

**A Tale of Two Papers:  
the DFID White Paper and the Treasury Select Committee Report on the IMF**

**Jubilee Research @ nef (the new economics foundation)**

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Last Thursday (13 July) saw the publication of two important papers on the global economic system and development – DFID’s White Paper, “Making Governance Work for the Poor”, which included a section on “Creating an International System Fit for the 21<sup>st</sup> Century” (<http://www.dfid.gov.uk/pubs/files/whitepaper2006/wp2006section5-whatyoucando-endnotes.pdf>); and the Treasury Select Committee’s (TSC) report of its Inquiry on “Globalisation: the Role of the IMF” (<http://www.publications.parliament.uk/pa/cm200506/cmselect/cmtreasy/875/875.pdf>). The results of our efforts have been mixed....

On a positive note, the **Treasury Select Committee** has published the report on its inquiry into Globalisation and the Role of the IMF, to which we submitted written evidence, and to which David Woodward, head of **nef**’s New Global Economy programme (which includes Jubilee Research) was called to give evidence as one of three academic witnesses. (Our written submissions and oral evidence is included in the report.) Among the NGO witnesses appearing immediately after was Romilly Greenhill, whom some of our supporters may remember from when she was working at Jubilee Research, who gave evidence on behalf of ActionAid.

While the Committee was (perhaps unsurprisingly) less forthright than we might have liked in its report, its report is on the whole helpful, recognising many of the problems, and going at least some way towards addressing them.

- It calls for the Fund to focus on its areas of competence, not venturing into money laundering or terrorist financing and leaving social issues and development to the World Bank; and it calls for an international insolvency process to take over the Fund’s arbitration role in debt crises.
- It calls for the Fund to be more independent in its surveillance role, particularly in view of the potential for a US financial crisis, and in its policy conditions, which should not be “driven by a single economic philosophy” and should “allow for a suitable input through local democratic processes”.
- While very critical of the Fund’s governance structure, its recommendations fall somewhat short of resolving the problems. It calls for increased representation for developing countries rather than full equality and a transparent (but not necessarily democratic) process for selecting the Managing Director, and stops short of calling for removal of the US veto (because this would be vetoed by the US). It does however, call for increased transparency of the Executive Board’s proceedings.

“One More Small Step...”, a more detailed review the TSC report, can be found at [??add url].

Our efforts on the **DFID White Paper**, sadly, seem to have borne rather less fruit. As well as co-hosting (with DFID) the speech at which Hilary Benn launched the consultation process for the Paper, we (on behalf of **nef**) both made our own submission and contributed substantially to the submission by the Development and Environment Group (DEG) of NGOs. These contributions focused primarily on the shortcomings of the current paradigm of global economic development, and its inability to reconcile poverty eradication with the need to control climate change, based on our recent study, *Growth Isn’t Working* ([http://www.neweconomics.org/gen/z\\_sys\\_publicationdetail.aspx?pid=219](http://www.neweconomics.org/gen/z_sys_publicationdetail.aspx?pid=219)). We also played an active role in developing the position of the British Overseas NGOs for Development (BOND)

network on the governance of the international financial institutions, and presented it to the White Paper team on their behalf.

The section of the DFID White Paper on the international system is altogether more disappointing than the TSC report. While it makes various hesitant half-steps in the right direction, it lacks specificity and fails to acknowledge the roots of the problem, or the responsibility of developed country governments for the mess the international system has become. The recommendations in the section entitled "Creating a Global System Fit for the 21<sup>st</sup> Century" (in a report entitled "Making Governance Work for the Poor") fall drastically short of anything which might conceivably justify these titles, and stand in stark contradiction to its earlier section on national governance.

"Hot Air and Cold Comfort" – our response to the White Paper's Chapter on the international system - can be found at <http://www.jubileeresearch.org/news/JRTSCArt1b.pdf>.

It is quite possible that some of the White Paper's shortcomings, for example on global governance issues, reflect an uncomfortable compromise between different views from DFID and the Treasury, rather than the view of DFID itself - the evidence of Gordon Brown and Treasury officials to the TSC seems noticeably equivocal on the application of democratic principles to the IMF. Perhaps, when it comes to global democracy and the international system, there is more commonality of view between Labour, Conservative and Liberal Democrat MPs than there is between the different branches of government.

In any event, that the White Paper's proposals should fall so far short of endorsing even the most basic democratic principles, when this was a key demand of the united voice of development and environmental NGOs and networks, casts real doubt on the genuineness of the "consultation" process.