ECONOMIC GOVERNANCE: A THIRD WORLD PERSPECTIVE

By Shreyaah Srinivasan and Shatakshi Tripathi
From Symbiosis Law School, Pune

ABSTRACT

International economic governance studies the attempts at organisation and regulation of all international economic transactions, in order to control global economic development and international financial markets. After the devastation caused by the World Wars, the Allied States put in place a system of international economic governance referred to as the 'Bretton Woods System.' The architects of the original Bretton Woods system sought to facilitate the post war reconstruction and development of international and domestic economies.[1] However, newly independent countries that had been recently freed from colonial rule, or Third World or developing countries, struggled to integrate into this system crafted by and for the benefit of developed nations. This paper examines and criticises the approach of Bretton Woods institutions like the World Bank (WB), International Monetary Fund (IMF) as well as the later established World Trade Organisation (WTO) towards Third World nations. It also sheds light on the past and present efforts of Third World countries to increase their involvement, influence and funding in the international sphere through the New International Economic Order (NIEO) and Multilateral Development Banks (MDBs) respectively. The paper concludes by examining the advantages of MDB's over the existing Bretton Woods institutions and provides suggestions of reforms for the existing institutions to better integrate Third World countries and promote their needs and development.

INTRODUCTION

I. INTERNATIONAL ECONOMIC GOVERNANCE

Internationaleconomic governance refers to the efforts to organise, structure, and regulate economic interactions all over the world. In substantive terms, economic governance deals with a host of policy challenges, efforts at monetary and fiscal cooperation andregulation of financial markets internationally.[2]There are many different institutions that are engaged in international economic governance, established following theend of the Second World War, with the advent of the Bretton Woods system. The most notable are the World Bank (WB), the International Monetary Fund (IMF) General Agreement on Trade and Tariffs (GATT) and World Trade Organisation (WTO). The study of international economic governance includes the analysis of the rationale for the establishment, operation and development of these institutions.[3]

II. THE THIRD WORLD

The term 'Third World' finds its origin in French anthropologist and historian Alfred Sauvy, who used it to describe countries that

[1] Vol. 36, No. 2, International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order, International Organization 379, 415 (1982)

[2]Wesley W. Widamer, International Organisations and Economic Governance, Oxford Research Encyclopedias, International Studies & Oxford Printing Press (November, 2012)

[3]ManmohanAgarwal, International Economic Governance : Where We Are and How We Got Here, World Scientific Reference on Asia and the World Economy 3, 17 (1st ed. 2015)

were neither unaligned with the First World – USA, Canada, and other allies of the Capitalist Bloc, nor the Second World – Soviet Union, Cuba and other allies of the Communist Bloc, during the time of the Cold War.[4]Sauvy wrote, *"This third world ignored, exploited and despised also wants to be something."*[5]Third World at present however, refers to the countries of Africa, South America and Asia that have less developed economies and industries.[6] The modern concept of the third world serves to identify countries that suffer from high rate of mortality, poverty and dependence on industrialised nations but having low economic development and utilization of natural resources.

III. THIRD WORLD APPROACHES TO INTERNATIONAL LAW

Third World countries include many countries in Africa, Latin Americaand Asia that were colonized, and emerged as newly independent States in the 1940's and 1950's. Colonialism was characterized by the flow of resources from a 'periphery' of poor and underdeveloped states to a 'core' of wealthy states, enriching the latter at the expense of the former.[7] As States became newly independent, they experienced severe economic hardships in integrating with the existing European economic system. Hence, these newly independent countries are commonly misclassified as underdeveloped, neglecting their historical context. However, the Dependency Theory postulated by Hans Singer and RaúlPrebisch explains that previously colonized countries are not poor because they lagged behind the international economic transformations but rather, because they were coercively integrated into the European economic system only as producers of raw materials or repositories of cheap labour and denied the opportunity to market their resources in a competitive way with dominant states.[8]

Renowned scholars like R. P. Anand and B. S. Chimni, in acknowledging the postulates of Dependency Theory have pioneered a novel field of research known as Third World Approaches to International Law (TWAIL). TWAIL indicts colonial international law for legitimizing the subjugation and oppression of third world countries and their people. It lays emphasis on the fact that pre-colonial States were not strangers to international law and attempts to incorporate doctrines and principles found in third world legal systems into the international legal system.[9]TWAIL does not reject the existing international law, but advocates for the inclusion of needs and aspirations of newly independent states.[10] TWAIL acknowledges that politics alone is insufficient to achieve liberation as the pre-colonial economic structure continues to disadvantage the Global South and thus it sought to inaugurate a New International Economic Order (NIEO).[11] NIEO sought to make structural changes to an international

[4] Alfred Sauvy, Tiers Monde, L'Observateur, August 14, 1952

[5]id

[6] Cambridge Advanced Learner's Dictionary (8th ed. 2002)

[7]Vincent Ferraro, Dependency Theory: An Introduction in The Development Economics Reader, ed. Giorgio Secondi 58, 83 (2008)

[8]id

[9]Antony Anghie& B. S. Chimni, Third World Approaches to International Law and Individual Responsibility in Internal Conflicts, Chinese Journal of International Law 77, 103 (2003)

[10] B. S. Chimni, Third World Approaches to International Law : A Manifesto, Community Law Review 3, 27 (2006)

[11] Mohammed Bedjaoui, Towards a New International Economic Order, UNESCO 263, 287 (1979)

economic system which disadvantages developing countries, and to regain agency and control over their natural resources.[12]

ANALYSIS

I. THIRD WORLD APPROACH OF BRETTON WOODS INSTITUTIONS

i. World Bank and IMF

Criticism of Approach to Third World Nations

Initially, the World Bank acted as the major channel of funds from wealthy, industrialized nations to poor, non-industrialized nations. In the 1950's and 1960's, it assisted the developing world with respect to the infrastructure, but in the 1980's, its main task switched to providing policy reform assistance. Due to the rise of environmental and social issues plaguing the international community, the principal functions of the World Bank lay in the fields of environment, poverty reduction, and promoting the role of women in economic development.[13] Thoughthese policy reforms can be of socio-political advantage, the majority of the economic structural reforms had vested interests behind them.

Despite the goals of the World Bank to aid in sustainable economic development and poverty alleviation, certain aspects of its institutional structure and governance raise questions on the neutrality of the institution, regardingthe upliftment of third World Nations.Firstly, *the dominance of the western world is reflected inthe composition of the board of governors and executive directors of the World Bank*. In addition to this, disparity in terms of voting rights also strengthens this contention, as United States (US) enjoys not only **seventeen percent(17%)** of votes but is also the only state which can also exercise veto power over the major decisions. Moreover, the borrowing or developing countries as a whole have only **thirty eight percent(38%)** of votes,[14]showing that evenunified, they constitute the minority.

Secondly, *the Washington Consensus reinforces the influence of superpowers like the US over Bretton Woods institutions.*The Washington Consensus was a policy instrument agreed upon by the IMF and World Bank with the US government[15] in order to promote 'openness of the world market' by liberalisation, privatisation and deregulation of the economy. These reforms clearly benefitted developed nations,[16]but were harmful for Third World nations. These reforms clearly aimed at suppressing their domestic economies as liberalization of market at such an early stage, would destroy themdue to the huge gap between the growth and advancement of foreign and domestic markets.The enactment of this instrument was via Structural Adjustment Programs (SAP), which targeted the economic structure of developing countries by forcing them to join the IMF if they wanted membership in the World Bank. However, joining IMF

[12] Chapter II, Article 2, Charter of Economic Rights and Duties of States, G. A. Res. 3281 (XXIX)

[13] Michelle Miller Adams, The World Bank: New Agendas In A Changing World23, 49 (1999)

[14] Vol. 28, Muhumed Mohamed Muhumed, The World Bank and IMF in Developing Countries: Helping or Hindering?, International Journal Of African And Asian Studies (2016)

[15] Stanley Fischer, The Washington Consensus, Peterson Institute For International Economics 11, 24 (2004)

[16]Narcís Serra &Joseph E. Stiglitz, The Washington Consensus Reconsidered : Towards a New Global Governance, Oxford University Press (2008)

included embracing a number of conditions, which included policy adjustments that would adversely affect developing nations.Further, the debt crisis in the 1980's rendered developing countries unable to pay back loans taken from Western commercial banks which had gone on a huge lending binge to third world governments in the 1970's.[17]The economies of third world nations were already unstable and their economic sovereignty was further compromised by SAP.

Thirdly, *the World Bank failed to perform its fundamental function of assisting third world countries in economic growthand instead left them in worse debt-ridden conditions. This was supplemented by high interest rates on developmental loans.* Between 1980 and 1995, the debt of nearly every developing nation increased substantially.[18]These tactics adversely affected African nations like Tanzania, Nicaragua and Ivory Coast.Aidprovided by Bretton Woods institutions came from former colonial monopoles to strengthen bilateral tiesbetween the former colonies and their colonial rulers. However, these efforts did more bad than good for the developing economies.

Finally, *IMF continues to impose unachievable economic conditions on lending to third world countries.* Particular episodes saw it lending to highly indebted developing countries in Latin Americain the aftermath of the 1980's Third World Debt Crisis and even to Brazil and Russia during the financial crisis of 1997–99.[19]The incongruent side of the IMF is that it imposes measures, terming them necessary to control the budgetary imbalances. For instance, during the Indian economic crisis in 1990, the IMF was reluctant to provideassistance, until India agreed to a conditional bail out to cover balance of payments debts, which prompted the Indian government's policy of liberalisation in 1991. Similarly, in Latvia, the government was forced to cut its budget by **forty percent(40%)**, and is planning to close some public hospitals and schools in order to make the IMF's targets.[20]

ii. GATT and WTO

Background

The General Agreement on Tariffs and Trade (GATT) is a legal agreement, which was signed by 23 nations countries, with the overarching purpose of *"entering into reciprocal and mutually advantageous arrangements for the substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international commerce."*[21]It was intended to promote international trade by reducing or eliminating trade barriers such as tariffs or quotas.[22]

The history of General Agreements on Tariffs and Trade (GATT) has never been

[17] AsadIsmi, Impoverishing a Continent: The World Bank and the IMF in Africa, Canadian Centre for Policy Alternatives (2004)
[18] The World Bank, World Development Report 1997: The State in a Changing World, Oxford University Press 246, 310 (1997)
[19] Graham Bird, The Role of IMF in Developing Countries, Cambridge University Press (2004)
[20] Mark Weisbrot, The IMF is Hurting Poor Countries, The Guardian (May 13, 2009, 10:00 PM) https://www.theguardian.com/commentisfree/cifamerica/2009/may/13/imf-us-congress-aid
[21] Preamble of GATT, 1947
[22] id

favourable towards developing nations. In comparison to the UN-System, the third world interest in the initial years of GATT was not taken into consideration. When assessed by way of the Havana Charter, where a number of compromises were made with respect to the demands of developing countries, the ostensibly 'temporary' GATT made very few such concessions.[23]As a result of being side-lined by GATT, developing countries decided to bypass the GATT system and chose to rely on alternate negotiating forums. In 1964, efforts were made to establish these forums through United Nations Conference on Trade and Development (UNCTAD). Initially, creating a strong rival to GATT seemed achievable but it fizzled out due to strong objections by developed countries on various issues, such as reluctance in making permanent bodies to cater to the economic needs of developing countries.[24] However, at the end of the Cold War, the GATT emerged as the sole forum for trade negotiations, with UNCTAD's existence being undercut. The World Trade Organisation (WTO) replaced GATT, but it still exists as the WTO's umbrella treaty for trade in goods.[25]

Affirmative Measures Taken by WTO

The fundamental aim behind the adoption of the WTO was to improve international trade by providing unequivocal market access, including removal of voluntary export restraints that were adopted by nations as barriers to trade and create an equal playing field for all nations.To this effect, these provisions and enactments of the WTO offer certain additional refuge to third world interests.

Firstly, *although the Marrakesh Treaty obligates members to comply fully with the WTO obligations,it still recognises flexibility with respect to the developing countries.* For instance, least developed countries (LDCs) can express acknowledgement of their needs in the Ministerial Decision on Measures and are only obligated to respect commitments consistent with their development needs.[26]

Secondly, *WTO facilitates the interests of the third world countries through 'Special and Differential Treatment' (S&D) provisions.* These provisions were inserted to provide a helping hand to the growing economies by providing them additional time for implementing standards adopted by WTO agreements as well as other additional benefits. There are a number of examples of positive differential treatment awarded to developing countries. First,custom duties that can be imposed by developed countries are far less than by developing countries, as developing countries need to protect their domestic market and are allowed to impose higher barriers to restrict free market access.[27]Second,products from developing countries are favoured and given preference over those of developed nations.[28]Further, special and differential treatment andother

[23] Craig VanGrasstek, Part V: Relations With Other Organisations and Civil Society, The History and Future of the WTO 151, 197 (2013)
[24] id
[25]Understanding the WTO, World Trade Organisation websitehttps://www.wto.org/english/thewto_e/whatis_e/tif_e/fact5_e.htm
[26] Committee for Development Policy & United Nations Department of Economic and Social Affairs, Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures (November, 2008) https://www.un.org/en/development/desa/policy/cdp/cdp_publications/2008cdphandbook.pdf
[27] Peter Van Den Bossche& Werner Zdouc, The Law and Policy of the World Trade Organization 93, 145 (4th Ed., 2012)
[28] Article XXXVII: 1 of GATT, 1994

affirmative measures are provided such asmeasures to help developing countries build the infrastructure to undertake WTO work, handle disputes, and implement technical standards.[29]

Lastly, *taking into consideration the changing needs, the ministerial conference of WTOis reorganised every two years.* In this way, the diverse composition of the highest decision making body of the forum can discuss new trade opportunities or barriers from the perspective of the third world nations.

Criticism of Approach to Third World Nations

Although the WTO has provided ostensible advantages to developing nations, there have been a number of criticisms against it as well..Firstly, *the trade negotiations in WTO are based on the principle of reciprocity or 'trade-offs.'* That is, one country gives a concession in a certain area, in exchange for another country acceding to a certain agreement. This type of bartering exclusively benefits large and diversified economies, because they can get more by giving more. Although developing countries make up three-fourths of the WTO membership and can in theory influence trade negotiations by their votes, in reality they have never used this in their favour. This is for the simple reason that most developing economies are in one way or another dependent on developed economies like the US or UK and are well aware that any obstruction at the WTO might threaten the overall security of dissenting developing nations.

Secondly, *the dispute settlement mechanism of the WTO is not autonomous and at times is bend by the developed nations this can be observed by the blockade being performed by USA in appointment of judges of the Appellate Body*.[30] The process of dispute settlement includes consultation, followed by litigation and in case of non-compliance, the country emerging as victorious in the process can impose retaliatory trade barriers against others. The Dispute Settlement Understanding (DSU) allows member states who have prevailed in dispute settlement to impose high tariffs against non-complying nations. For developed nations like USA or China, such a hindrance on trade by another smaller nation does not act as an effective deterrence. Further, it cannot be denied that the DSU of the WTO favours the trade giants because of its low level of deterrence for non-compliance with the dispute settlement process.[31]

Finally, *there are other factors such as the expanding and dynamic nature of trade, requiring constant revision of the WTO Agreement.* For instance, the growing concept of trans-national subsidies can neither be deterred nor be validated due to lack of jurisprudence on it.

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[29]Special and Differential Treatment, Briefing Notes, World Trade Organisation website https://www.wto.org/english/tratop_e/dda_e/status_e/sdt_e.htm

[30]India Asks WTO Members To Resolve Judges' Appointment Issue In Appellate Body, Economic Times (Jan 15, 2019, 9:57 PM) https://economictimes.indiatimes.com/news/economy/foreign-trade/india-asks-wto-members-to-resolve-judges-appointment-issue-in-appellate-body/articleshow/67546242.cms

[31] Special and Differential Treatment, Briefing Notes, World Trade Organisation website https://www.wto.org/english/tratop_e/dda_e/status_e/sdt_e.htm.

II. PAST EFFORTS AT THIRD WORLD FUNDING AND DEVELOPMENT

In the past, several newly independent third world countries joined forces to leverage their combined influence to create institutions to affectchanges in the existing international economic regime to their advantage.The reason behind the emergence of these institutions was the undemocratic nature of the previous efforts that were taken up.However, these institutions too failed to consider the needs of the developing nations.

i. New International Economic Order

History

In order to advocate for a new international economic system that incorporated the challenges and aspirations of third world countries, a coalition of third world countries was indispensable. This bond developed through various international associations and conferences. *Firstly,* the Bandung Conference (1955) which was a meeting of newly independent Asian and African countries to foster solidarity to achieve common goals. *Secondly*, the Asian-African Legal Consultative Organisation (AALCO), established a year after Bandungin 1956, to advise on international law and initiatives for the fulfilment of objectives of its member States.[32]*Thirdly,* the Group of 77 (G-77), established in 1964, the largest intergovernmental organisation of developing countries in the UN, which served as means for the developing countries of the South to promote their collective economic interests and enhance their joint negotiating capacity.[33]*Finally*, this lead to the United Nations Conference on Trade and Development (UNCTAD) in 1964 to deliberate on concerns of developing countries over the international market and disparity with their developed counterparts.

Demands

The Bretton Woods system was born out of Anglo-American negotiations, following the end of the Second World War. It was advantageous to its creators, while neglecting the needs and aspirations of Third World countries. However, having formed a strong coalition, newly independent countries put forward a set of proposals in the form of a New International Economic Order (NIEO) to promote their interests. The NIEO became necessary to ensure that developing countries enjoy an increased share of global trade and international decision making. The tenets of NIEO are simplistic in nature, and as follows:

- Regulation of Foreign Investment and MNC's: To regulate, supervise and exercise authority over foreign investment and transnational corporations within its national jurisdiction and ensure compliance with policies of the State;[34]
- Regulation of Foreign Property: To nationalise, expropriate or transfer ownership of foreign property, in which case appropriate compensation should be paid by the State ;[35]

[32]Information Brochure, Asian-African Legal Consultative Organisation (AALCO) websitehttp://www.aalco.int/scripts/view-posting.asp?recordid=1

[33]About the Group of 77, G-77 website, http://www.g77.org/doc/

[34] Chapter II, Article 2, Charter of Economic Rights and Duties of States, G. A. Res. 3281 (XXIX)

[35] Chapter II, Article 2, Charter of Economic Rights and Duties of States, G. A. Res. 3281 (XXIX)

- Formation of Primary Associations:All States have the right to associate in organisations of primary commodity producers in order to achieve stable financing for their development;[36]
- Regulation of International Trade: It is the duty of States to contribute to the equitable development of international trade and share the responsibility to promote the regular flow and access of all commercial goods traded at stable and remunerative prices.[37]

Failure

In 1974 the UN General Assembly adopted a 'Declaration on the Establishment of a New International Economic Order'. Further, in Dec 1974, the Charter of Economic Rights and Duties of States was also adopted by the UN General Assembly. However, due to the radical nature of the demands in the NIEO, it was never fully implemented. This can be attributed to a number of factors such as lack of political dominance of developing countries and reluctance of developed countries to support a complete overhaul of an economic system that already serves their interest and agenda. Further, the NIEO was replaced by the Washington Consensus, a standard reform package for crisis-wracked developing countries, the objectives of which were diametrically opposite to those of the NIEO, including promoting the spread of globalization, and widening operations of multinational corporations.

III. PRESENT TRENDS IN THIRD WORLD FUNDING AND DEVELOPMENT

The efficacy of Bretton Woods institutions has come into question, in light of the development of the concept of Multilateral Development Banks (MDB).Multilateral development banks are supranational institutions set up by sovereign states, who are their shareholders. They have the common task of fostering economic and social progress in developing countries by financing projects, supporting investment and generating capital for the benefit of all global citizens.[38]Given MDB's focus on reducing poverty and economic inequality, they often lend at low or no interest rates, or provide grants to fund projects in the fields of infrastructure, education and other areas that promote development.[39]Hence, developing countries have started preferring banking institutions such as the Asian Development Bank, New Development Bank, African Development Bank and Islamic Development Bankto the likes of IMF and WB.

i. New Development Bank

Background

Formerly referred to as BRICS Bank, this multilateral development bank was established by the BRICS states of Brazil, Russia, India, China and South Africain

[36] Chapter II, Article 5, Charter of Economic Rights and Duties of States, G. A. Res. 3281 (XXIX)

[37] Chapter II, Article 6, Charter of Economic Rights and Duties of States, G. A. Res. 3281 (XXIX)

[38]Multilateral Development Banks, European Investment Fund website https://www.eib.org/en/about/partners/development_banks/index.htm

[39] Jules Wayne, Multilateral Development Banks: Their Approach to Economic Development, Journal of Economic Development (4th ed. 2016)

2013.[40]The initial authorized capital of the bank was USD 100 billion divided into 1 million shares.[41]Keeping in mind the unmet needs of developing countries, the leaders of the BRICS nations formed a bank with an aim to fund short and long-term investment in infrastructure and to felicitate sustainable development.[42]

Approach to Third World Nations

There has been a great deal of global appreciation for a Southern-led monetary fund. As it has been built on the experienceof various other regional Southern institutions and complements their objectives. Examples of the these Southern institutions projects includes the original Chang Mai Initiative – which has evolved into the 10+3 foreign-exchange reserves pool established by the Association of South-East Asian Nations (ASEAN), with a size of 240 billion US dollars, called CMIM, or Chang Mai Initiative Multilateralizationand even the smaller-scale FondoLatinoamericano de Reserva (FLAR).[43]

ii. Asian Development Bank

Background

The Asian Development Bank was established in 1966 under the initiative and sponsorship of the Japanese Government.[44] It is apoignant example of regional development institution. Regionalism is a phenomenon in international trade where states of the same region, create groups for the purposes of trade and to collectively reduce barriers to trade. Regional economic co-operation and integration are now generally viewed as having a positive effect on a region's holistic development.[45]Regional Trade Agreements (RTA) are reciprocal preferential trade agreements between two or more regional states, who have allowed countries to negotiate rules and commitments that go beyondmultilaterality.[46]Its shareholders consist of 48 developing and developed countries, largest of which are Japan (15.6%), the United States (15.6%), China (6.4%), India (6.3%), and Australia (5.8%).[47]

Approach to Third World Nations

Asian Development Bank performs similar functions to the World Bank, but at the region-specific level by providing financial and technical assistance to Asia's developing countries with the principal objective of alleviating poverty.[48]These institutions are free from the control of western world to a great extent and contribute tothe growth of developing economies, without restricting them from exercising their economic sovereignty. For instance, the loans that were granted by ADB to India for growth of mid-

[40] Powell, Anita, BRICS Leaders Optimistic About New Development Bank, Voice of America (March 27, 2013, 09:56 AM)

[41]History, New Development Bank Website, https://www.ndb.int/about-us/essence/history/

[42] No. 214, Stephany Griffith-Jones, United Nations Conference on Trade and Development Discussion Papers, A BRICS Development Bank: A Dream Come True? (2014)

[43]Griffith-Jones,supra,47

[44]About ADB, Asian Development Bank website, https://www.adb.org/

[45]Vol. 29, No. 4, Christopher M. Dent, The Asian Development Bank and Developmental Regionalism in East Asia, Third World Quarterly 767, 786 (2008).

[46]Regionalism: Friends or Rivals?, World Trade Organisation website https://www.wto.org/english/thewto_e/whatis_e/tif_e/bey1_e.htm

[47]About ADB-Capital Structure, Asian Development Bank website, https://www.adb.org/

[48] Vol. 29, No. 4, Christopher M. Dent, The Asian Development Bank and Developmental Regionalism in East Asia, Third World Quarterly 767, 786 (2008)

level companies or those granted for growth of infrastructural companies are only for economic assistance. On the other hand, World Bank and IMF force nations to change their socio-economic policies for the same economic support.[49]Various other development projects that have been recently felicitated by ADB are Solar Power Deal with Afghanistan worth USD 4 billion, Railway Track Electrification Project in India - which is the first ever non-sovereign fund worth USD 750 million.[50]These recent projects have been adopted taking into consideration environmental sustainability, which shows the holistic approach that these regional development banks.

iii. African Development Bank

Background

Following the end of the colonial period, the newly independent African nations were experiencing dire economic circumstances which led to the demand for a centralised bank for nations within the continent. The African Development Bank(AfDB) was established by an agreement signed by the leaders of 23 founding member nations in 1963. The AfDB has an authorized capital of UA 66.98 billion, and paid up capital of UA 4.98 billion.[51] The leading international rating agencies such as Standard & Poor's, Fitch, Moody's, and Japan Credit Rating Agency have awarded the AfDB an excellent AAA credit rating.[52]

Approach to Third World Nations

The overarching objective of the AfDB is to spur sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction. In 2015, all the institutions under the AfDB parent institution formulated a set of Sustainable Development Goals, which include promotion of gender equality, education, renewable energy, etc.[53] The Bank Group achieves this objective by mobilizing and allocating resources for investment in the regional member countries and providing policy advice and technical assistance to support development efforts.[54] The developmental impact of projects completed in 2018 has been expansive with 8.5 million people receiving improved agricultural technologies, and 8.3 million people having better access to water and sanitation.[55]Amongst other efforts, the AfDB in 2019 alone has invested nearly USD 1.4 billion in social and economic development in Morocco,[56] as well as USD 9,95,000 investment in development of renewable energy sources in Ethiopia.[57]AfDB is financing projects and programmes that

[49]India and ADB, Asian Development Bank website, https://www.adb.org/countries/india/main

[50] Funds and Resources, Asian Development Bank website, https://www.abd.org/site/funds/main

[51]Annual Report (2017), African Development Bank Group website, https://www.afdb.org/en/knowledge/publications/annual-report/

[52] id

[53]Mission & Strategy, African Development Bank Group website, https://www.afdb.org/en/about-us/mission-strategy/

[54] id

[55]supra, 58

[56] Mu Xuequan, African Development Bank Investment In Morocco Exceeds 1.4 Billion USD, Xinhua News (May 30, 2019), http://www.xinhuanet.com/english/2019-05/30/c_138100958.htm

[57]Ethiopia: African Development Bank's Sustainable Energy Fund Approves Grant To Spur Renewable Investments, News/African Development Bank Group website (May 21, 2019) , https://www.afdb.org/en/news-and-events/ethiopia-african-development-banks-sustainable-energy-fund-

create jobs, support small and medium enterprises and deliver inclusive growth.

iv. Islamic Development Bank

Background

The Islamic Development Bank (IsDB) is a multilateral development bank focused on funding of Islamic nations, with 57 shareholding nations. It was founded in 1975, with the pioneering support of King Faisal of Saudi Arabia. Saudi Arabia holds nearly one fourth of the paid up capital of the bank, with Algeria, Iran, Egypt, Turkey and UAE holding significant shareholding (nearly 10%) as well.[58] As per the 38th Annual Meeting, at the end of 2018, the subscribed capital stood at ID50.2 billion, and the Board of Governors approved an increase in authorized capital to ID100 billion.[59] The IsDB has received an 'AAA' credit rating from firms like Standard & Poor's, Moody's and Fitch.[60] The IsDB also holds the position of 'observer' in the United Nations General Assembly.

Approach to Third World Nations

The IsDBworks to improve and promote social and economic development in member countries and Muslim communities worldwide. The activities of the IsDB focus development assistance for poverty alleviation, emergency relief, trade financing, funding academic scholarships, and many others. The IsDB investment in agriculture and rural development in member nations stood at USD 12.6 billion as of the end of 2017.[61] Further, a number of investments were sanctioned for development projects that commenced in 2018, such as USD 134.5 million for natural gas transmission project in Tunisia, USD 19.2 million for the construction of rural roads in Senegal and many others.[62]One of their most notable projects is the Gao Bridge across the Niger River, which provides a vital trade link between the isolated Goa region and the Mali heartland. The bridge lessens poverty and has a number of socioeconomic benefits like boosting agricultural production, creating jobs, and providing access to healthcare and other services.[63]

CONCLUSION

International economic governance has changed significantly since the first time it gained focus after the First World War. With the evolving needs and aspirations, the methods and means of fulfilment have also evolved. These needs vary from developed to

approves-grant-to-spur-renewable-investments-19296/

[58]2018 Annual Report, Islamic Development Bank, available at : https://www.isdb.org/sites/default/files/media/documents/201904/usb%20Annual%20report%20English%202018_softproof.pdf

[59] id

[60]Moody's and Fitch Both Affirm Islamic Development Bank's AAA Rating, With Stable Outlook, News/IsDB website, (July 16, 2018), https://www.isdb.org/news/moodys-and-fitch-both-affirm-islamic-development-banks-aaa-rating-with-stable-outlook

[61]Change for Impact : Transforming Agriculture and Rural Development in IsDB Member Countries, Islamic Development Bank Report (2018),https://www.isdb.org/sites/default/files/media/documents/2018-12/00-IsDB-AgriBook-2018.pdf

[62]The Islamic Development Bank Approves Nearly US$ 282 Million For Development Projects, News/ Islamic Development Bank website(December 18, 2018), https://www.isdb.org/news/the-islamic-development-bank-approves-nearly-us-282-million-for-development-projects

[63]A Lifeline Across the Niger River, the Bridge at Gao, Mali, IDB Success Story Series : No. 2 (June, 2011), https://extranet.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IDB/CM/Projects/Success%20Stories/PDF/Niger-Mali_RiverBridge.pdf

developing and under developed nations. For instance, the need for imposition of higher custom duties in developing nations is not the same for developed nations as their domestic markets do not need major government efforts for their protection. These disparities in national economic status gives rise to different approaches that are needed for growth of international trade as a whole.

International economic governance has transformed over time and it has taken severalpositive steps towards achieving the goal of sustainable development in third world countries. However, that goal is still far away and the present efforts and intiativesthat have been taken are not nearly enough to achieve such lofty objectives. The authors have provided some recommendations of an elementary nature in the institutional structure, composition and functioning of these well-established Bretton Woods institutions as well as regarding newly established Multilateral Development Bankswhich can facilitate balanced economic growth that is inclusive of third world nations.

i. WTO

In the case of the WTO, the development needs of its members must be made a top priority as the two third members are still developing or LDC's, and the development of these countries will in turn result into better trade opportunities at a global level.Further, measures such as amendment of dispute settlement undertaking and increasing the power of Panel and Appellate body can help it grow as an individual institution.[64]Developed countries' domination should end, and decision making should be democratic by involving the developing countries and considering their interests.Additionally, it is believed that there should be a regular revision of the benefits provided to developing nations, so that these measures can help in attaining the ultimate objective without falling prey to malicious schemes. For instance, there is a major need to review whether or not China, which is one the largest trade economy in the world, is still eligible for benefit which are provided to developing countries.[65]

ii. IMF

In case of IMF, mechanisms need to be put in place to ensure better transparency in procedures and expectations of aid from its programmes. Furthermore, in order to ensure its sustainability in the fast-changing world, the IMF could engage with multilateral banking institutions in terms of providing better analysis to the developing countries and increasing their representation as stakeholders. For the continued relevance of the IMF, it must make itself flexible enough to cope with the changing world economic order.

iii. World Bank

In the World Bank, important reforms are needed to enhance the transparency in the decision-making system. The weightage voting system requires revision so as to allow the developing countries a larger influence upon the outcome of voting. There is still a need for an institution that balances the interests of the developed and the developing countries.

[64]ElvireFabry& Erik Tate, Saving the WTO Appellate Body or Returning to The Wild West Of Trade?, Policy Paper No. 225 (June 7, 2018) http://institutdelors.eu/wp-content/uploads/2018/05/SavingtheWTOAppellateBody-FabryTate-June2018.pdf

[65] Amanda Lee, China Refuses to Give up 'Developing Country' Status at WTO Despite US Demands, South China Morning Post (April 6, 2019, 01:00 AM)

iv. Maintenance and Development of Multilateral Development Banks

As has been stated earlier, there has been a trend of third world financing through the instruments of multilateral development banks (MDBs). Lending through multilateral development banks needs to continue, as it plays an important role in the international development architecture. MDB's perform a number of indispensable functions such as - Firstly, providing concessional loans to low income countries, at low or no interest rates.[66] The IMF and World Bank however, attach conditionalities to their loans. These conditionalities promote the interests of the developed countries in the developing nations by intervening with their economic sovereignty and forcing them to open up their economies to various transnational corporations (TNC), privatization etc. which are in the interest of developed countries.[67] Further, developing countries have vastly different needs from developed countries, due to disparity in available resources. MDB's are needed to help fund sectors of activities where important externalities exist, implying that social returns are higher than market returns, such as education, infrastructure and primary healthcare as well as protection of indigenous industries and cultivation of small businesses.[68] The IMF and the World Bank can provide the same funding, but do not possess the social and cultural awareness of the region or camaraderie of upliftment that regional MDB's share.Secondly, they provide long-term financing to middle and small income countries, which due to lack of credit worthiness, do not enjoy adequate access to private funds.[69]Thirdly, they act as a counter-cyclical offset to fluctuations in private capital market financing in low and medium income countries.[70]Fourthly, MDB's provide the benefits of diversification, which leads to less systemic risk and contribute to financial stability.[71]In addition to these functions, they also provide a dynamic vision or strategy of growth and guidance to developing nations to structure their economic development.[72]However, while MDB's have their advantages, institutions like the IMF and World Bank are not obsolete, if only due to their sheer size and volume of funds – which is far more than regional MDB's can provide.

It is the opinion of the authors that combining the efforts of MDB's and Bretton Woods institutions like the IMF and World Bank is the best way to serve the developmental agenda of third world nations. The ability to combine what these institutions have to offer creatively, ideally working constructively together, is essential for a financial system that serves the needs of inclusive and environmentally sustainable economic growth and development in third world nations.[73]When third world countries develop their social and economic conditions, this in turn improves the conditions for international trade and the global financial market. Thus, it

[66] Wayne, supra, 44
[67] Vol. 123, No. 3, Alice Sindzingre, Liberalisation, Multilateral Institutions and Public Policies : The Issue of Sovereignty in Sub-Saharan Africa, Mondes en développement 23, 56 (2003)
[68]Van Den Bossche& Werner Zdouc, supra, 33
[69] Wayne, supra, 44
[70] Wayne, supra, 44
[71] Griffith-Jones, supra, 47
[72]Stephany Griffith-Jones, The Positive Role f Good Development Banks, Addis Ababa Conference on Financing for Development (May 20, 2015) https://www.un.org/esa/ffd/ffd3/blog/positive-role-development-banks.html
[73]Stephany Griffith-Jones, Development Banks and Their Key Roles, Discussion Paper 59 (August, 2016) http://www.stephanygj.net/papers/Development_banks_and_their_key_roles_2016.pdf

is important for not only upcoming multilateral development banks, but also long standing Bretton Woods institutions to encourage the growth of third world nations, rather than suppressing the development of third world economies in favour of personal economic advantage to developed nations and institutions.

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