.
- iii. The negotiations that it is involved with remain obscure and, for the most part, shrouded in total secrecy.
- iv. The scope of its interlocutors is extremely limited (mainly finance ministers and central bank authorities), although it has been slightly broadened in recent years (industry heads, for example), but no attempt is ever made to involve or consult through any democratic process the people affected by its policies.
- v. As consensus is the usual method of decision-making, only exceptionally are programs submitted to a vote.
- vi. The structural adjustment policies have turned out to be totally ineffective in resolving domestic and foreign imbalances and have even contributed to causing and propagating financial crises.
- vii. Its experts are subjected to no evaluation procedure regarding the general pertinence of their recommendations, much less regarding the appropriateness of such recommendations to the needs and expectations of the people they affect.
- viii. The very quality of the work done by the Fund, compared with what is available in academic literature, is questionable.

⁵ The dependence of the IMF on the United States Department of the Treasury is no longer a secret.

- ix. The anti-corruption rhetoric does not prevent the financing –and with full knowledge of the results– of regimes that are notoriously corrupt.
- x. Many of the countries that receive its financial aid have been criticized for their systematic violation of human rights.

The necessity of transformations for development and democracy

8. Our purpose here is not only to aim our criticism at the dominant body of the international financial institutions –whose reform is demanded from all quarters and amounts to basic common sense. It is, also and especially, to stress that the failures of the IMF in its support of the interests of creditors and transnationals bespeaks the failure of global governance imposed by the G7, under the leadership of the United States, as a way of getting the world system out of its crisis. The hallmarks of good governance will be sought for in vain as long as the structural obstacles that prevent the vast majority of the countries of the world from exercising their right to development and to democracy have not been removed. Today more than ever it is obvious that economic neo-liberalism must be abandoned, that the debt problem must be solved, that the dominant role of financial speculation must be ended and that the activities of the transnationals, which are so much the cause of the current system of unequal exchanges, must be checked.

9. What, then, are the indispensable transformations that must be carried out to construct a democratic world, assuring the peoples of the world better living conditions and an effective participation in the making and implementation of the decisions that affect their lives? Any discussion of this challenge must take into account the following points:

- i. modification of the rules of market access and of financial and monetary systems, which implies a total rethinking and remaking of the IMF, the World Bank and the WTO;
- ii. the creation of a system of taxation and income redistribution on a world-wide scale, both more ambitious and more coherent than a “*Tobin tax*”;
- iii. an end of the regulation of the world system *by war*, with demilitarization of the planet and peace keeping;
- iv. the reinforcement and democratization of the UN, conciliating the rights of individuals and peoples, political and social rights, universalism and cultural diversity;
- v. collective management of natural resources, to be used in the service of all peoples, and respect for the environment.

10. Such are, in our opinion, the *sine qua non* requisites of dynamic civil societies of sovereign and *authentically democratic* states, of autonomous regionalization reinforcing the positions of disadvantaged countries within the world system, but also the requisites of the realization of the purpose of human rights, in their individual as well as in their collective dimension: food, health, lodging, education, security rule of law, justice, equality...
