FROM THE DECLARATION ON THE RIGHT TO DEVELOPMENT TO THE REAL PRACTICE: WHAT IS MISSING?

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Abstract

Starting from the legal framework of the right to development, currently at the stage of soft law but strictly anchored to important United Nation treaties and resolutions, this thesis underlines the discrepancies between the principles inspiring the human rights discipline and the policies currently regulating the global economic system, in the attempt to identify eventual responsibilities and respective duty-holders.

Moreover, since the development economics interprets the eradication of poverty as potentially functional to the creation of growth, this paper affirms that the persistence of inequality can only be seen as merely utilitarian to the maintenance of the *status quo* and particular interests.

Subsequently, it describes the presence of good governance, in particular at domestic level, as indispensable element without which every effort in terms of international cooperation is vain.

In this globalised context, international and domestic policies are intricate an interdependent, while the need to join in the global economy must not threaten the local identity. Thus, this thesis does not offer fixed formulas or easy solutions, but tries to present the reality of the facts, in their entire complexity, seeking for feasible future changes and gradual improvements.

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INTRODUCTION

Extreme poor have few possibilities to survive the first 5 years of life, to be alphabetised and have access to basic health service, to develop working skills and find a legal job, to deliver their babies without risking both their lives if they are women. To the contrary, they diary incur in the eventuality to be raped or harassed when they go to work or die of a curable disease such as diarrhoea, tuberculosis and malaria. In this extreme conditions, poverty is so deep-seated to be inevitably transmitted from generation to generation, without any chance for their children and the children of their children to escape this vicious circle.

Today there is agreement on the fact that living in poverty implies far more that the simple lack of income, it obstructs the possibility to development the human personality, affects life expectancy, represents a strong impediment to the possibility to enjoy human rights, to the extent to render poor vulnerable during the whole course of their lives.

Hence, the necessity to define the right to development as the human right, for every person and all peoples, to a process that will gradually bring to the creation of the conditions "in which all human rights and fundamental freedoms can be fully realised".[1] In this view, development is a comprehensive concept which embraces economic, social, cultural and political aspects.

Here, the economic growth seems to play a residual role, but fundamental for the generation of the resources enabling the states to comply with the positive and negative obligations they have undertaken.[2] Such economic growth, on the other hand, cannot be generated in contradiction with the set of international norms which regulates the respect of human rights and which are considered prevalent respect other norms, according to Article 103 of the Charter of the United Nation (the Charter). Article 103, in fact, attests that in event of conflict between the obligations of the UN member states under the Charter and their obligations under any other international agreements, the obligations under the Charter shall prevail. Among such prevalent norms, obviously, are included Articles 55 and 56 of the Charter, the first sustaining that the UN shall promote "social progress and development" and "universal respect for, and observance of, human rights and fundamental freedoms for all without distinction"; while Article 56 represents the pledge of all the UN members "to take joint or separate actions in co-operation with the Organisation for the achievement of the [*aforementioned*] purposes".[3]

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[1] Article 1 para. 1 of the Declaration on the Right to Development.

[2] The positive obligations consist in the fulfilment of the rights and the negative obligations imply the abstention from interference with the enjoyment of the rights or the protection from the interference of third parties.

[3] The link between Articles 55 and 56 of the Charter and the Declaration on the Right to Development will be further underlined in chapter I.

The creation of economic growth, furthermore, is strictly dependent on the globalisation process which characterises our times. Nowadays, the economic trend is directly related with the existence of asymmetric and often unfair relations linking the different countries. An inquiry into the right to development, therefore, cannot be limited to the analysis of poverty, but must investigate inside the complex dynamics of interaction between North and South of the world, deeply influenced by the financial intergovernmental institutions and their *modus operandi*. It is, thus, logic to wonder who these organisations respond to, according what logics and whose interests.

More deeply inside the problems which affects the possibility to development, there is the need to individuate the endemic plagues affecting developing countries, such as the high level of corruption, the deep inequality and the continuous discrediting of the legitimacy of women in the enjoyments of their rights, in particular, civil, political and cultural rights.

In order to embrace all the aspects, this study is intended to cover different levels - global and domestic - and to be interdisciplinary, looking in particular for consistency and coordination between legislations, social policies and economic plans.

This work tries to depict an objective presentation of the facts, in the consideration that every state behaves strategically, with the intent to tutelage its own interests. That is well reflected in the considerations expressed by the UN member states on the report of the Working Group on the Right to Development, in which developing countries called for more attention on the importance of international cooperation, meanwhile rich countries advocated for the particular relevance of the domestic level, in terms of good governance, democracy and the rule of law, in the promotion of development.[4]

This thesis will investigate into each argument with conciseness, in the effort to cover all the major topics concerning the right to development. Briefly, the first chapter will describe the content of the Declaration on the Right to Development stressing its importance in the definition of development as a human right. It will follow with the presentation on the current commitments of the United Nations for the realisation of such a right, in the light of possible misunderstandings and potential improvements. The second chapter will give a general presentation on the nature of agreements which regulate international trade in the global paradigm, underling the complexity of the current situation and the urgency of structural reforms in order to achieve a higher level of equity and fairness. However, it is worth to remember that the present negotiation seems blocked for the presence of the global economic and financial crisis, which is currently catalysing all the attention and available resources. The third chapter will describe the financial system in its declinations of financial market, foreign direct investment (FDI) and foreign aid, which represent the three

[4] See Human Rights Council, Report of the Working Group on the Right to Development on its ninth session, 10 September 2008, in particular para. 37.

financial sources of developing countries. In relation to aid, the focus will be on the role of the major intergovernmental financial institutions, i.e. the World Bank and the International Monetary Fund. In fact, a deeper analysis on the role of the national and regional banks, such the African Development Bank Group and the Inter-America Development Bank, even if central in the definition of the financial system, is not object of this thesis.[5] Finally, the last chapter will focus on the most urgent concerns connected with national governance that could compromise the result of every policy and strategy designed to promote development; as aforementioned, the social legitimacy recognised to corruption, inequality and gender discrimination.

In this scenario, the lack of global governance, currently fragmented into several organs no entirely able to cooperate and coordinate their activities, neither to embody the legitimate interests of the majority of the people because of the lack of international democratic systems of representation, is a transversal issue that seems to haunt the entire discourse.

[5] More widely, all the issue related to the regional systems, which can be seen as middle level between domestic and global, causing sometimes overlapping but guarantying a better representation for the single states, are not analysed in this work, due to the vastness of such topic.

I. AFFIRMATION AND IMPLEMENTATION OF THE RIGHT TO DEVELOPMENT

The Right to Development (RTD) concerns a variety a different aspects, linked in a multidisciplinary perspective. If the economic considerations seem to be the more pertinent, the legislative side is gradually increasing its relevance, in the measure in which it reinforces the legitimacy and urgency of the fight to extreme poverty and the need to create, where it does not exist, an environment in which human capabilities can flourish.[6] In the words of the Amartya Sen, the founder of the so-called capability approach, "what a person has the actual capability to achieve is influenced by economic opportunities, political liberties, social facilities, and the enabling condition of good health, basic education, and the encouragement and cultivation of initiatives. These opportunities are, to a great extent, mutually complementary and tend to reinforce the reach and use of one another".[7] This is the approach that will be stressed in this work, giving the idea of the complexity of the concept of development and of the obstacles that have to be overcome in order to reach the conditions for its creation.

This first chapter will firstly draft the process that brought to the formulation of development as a human right, which found its realisation in the Declaration on the RTD. It will follow an explanation of the advantages connected with the aforementioned, innovative and still debated, inclusion of development in the human right discipline. Secondly, there will be a detailed analysis on the content of the RTD, as defined in its Declaration and interpretative reports. Afterwards, considering the implementation process as a key element of the discourse on the RTD, there will be the description of the most famous UN initiative concerning the actuation of measures intended to rise the level of development in the poorest countries, i.e. the Millennium Development Goals. In particular, there will be a focus on what critics can be moved to such initiative, with the intent to understand if future adjustments would be opportune. Lastly, there will be a description concerning part of the several UN activities in support to the RTD.

I.1. The Right to Development

The idea of development as human rights has a long tradition, but its affirmation is quite new, with the Declaration on the RTD of 1986. The Declaration proposes a model for rethinking the actual relation between North and South of the world on more equitable basis. It calls for a change of mentality and it should be considered the paradigm for reshaping theories and praxis concerning development.

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[6] For a deeper analysis on the capability approach see, for instance, Sen Amartya, *Development as Freedom* and *Commodities and Capabilities*, both of 1999.
[7] Sen, 2000, p. 507.

However, the inclusion of development in the human rights discourse is far from being consolidated and seems not to receive the due consideration. The difficulty of the acceptance could be represented by the simultaneous rise of obligations for the international community as duty-holder.[8] In fact, the affirmation of the RTD involves the recognition of the duty to provide the means for the realisation of a decent level of development in the poorest countries, which became the legitimate right-holders. At the stake, not only the difficult definition of development which has not found a univocal legal phrasing, but also the level of development that can be considered decent. In addition, such kinds of evaluations seem to imply a comparison between and within societies that bring along a strong political connotation.

The ontological premise, on which the responsibility for the international community is based, is a controversial but crucial point for the acceptance of the concept of the RTD. According to part of the authoritative literature, the idea of compensating the past injustices which characterised the epoch of colonisation and decolonisation constitutes the basis for such responsibility.[9] It is, however, difficult to define specific obligations of the international community. Thus, so far, the enforceability remains one the major obstacle to the vision of development as right.

Nevertheless, the process of recognition of development as a right and its inclusion in the human rights framework has already begun with the Declaration on the Right to Development adopted by the General Assembly with the resolution 41/128 of 4 December1986.

The Declaration represents an achievement because it attests for the first time the existence of the RTD and provides a legal definition. In fact, Article 1 affirms that:

> "The right to development is an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized".

The Declaration endorses a human right approach to development, which has been able to strengthen the debate on development, in fact, it increases the arguments in favour of the fight to extreme poverty, catalyzes the attention of the governments and of the public opinion, and increases, to some extent, the legitimacy of the development economics movement. Moreover, the translation of development into a right gave the birth to the process that will probably bring to the future formulation of binding norms, and the consequent realisation of implementation's measures, monitoring processes and claiming mechanisms.

Beyond its strong symbolic value, the Declaration is a juridical instrument that is worth to analyse in detail for understanding the content and the eventual enforceability.

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[8] Kirchmeier, 2006, p. 3.

[9] The reference is to practices such as slave trade, political domination and exploitation of natural resources.

I.2. Legal analysis

From a strictly legal point of view, the Right to Development is still at the phase of soft law.[10] The Declaration on the RTD, in fact, it is not a binding document. However, it finds its roots in older legislative acts.

The UN Charter, which is still considered one of the pillars of the human rights discourse, includes some references to development and to international cooperation. Article 55, indeed, connects the need of stability and public security with the "respect for the principle of equal rights". In order to realise such a scenario, the UN shall promote a "higher standard of living, full employment, and condition of economic and social progress and development"; and universal respect for "human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion". If the usefulness of this provision is compromised by its vagueness, it nevertheless constitutes the milestone for the affirmation of the RTD. The founders of the United Nation attest in this Article the inescapable link between international security and social justice.

Furthermore, the following Article 56 expresses the pledge to the realization of the "purposes set forth in Article 55", through the commitment in taking "joint and separate action in co-operation with the Organization".

The link between the Declaration on the RTD and the provisions of the Charter is particularly relevant for the implementation of every measure, in the light of the fact that, as already said, currently the RTD has not transcended the state of soft law.[11]

Unfortunately, even if the intentions of the founders seem so clear in the Charter, the Bill of Human Rights does not include the RTD. Maybe for this, development is considered part of the so-called third generation of rights or solidarity rights, together with the Right to Peace and the Right to Environment.[12]

It could be said, however, that Article 22 of the Universal Declaration of Human Rights (UDHR) represents an antecedent to the Declaration on the RTD, since it attributes, to every member of the society, the entitlement "of the economic, social and cultural rights indispensable for his dignity and the free development of his personality". So forth, Article 28 entitles everyone to a social and international order in which the rights and freedoms set forth in the Universal Declaration can be fully realised.[13] On the same line, a statement included in the preambles of both the Covenants attests that "the ideal of free human beings enjoying civil and political freedom and freedom from fear and want can only be achieved if conditions are created whereby everyone may enjoy his civil

[10] Kirchmeier, 2006, p. 4.

[11] *Ibidem.*

[12] Kirchmeier, 2006, p. 3.

[13] Such link between the Declaration of the RTD and the UDHR is suggested by several authors, among these: Rodríguez & Teijo (Rodríguez & Teijo, 2009, p. 8), Kirchmeier (Kirchmeier, 2006, p. 11).

and political rights, as well as his economic, social and cultural rights". Such provisions support a holist vision of all human rights, juxtaposed to the scission in categories.

Both the first two generations of rights are characterised by the individualist approach, where the right-holder is the single person.[14] The third generation of rights, instead, is supposed to represent collective rights and it has not been fully accepted so far, for its political connotation and apparent evocation of socialist ideals. The last generation of rights, in this view, is seen as mere utopia or even as the echo of past struggle for inverting the social order. This reductive interpretation of the third generation of rights, thus far, has represented one of the heaviest impediments to the evolution of the RTD, which in reality simply represents the integration of the first two generations of rights. It can be argued that the holist view of rights was already present in 1948 and can be traced in the preambles and provisions of the UDHR, but that the states failed then to support it, with the decision to redact two different Covenants. The Declaration on the RTD can be seen as the first sign of recognition of the meaningless of the division of the human rights in separated categories.[15]

The definition of the RTD, however, should not reach an over extensive conception for what it tends to represent the right to everything.[16] This risk is likely to raise, considering the abstractness of the concept of development itself, which implies far more then the mere economic growth.

In order to clarify the content of the RTD it is useful to recall the phrasing of the first Human Development Report, according to which, human development is about enlarging people's choices, allowing them to develop their full potential and lead productive, creative lives in dignity and in accordance with their needs and interests.[17]

With reference to the Declaration on the RTD, the first characteristic of such right, as formulated in Article 1, is inalienability; that means that it cannot be disposed neither by the right-holder, nor by the State, as last guarantor of all human rights. This feature has an intrinsic value, but, in my view, its importance does not transcend the theoretical sphere, being the gap between conceptualisation and enforceability the main obstacle to the human right discourse as a whole.

Concerning the responsibilities of the states related to the RTD, those are the usual obligations traceable in the entire human right legislation, i.e. the negative obligation to abstain from the violation of human rights and the positive obligation to undertake positive measures in order to protect all the individuals and fulfil the rights. It is this last obligation that is particularly ambiguous

[14] The first generation of rights is identified by the sum of rights included in the International Covenant on Civil and Political Rights, while the second generation is represented by the International Covenant on Economic, Social and Cultural Rights, which, together with the UDHR constitute the Bill of Right. The third generation of rights, instead, cannot be ascribed to the Bill of Right. The latest are the more innovative and controversial rights and represent the new values of our society.

[15] The concept of indivisibility of rights was subsequently more strongly affirmed in the Vienna Declaration and Programme of Action of 1993.

[16] Kirchmeier, 2006, p. 10.

[17] UNDP, 1990, p. 10.

and live wide margins for an arbitrary interpretation. However, it can be said that the Economic and Social Council has already specified, in its General Comment n. 3 concerning the International Covenant on Economic Social and Cultural Rights (ICESCR), that "the adoption of legislative measures is by no means exhaustive of the obligations of States parties" (para. 4) and "such measures include, but are not limited to, administrative, financial, educational and social measures" (para. 7).

The idea of development as presented by the Declaration and its explanatory documents identifies it with the entitlement to a process in which "all human rights can be fully realized".[18] The focus on the idea of process transfer on the state and, in second instance, on the international community the responsibility not to provide development, but the conditions for what such development can rise.[19] When the nation state is too weak to comply with its obligation,[20] the responsibility of the international community come to play a crucial role, not substitutive, but, I would say, subsidiary of the role of the state. The aforementioned situation of weakness is obviously traceable in all the countries where the implementation of the RTD is a priority.

However, I personally disagree with the interpretation of the RTD as an issue concerning exclusively poor countries. This aspect increases its importance in these times of economic crisis, in which the self-defined developed countries tend to reduce the level of the protection and fulfilment of rights, as they were negotiable and optional. However, once again, if the philosophy of the human right discipline is clear, its level of abstractness and vagueness affects its real translation into reality. A wider analysis of the legitimacy of a reduced level of protection and fulfilment of right in times of economic crisis is not the subject of this work, and it should maybe address to what extent and according which parameters an economic crisis could be considered an emergency situation. Nevertheless I want to underline that, in my view, the RTD, *per se*, does not refer exclusively to poor countries.

In the words of the UN Special Rapporteur Arjun Sengupta, the Declaration on the RTD fail to be neat, focused or non-ambivalent, as a result of the paragraph-by-paragraph negotiation that led to its adoption.[21] However, it is possible to read in it an illuminating concept of development according to which enforcing the right to development corresponds, first of all, in giving to everyone equal opportunities. In this sense, the RTD tends to meritocracy more then to redistribution. The RTD is about giving to every individual the possibility to realise his or her potentialities, guarantying to everyone the access to the minimum level of resources needed for holding a decent life. This aspect

[18] Article 1 of Declaration on the Right to Development of 4 December 1986.
[19] Sengupta, 2000, p. 3.
[20] Kirchmeier, 2006, p. 12.
[21] *Ibidem*, p. 4.

of the state's responsibility can be compared with the obligation established by the ICESCR, as specified in the General Comment n. 3, "to take steps, to the maximum of its available resources, in order to progressively realise, without discrimination, the minimum essential level of essential foodstuffs, of essential primary health care, of basic shelter and housing, or of the most basic forms of education".[22] Thus, similarly, as specified in Article 8 of the Declaration on the RTD, "States should undertake, at the national level, all necessary measures for the realization of the right to development and shall ensure, *inter alia*, equality of opportunity for all in their access to basic resources, education, health services, food, housing, employment and the fair distribution of income".

As already said, the state holds, in first instance, the responsibility to guarantee the conditions that can make development possible. Here, the holist interpretation of the human rights discipline is a crucial element, in fact, the state is called to undertake measures in order to generate a synergic environment in which the empowerment of every right reinforce the others and *vice-versa*. The need, often expressed by economists, to start from the fulfilment of economic rights is connected to a necessity to establish priorities and not, in my opinion, to the conferment of an intrinsic superior values to economic rights in comparison with civil and political rights.

From a pragmatic perspective, however, it is difficult to establish what entitlements the current legislation attributes to individuals. In order to dissect the content of the RTD, as draft in the Declaration, the First Development Report is quite useful, even because it represents an authoritative interpretation of the document. In the words of the UNDP experts, "the basic objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives".[23] Nevertheless, the excessive abstractness and mysticism of the Report partially affect its value. Neither the Declaration, nor the Report present the concrete measures that the states should undertake and, hence, that can be legitimately claimed.

A further authoritative interpretation of the Declaration is constituted by the reports edited by Sengupta in quality of UN Special Rapporteur. In his view, the Declaration represents the recognition of development as a human right to a particular process in which all human rights and fundamental freedom can be fully realised; thus the RTD implies the free, effective, and full participation of all the individuals in the decision making process and the right to equal opportunity in the access to the resources for development and in the possibility to effectively benefit from such development. Lastly, it individualises as duty holders, firstly, the individuals in the community, then the states at national level, and subsequently the states at the international level, which hold the

[22] Analogy proposed in Rodríguez & Teijo, 2009, p. 11.
[23] UNDP, 1990, p. 9.

obligation to cooperate for the realization of the process of development.[24] Moreover, for Sengupta is clear that the RTD is a collective right, even if the beneficiary of the process of development is the individual, as stated by Article 2 of the Declaration. In his interpretation, the intrinsic relation between individuals and community, in the sense that the individual personality is moulded by the community, implies that the collective rights are not different in nature from the individual rights once it is possible to identify the duty-holders.[25] These ideas, maybe so far too progressive to be accepted, have contributed to straighten the RTD discourse.

In conclusion, it can be argued that legislation concerning the RTD is affected by a vagueness which is typical of every juridical instrument that needs an international agreement; for this reason the adoption of programmes of actions and practical initiatives is particularly relevant. One of the most notorious programs promoted by the UN is represented by the Millennium Development Goals (MDGs) initiative, which has been able to catalyse the interest of governments and public opinion raising, on the other hand, strong criticisms and lively debates.

I.3. The Millennium Declaration and its follow-up

The evolution of the legislation has brought to the development of practical instruments for the implementation of the Right to Development. The current commitment of the UN member states is principally represented by the Millennium Development Goals, elaborated in 2001 according to the Millennium Declaration.[26] The Declaration is mainly about social justice and, moreover, about redistributing part to the wealth accumulated by the richest countries to the poorest ones and it expressly mentions the RTD. The superpowers - as always at the centre of the decision making process - were thinking that the level of extreme poverty experienced by the poorest countries was no more acceptable.

The Declaration enumerates the targets that should be pursued during the new century, considered as the century that will be decisive for the ending of the extreme poverty. In the Declaration the member states, thinking principally to take care of the future generations, underline the keys objectives to which they assign special significance. Those include, among others, disarmament, development, protection of the environment and protection of the vulnerable.[27] Hence, the

[24] Sengupta, 2000, p. 5.

[25] *Ibidem*, p. 9.

[26] Such Declaration was adopted by 189 nations and signed by 147 heads of state and governments during the UN Millennium Summit, which took place in New York with the intention to establish an innovative agenda for the new century.

[27] Disarmament constituted one of the key points of the Millennium Declaration, but it has never been translated into practical initiatives or in one of the MDGs, maybe for the lack of political support. The idea remains thus at the embryonic phase.

Declaration aims to annihilate extreme poverty and the Millennium Development Goals, which are eight specific targets, are the instruments for the realisation of such mission.

The Declaration enunciates, first of all, the values and principles which shape the *modus operandi* of the UN, which are freedom, equality, solidarity, tolerance, respect of nature and shared responsibility. Concerning equality, it is identified with the entitlement of every individual and nation to "benefit from development". The document recalls then the necessity to make of the globalisation process an inclusive process, which must become "a positive force for all the world's people", in the awareness of the current unfair distribution of its benefits and costs among the rich and poor countries. Subsequently, the Declaration includes the pledge to "create an environment – at national and global level alike – which is conducive to development and to elimination of poverty".

It is easy to trace a link between the Millennium Declaration and the RTD, however the MDG initiative and the RTD's agenda are not equivalent, in fact there are far more initiatives fostering development, undertaken inside and outside the UN.

The MDGs were presented for the first time in 2001, in the General Assembly resolution follow-up to the Summit, in a document called "Road map toward the implementation of the UN Millennium Declaration". The resolution represents a report of the Secretary General which "addresses fully each and every one of the goals and commitments contained in the Millennium Declaration, suggests paths to follow and shares information on best practices. It draws on the work of Governments, the entire United Nations system, including the Bretton Woods institutions and the World Trade Organization, intergovernmental organizations, international organizations, regional organizations and civil society".[28] The MDGs are described in detail from paragraph 80 to paragraph 163, in a document of 307 paragraphs; and they are then summarised in the annex in 18 targets, that subsequently became 20, and 48 indicators, now 60.

The MDGs constitute a real time plan for the realisations of the keys objectives established in the Millennium Declaration, but its enforceability is obviously weak. Several scholars agree on the binding value of similar types of widely accepted norms which become part of the customary international law. The Declaration, in fact, was approved during the UN Millennium Summit with a strong majority; moreover it was reaffirmed during the Johannesburg World Summit on Sustainable Development in 2002 and during the Monterrey Consensus, of the same year. However, the assimilation to customary law is debated even among scholars and certainly not welcomed by governments. In spite of the presence of several resolutions concerning the MDGs adopted by the

[28] GA Resolution A/56/326.

UN General Assembly, the Economic and Social Council and others UN agencies, it is not clear that these commitments have been made with the requisite intent to be bound.[29]

The whole process, as showed, remains at the level of soft law and the pledges of the richest countries, as the one to spend 0.7% of their GDP as official development assistance, have been fulfilled by very few of them. Nevertheless, the MDGs represent the most important focus of international effort to promote human development and contrast extreme poverty.[30]

Briefly, the MDGs are to: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental stability; and develop a global partnership for development. The MDGs are thought in a very strategic way, and their planning and format denote a clear managerial blueprint which should facilitate their efficacy and efficiency.

The all communication concerning the MDGs is characterised by a clear marketing strategy that abounds in colour and graphic stylishness. In my view, pragmatically, it should be made a clear balance between the part of resources spent for the implementation of actions direct to realize the goals and the cost of administration and accountability. The proportionality between these two main invoices has an impact on the credibility and legitimacy of the MDG initiative. However, these managerial methodologies of prioritizing, timing, creating accountability are the main characteristics of the MDG process, together with its extensive institutional apparatus.[31] Such apparatus is principally composed of: the Millennium Project,[32] which is a large network of policy-makers and experts led by the economist Jeffrey Sach; the Millennium Campaign,[33] whose aim is the creation of awareness; the process of National MDG Reports; and, lastly, the potential evolvement of every major international development agency.[34] The last point includes the participation, among others, of the United Nations Development Programme (UNDP), Food & Agriculture Organization, World Health Organization, but also of the World Bank (WB), the International Monetary Fund (IMF), and the International Labour Organisation (ILO), as earlier specified in the words of the Secretary General.

In spite of the emphases and resources dedicated to the MDGs, they will be probably missed by most of the poorest countries, in particular by the Sub-Saharan regions, where the number of people

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[29] Alston, 2005, p. 773.
[30] Alston, 2005, p. 755.
[31] Ibidem, p. 756.
[32] See generally, the Millennium Project at http://www.unmillenniumproject.org/ (consulted on 4 May 2009).
[33] See generally, the Millennium Campaign at http://endpoverty2015.org/stand-up (consulted on 4 May 2009).
[34] Alston, 2005, p. 757.

living in poverty is likely to increase.[35] Thus, it can be said that most of the goals are simply not realistic. For instance, African countries should grow with a rate of 7% in order to meet the goal to halve the number of people living below the poverty line of 1$ a day; but this is doubtfully reachable.[36]

To this evident defeat of the MDGs, it can be added that some of the targets do not even respect the minimum standard level established by the human right doctrine.[37] For instance, the third target establishes "that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling";[38] but it fails to specify that the education mush be compulsory and available free for all, as established by the Convention on the Rights of the Child.[39] That brings to the question about the relationship between the MDGs and the international human rights law.[40] The MDGs are not coherent with the human rights philosophy in the use of expression such as "halve, between 1990 and 2015, the proportion of people who suffer for hunger".[41] Evidently, the MDGs are phrased with a language that is closer to slogans than to normative formulation; and they do not look for comprehensive solutions and social justice, to the extent in which is no possible to imagine a system of social justice where only halve of the population suffering starving is alleviated. The MDGs fail to take into consideration variables such as the removal of discriminatory laws, the availability of judicial remedies or the presence of a free press.[42] The MDGs' reference to human rights norms is, thus, vague and not consistent. A strengthening of the goals' rigorousness may be useful for their efficacy and credibility.[43] However, it can be said that, even if several divergences keep the human rights agenda and the MGD initiative quite distinct, there are points of mutual reinforcement.[44] Nevertheless, it must be aware of the fact that references to the MDGs or integration of some of them in the human rights agenda imply the attribution of legitimacy to such initiative.

The MDG project, certainly inspired by the best intentions, has already shown signs of failure; and it is appropriate to ask for a reform of the entire process. The initiative utilizes a considerably amount of money and energy that have to be ethically managed if the aim is the eradication of poverty and human development. It is possible to advocate that the MDGs are important for their

[35] Clemens & Moss, 2005, p. 1.
[36] *Ibidem*, p. 2.
[37] Rodríguez & Teijo, 2009, p. 11.
[38] UN Secretary General, 2001, target 3.
[39] Rodríguez & Teijo, 2009, p. 13.
[40] Alston, 2005, p. 759.
[41] UN Secretary General, 2001, target 2.
[42] Alston, 2005, p. 782.
[43] In the Report of the Second Interagency Workshop on Implementing a Human Rights-Based Approach in the Contest of UN Reform, of 2003, it is possible to read: "here the concern that, taken in isolation, the MDGs might lead us back into a technocratic (input/output) approach to development".
[44] *Ibidem*, p. 761.

symbolic significant, because their do create dialogue, raise the interest of the public opinion and focus on accountability. However, the objective of communication has to be balanced and it should not overcome the others. Furthermore, the impact of the raised attention on the implementation of the MDGs themselves ought to be measured, in order to evaluate if the expense in communication is appropriated.

The emphases on communication, on the other hand, could be justified by the attempt to involve and foster the civil society; but even this aim can be considered missed. The human right NGOs, while not hostile, have been quite sceptical about the MDG initiative.[45] That is consistent with the nature of the civil society movement, which is typically bottom-up oriented. If the MDGs' promoters want to escape the critique to spend more in public communication than in implementation, they are called in first instance to provoke a dramatic change. Firstly, the accountability regarding the campaign itself ought to be more transparent, in fact it is quite difficult to understand the entire amount of money dedicated. Secondly, even if the goals are quantitative defined, the cause-effect link has to be demonstrated. Considering, for instance, the cases of India and China, which are presented as the countries where the MDGs will be meet, it can be said that the rise of the quality of the life in such countries has unlikely been influenced by the MDGs and its campaign. What is more, there are more than few reasons for being worried about the human rights situation of those countries.

A further critique to the MDG initiative focus on the fact that the goals create unrealistic expectation and, in this way, a good result to increase the education rate from the 40% to the 60%, which could be actually considered successful, may turn out to be a failure thought the lent of the MDGs that aspire to reach the 100%.[46] That would have tremendous effects in case of the future application of sanctions to the developing countries which fail to fulfil their obligations.

Beyond their formulation and format, the MDGs do not represent a good political choice in the long term. They move the attention from the structural characteristics and shortcomings of the economic system, to the need of solidarity.[47] It can be argued that they give emphases to foreign aid and international cooperation, more than on the necessity of a structural reform of the economic system. The MDGs focus on the symptoms more than on the causes of poverty, fomenting in this way the use of palliative remedies instead that the promotion of development economies.[48]

[45] *Ibidem.*
[46] Clemens & Moss, 2005, p. 3.
[47] Reinert, 2007, p. 242.
[48] *Ibidem.*

As last critique, concerning the enforceability, the MDGs fail to trace the eventual responsibility in the case of no fulfilment,[49] or I would say when the states and the international community avoid applying a minimum level of economic and political effort for the realisation of the objectives.
In conclusion, the MDGs need of a structural reform, which transfer on them more transparency and efficiency, in order to gain credibility and legitimacy. It cannot be negated that they will not be reached in the 2015 timing formulation. However, the establishment of universal priorities has a long tradition as it has become an interest of UN since the Sixties, when it focused on primary education; and continued in the Eighties, with the commitment to bring the economic growth rate to 6.5% in the developing countries.[50] It is assured that this typology of measures will be maintained and renew in the future; hence, it is particularly important to stress the problematic and improvable aspects of such initiatives.

I.4. UN current agenda

From the previous paragraph it is possible to evince that the UN current agenda is partially corresponded, but not equivalent to the MDG initiative. There are a multiplicity of activities and institutional mechanisms that the UN holds for the implementation of the RTD.
The Commission on Human Right, now Council, established a Special Rapporteur for the RTD, whose mandate ended in 2005; an open-ending Working Group (WG) from 1996 to 1998, subsequently from 2000 up to now;[51] and in 2004 the Commission created a High Level Task Force (HLTF) as subsidiary body to the WG.[52] In addition, in 2004 the Sub-Commission on Human Rights was requested to prepare a concept document concerning the application and interpretation of the RTD that was completed in 2005.
The contribution of the Special Rapporteur Arjun Sengupta, whose mandate started in 1998, has been particularly important for the interpretation and evolution of the RTD. His economic background has been useful for making a fair balance between juridical and economic considerations in the interpretation of the RTD.
Related to the RTD is also the work of the current independent expert on the effects of foreign debt and other related international financial obligations of states on the full enjoyment of all human rights, particularly economic, social and cultural rights, Dr. Cephas Lumina.[53] As a part of his

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[49] Rodríguez & Teijo, 2009, p. 12.
[50] Clemens & Moss, 2005, p. 3.
[51] Commission on Human Rights resolution 1998/72 and Economic and Social Council decision 1998/269, subsequently renewed by the Human Rights Council resolution 4/4.
[52] Commission on Human Rights resolution 2004/7, following renewed by Human Right Council resolution 2005/4.
[53] Human Rights Council resolution 7/4 of 27 March 2008, in which the Council decided to redefine the mandate of the independent export on the effects of economic reform policies and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights, and to rename it.

mandate, the Independent Expert carries out country missions, holds dialogues with the Government, international financial institutions, UN agencies and civil society as a part of his global analysis and develops recommendations and suggestions to the countries concerned. The independent expert also engages in consultations with the World Bank and the International Monetary Fund, as well as other international organizations active in the areas of development aid. What is more, he is in charge to provide the formulation of minimum quantitative standards for the realisation of the MDGs.

A further relevant contribution for the RTD is provided by the independent expert on human rights and international solidarity, Rudi Muhammad Rizki, whose mandate is to analyse the issue on the right of peoples to international solidarity and draft a potential declaration.[54]

The papers and the presentations conducted by Special Rapporteurs and independent experts are free available for everyone, contributing to the divulgation of information and education concerning human rights. The work of those experts, who are often academics, is completely independent and can be seen as the *excellence* of the UN operating.

Concerning the RTD, a further useful UN's instrument of divulgation is represented by the Human Development Report, first launched in 1990 by the UNDP; and supported by other initiatives such as the Global Forum, the Human Development Index and the Human Development Award. The Human Development Report is an independent tool which annually analyses the challenges to development at global level, focusing on one specific theme. The 2009 Report will focus on the impact of human mobility on development, while the precedent addressed climate change.

Concerning the Global Forum, it has had, so far, three editions, the first in 1999 in New York, the second in 2000 in Rio de Janeiro, while the last one was hold in 2005 in France and concerned cultural identity, democracy, and global equity. The Forum has the quality to gather academics, practitioners, activists and senior policy-makers from all over the world, with the aim to examine the critical issues for human development, also in the light of the MDGs.

The Global Forum initiative is particularly significant for the lack of complaint procedures for the RTD, which makes the usual human rights treaty bodies often inadequate for the implementation of the right.[55] Consequently, new transversal instruments of consultation, advocacy and exchange of information represent a viable alternative.

The Human Development Index (HDI) was launched by the first Human Development Report, which introduced a new way of measuring development by combining indicators of life expectancy,

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[54] The independent expert on human rights and international solidarity, Rudi Muhammad Rizki, was appointed pursuant to resolution 2005/55 of the Commission on Human Rights, whose mandate was renewed pursuant to Human Rights Council resolution 7/5.

[55] Sengupta, 2000, p. 11.

educational attainment and income. The contribution of the HDI was the creation of a single statistic which can serve as a frame of reference for both social and economic development and, moreover, it can be disaggregated in order to analyse the characteristic of cohesive groups, such as of the rural and urban inhabitants, and provide a measure of gaps and divergences inside countries. What is more, an adjustment of the HDI was created for the individuation of gender inequality.

The list of UN initiatives does not want to be exhaustive, but to give an overall presentation of the variety of aspects, infinite interrelations and efforts spent. However, it can be notices that the presence of all these different instruments and bodies imply overlapping and overproduction of documents and researches, that risks to create ideas that will never be translated into practise. There is an issue of coordination, mutual reinforcement and reciprocal understanding among development agencies. However, part of the theoretic production does constitute a useful tool for practitioners. What is more, a progress in the debate on the RTD can be noticed and this is particularly relevant considering the innovative nature and relatively recent formation of such right.

As last remark, I want to underline the limit of the UN approach. In the quality of association and authoritative voice of the will of the states, the position of the most powerful states play a crucial role in every UN decision making process. Clearly, the Human Rights agencies are thought to be independent, however, in the enforcement of the actions proposed, the asymmetry of powers remerge as key element. The accusation to the Commission on Human Rights to apply double standard, and the consequent replacement by the current Council, can be seen as a clear sign of the ambiguity of the UN system, but also of the tension to improve.[56]

In the light of the shortcomings of the UN system and the weaknesses which characterise the current legislation, other ways need to be undertaken, in parallel, for the implementation and improvement of the conditions of human development.

The following part of this study will focus on the factors that, in practice, condition the possibility for developing countries to generate economic growth functional to the development process. The next chapter, in particular, will analyse the regulation of international trade and its multi-faced implications.

[56] Kirchmeier, 2006, p. 24.

II. THE IMPACT OF TRADE AGREEMENTS ON DEVELOPING COUNTRIES

Both the theory and the empirical evidence demonstrate that a certain degree of liberalisation can improve the level of economic growth of the poor countries, once it is clear that the economic growth is an important component of the process of development, but do not absorb the whole phenomenon. Hence, before analysing how the domestic policies can integrate the economic growth in a virtuous circle creating human wellbeing, it is important to evaluate what can favour or impede developing countries in the creation of wealth. In this perspective, trade agreements play a crucial role, since they have represented for years the way in which the superpowers tutelage their privileges and refute to apply fair policies.

This chapter will focus on the history of international trade agreements and their role in creating comparative advantages for developed countries.

This phenomenon demonstrates the ambiguity of the superpowers' behaviour, that with one hand sign declarations and human rights legislations and with the other subscribes agreements which dramatically obstruct the possibility of the weaker countries to develop.

II.1. History of international trade agreements

Access to international trade shapes and conditions the level of domestic economic growth. The history of the current economic powers, for instance of US and Great Britain, has shown the strategic importance of the trade policies applied. Similarly, the possibility to develop for the poor countries is strictly connected with the regime of trade policy in use. Currently, every decision is taken in global forum where each country plays a role proportional to its power. This, logically, implies that rich countries have the possibilities to defend their interests and to improve their wealth, while poor countries remain voiceless. The fact that the gap between rich and poor countries is tremendously increasing should constitute sufficient reason for changing this unethical praxis.[57]

The multilateral agreements on the liberalisation of the trade have their origin in 1947, when the General Agreement on Tariffs and Trade (GATT) was established, as provisional institution indispensable for setting the emergency economic situation determined by World War II. The abortion of the International Trade Organisation project transformed the provisional nature of the GATT in the unique multilateral agreement, able to governed international trade from the 1948 to the 1994, when the World Trade Organisation was created.

The GATT permitted state parties to negotiate a reduction of barriers to the entry of goods in the name of the mutual interest. With the passing time, the number of participants increased in the

[57] Measured at the extremes, the gap between the average citizen in the richest and the poorest countries is wide and getting wider. In 1990 the average US citizen was 38 times richer than the average Tanzanian. Today the average is 61 times richer. UNDP, 2005, p. 36.

measure that transformed the GATT in the most important international accord governing trade worldwide, with exception of the communist countries. In fact, meanwhile the participants during the 1947 session of Geneva were 23, mainly the Organisation for Economic Co-operation and Development (OECD) countries, their number reached 62 in the Kennedy Round and 102 in the Tokyo Round (see Table 1).[58] The GATT promoted the liberalisation process in the post war period, establishing the principles of transparency, no discrimination and reciprocity. It represented a considerably open forum for the negotiation of concessions and the resolution of differences.[59]

Table 1. Rounds under the GATT

			Number of participant states
I	**Geneva**	1947	23
II	**Annecy**	1949	13
III	**Torquay**	1951	38
IV	**Geneva**	1956	26
V	**Dillon**	1960-1961	26
VI	**Kennedy**	1964-1967	62
VII	**Tokyo**	1973-1979	102
VIII	**Uruguay**	1986-1994	123

Source: WTO (http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact4_e.htm consulted on 2 May 2009).

From a juridical perspective, the GATT, before 1995, was an inter-governmental treaty whose aim was not exclusively economic, but characterised by the necessity to facilitating cooperation among countries for reducing the risk of war, in the light of the II World Conflict.[60] This feature of multilateral institution was absorbed by the World Trade Organization, which since 1 January 1995 has been responsible for the redaction and administration of multilateral agreements concerning trade in goods, services and intellectual property rights for the member states. The specific instruments dedicated are, respectively, the new GATT, the General Agreement on Trade in Services (GATS) and the trade-related intellectual property rights (TRIPs). The countries that constituted contracting parties of the GATT, including the developing countries, became WTO member states. The main decision-making body is the ministerial conference where all the members meet at least once every two years.

Theoretically, the WTO system confers the same power to all members since the decisions are adopted by consensus. However, during the whole evolution of the institution, the role of the developing countries was limited for the lack of negotiating means.[61] Developing countries represent the majority of the WTO membership and are identified by self-announcement; even if

[58] Currently, the total number of Rounds is nine and the last one, the first open under the WTO framework, is still ongoing.
[59] Charlton & Stiglitz, 2005, p. 78.
[60] Hoekman & Kostecki, 2001, p. 37.
[61] Collier, 2007, p. 23.

other members can challenge the decision of a member to make use of the favourable provisions dedicated to developing countries. In fact, they enjoy a particular status as WTO members, which is different for the group of "developing countries" and "least developed countries" (LDCs), which are recognised as such according to the UN evaluation. Currently, the LDCs are 49 in total, 32 of which have become WTO members.[62]

The disadvantaged position of the developing countries brought to formulation of the campaign for differential ruling, which had increased its importance with the new independence of ex-colonies. The preferential treatment was gaining success since the mid-1950s and in 1965, the developing countries, gathered in a bloc,[63] obtained the introduction in the GATT of a new part IV on Trade and Development, establishing the no legally binding principle of non-reciprocity for developing countries. The preferential regime was then endorsed in the Special and Differential Treatment, adopted in the Tokyo Round, which took place in 1973, where more than sixty developing countries were present. However, the restriction of their intervention to this single topic, brought to the decision of many developing countries to refuse to sign the Tokyo Round code. The Special and Differential Treatment (S&D) allowed developing countries, generally ex-colonies, to access to rich countries market with a preferential regime, which has implied lower duty barriers for the exportations and measures of protectionism concerning the importations.

In 1979, the GATT Council adopted the Decision of the Contracting Parties on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries – the so-called Enabling Clause – that allowed the contracting parties to apply favourable treatment to a list of countries by them selected, without the obligation to provide the same preference to other members.[64] The Decision also recognised the special treatment of LDCs among developing countries.[65] Thus far, members continue to notify to their Generalised System of Preference (GSP) Schemes in favour of LDCs.[66] In 1999, the General Council adopted the Decision on Waiver for

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[62] However, as will be explained afterwards, even LDCs which are not member states can benefit from preferential treatment if the giving country so decides.

[63] The United Nations Conference on Trade and Development was created in 1964 as lobby and organism directs to empower developing countries in order to achieve a fairer negotiation. The organisation as progressively evolved into an authoritative institution whose aim is to support and foster sustainable development, with the main functions of being a forum for international deliberations; making research, including policies analysis and data collection; and providing technical assistance specifically direct to developing countries. See www.unctad.org (last accessed on 1 July 2009).

[64] WTO Decision of November 1979, para. 1.

[65] *Ibidem,* para. 6.

[66] Currently, the EU is implementing an initiative called Everything But Arms, which should be in force from 2006 to 2015, according to the ten years cycles adopted by the EU for the implementation of the GSP. However, the GSP Council Resolution which approved the initiative affirmed that it should be maintained for an unlimited period of time. EBA implies the free access to imports for all products from LDCs, except arms and ammunitions, without quantitative restrictions. Only banana, sugar and rise has been subjected to quantitative restrictions until 2009.

Preferential Tariff of LDCs that allows developing countries members to offer preferential treatment for products from LDCs.[67]

Nowadays, the validity of the S&D persists as exception to the principle of reciprocity enshrined in Article XVIII of the GATT and it remains embodied in the WTO system. Special provisions for developing countries include: lower level of obligations, more flexible implementation timetables, commitments by developed countries to give the due consideration to poor countries interests, more favourable treatment for LDCs, and possibility of technical assistance and training.[68]

The advantage of such agreement is the wider freedom recognised for the implementation of domestic policies, but, on the other hand, such solution has provoked an exclusion of developing countries in the rest of the negotiation process.[69] It is important to stress that, up to now, such commitments are not binding and the WTO dispute settlement mechanism is not available for their claiming. What is more, the way of access to the GATT can be different from country to country, determining a variety of different obligations and positions.

From a comprehensive perspective, preferential treatment can be distinguished in two major categories: firstly, a better access to the rich countries' market, based on the example of the relationship between UK and France toward their colonial possessions; secondly, an exemption from the GATT norms and mechanisms.

However, such privileged regime has been accorded only to low exported goods, meanwhile agriculture and textile sectors, which potentially confer competitive advantages to developing countries, were object of a Sector-Specific Multilateral Trade Agreements. That is justified by the fear that the ingression of developing countries goods would produce a global decline of the prices. Hence, the textile sector was at the centre of the Multifibre Arrangement (AMF), which, from 1974 to 1994, had allowed the developed countries to discriminate the poor countries through the application of quotas to the quantity of importations. Similar quotas, to the contrary, had never been established for the trade of textile products among rich countries. Afterwards, the AMF has been substituted by the WTO Agreement on Textiles and Closing (ATC), which constituted a transitional accord aiming to reach the full integration of the textile sector in the GATT by 2005. The agriculture sector, on the other hand, is still object of protectionism measures in rich countries, and in the European Union in particular, with the implementation of public subsidies and the application of trade barriers.[70]

[67] WTO Decision on Waiver of 17 June 1999.
[68] Hoekman & Kostecki, 2001, p. 392.
[69] Charlton & Stiglitz, 2005, p. 79.
[70] A wider analysis of the agriculture sector will be following provided.

During the Eighties, the role of the developing countries became more active, especially of those countries that were experiencing a new economic growth, such as the Asian regions. In fact, a new reciprocal interest in penetrating each other markets created a larger space for dialogue.

In the Uruguay Round lasting from 1986 to 1994, where the agriculture and textile sectors were included in the discussion, the number of participant states was 123, number symbolising the recognition of the GATT as major instrument of agreement. The epochal change which characterised such Round was the inclusion of services in the international trade accords. The intellectual property services, as well, were introduced in the negotiation for the first time. In that occasion, developing countries did not participate as a bloc; instead countries pursue their interests in a more independent and open way.

The Uruguay Round, however, did not bring to satisfactory results for developing countries. In the complex, many areas needed an improvement, such as the policies concerning agriculture, manufacturing, intellectual property rights, with particular reference to medicines, and barriers imposed by developed countries tower developing countries' imports. With the ending of the Uruguay Round, these issues became the heredity of the coming negotiation. The following and still ongoing Doha Round, in fact, is looking for new solutions, but the negotiation is proceeding slowly and with several falls back.

II.2. The Doha Round

The WTO tried to open a new Round for the first time in 1999, in the city of Seattle, invaded by 40.000 exponents of one of the biggest protest movement ever seen. The protest increased the level of tension felt, but was not the cause of the missed success. The main cause of failure, in fact, was the scepticism of the developed member states toward the new topics added in the agenda.[71] The Doha Round, the ninth and latest one, began then in 2001, after the advent of the Millennium Declaration, attesting the new interest of developed countries for the eradication of extreme poverty. It would have been therefore inconsistent to keep such issue out of the WTO's commitments. As consequence, the Doha Ministerial Declaration adopted in November 2001 includes, in its second Article, the pledge toward the promotion of development.

More in detail, the Ministerial Declaration adopted in Doha, Qatar, represents a commitment to reform and liberalise trade policy, safeguarding an open and non-discriminatory multilateral trading system, able to take into consideration the protection of the environment.[72] The Declaration remarks the duty of the WTO to ensure the internal transparency and the effective participation of all

[71] Charlton & Stiglitz, 2005, p. 91.
[72] WTO, Ministerial Declaration, of 20 November 2001, para. 1-6.

members.[73] Concerning the agriculture field, it pledges to prevent restrictions and distortions in the world agricultural markets through: improvement in market access; reduction of export subsidies and reduction of trade-distorting domestic support; guarantying at the same time the validity of S&D treatment for developing countries.[74] With the reference to services, the Declaration stresses the importance of promoting economic growth of all trading partners, with inclusion of developing and least-developed countries.[75] Meanwhile, the priority for the trade of non-agricultural products is to reduce or, when it is possible, eliminate trade barriers and tariffs, in agreements with the Article XVIII *bis* of GATT 1994 regarding the exemption to the reciprocity principle for the developing and least-developed countries.[76] The Declaration, then, refers to the TRIPS agreements stressing their importance for public health and access to medicines.[77] Afterwards, there is a section dedicated to the relation between trade and investment, then between trade and competition policy, recognizing the necessity of technical assistance and capacity-building for developing countries. The interest for the weaker countries continued with the pledge to render the small economies full participants of the WTO mechanism and not second class members.[78] The Declaration, furthermore, includes a commitment to research a solution of the poor countries external indebtedness.[79]

All the most urgent issues related to developing countries have been thus touched and the Doha Round has gained the name of Development Round. Unfortunately, the declaration of intents has failed to be translated into practice.

It is important to notice, however, that with the passing time, the participation of developing countries in the WTO has become more intense. This is demonstrated by the nomination of Dr. Supachai Panatchkdi, from Thailand, as first Director General from a developing country, with a mandate lasting form 2001 to 2005. A further index of the increased involvement is given by the conspicuous number of proposals coming from the developing countries: more the 100 concerning topics related to traditional markets, but also competition and investment policy. Moreover, it can be noticed the increased use of the WTO dispute settlement mechanism, for procedures against rich countries and against each other.[80] That reflects an increased understanding of the WTO system and

[73] *Ibidem*, para. 10.
[74] *Ibidem*, para. 13-14.
[75] *Ibidem*, para. 15.
[76] *Ibidem*, para. 16.
[77] *Ibidem*, para. 17.
[78] The integration of small economies is one of the focuses of the 2001 Conference. The definition of economies that can be considered small has a long tradition in economic literature, and it normally refers to population size and land area. The WTO has defined a cluster of "microstates", with a population inferior to 1.5 million inhabitants, and one of "small states", whose population oscillates between 1.5 and 5 million. For each cluster the WTO has studied specific policies for the integration in the global market, considering the particular vulnerability which characterised such economies. See WTO Discussion Paper, 2004.
[79] WTO, Ministerial Declaration of 20 November 2001, para. 36.
[80] Hoekman & Kostecki, 2001, p. 394.

underlines the capacity-building process experienced by the developing countries during the last decades.[81]

After the Fourth Ministerial Conference in Qatar, the original mandate of the Doha program has been redefined in Cancun in 2003, in Geneva in 2004 and in Hong Kong in 2005.

In this process, the Conference of Cancun can be seen as a step back. In fact, the developing countries left the Ministerial Conference in September 2003, because of the evident intention of the developed countries to retract their pledges. For instance, the Singapore issues, consisting in trade and investment, competition policy, transparency in government procurement and trade facilitation, were gaining importance in the Ministerial. Such subjects, however, represent specific interests of the developed countries and were seen as a deviation from the original commitment to foster development.

A further strong element of disagreement was the agrarian reform, seen by many as a key factor for the development of the poorest countries. The proposition of United States (US) and EU did not include any fix parameters for the reduction of domestic subsidies, which are responsible for distorting the global agricultural market. What is more, the 2002 US Farm Bill increased the level of subsidies for the corn producers. Thus far, US export corn for a price 20% lower than the cost of production, and wheat for a price 46% lower than the cost. The European Common Agricultural Policy of 2003 is of the same sign, keeping high the level of subsidies and maintaining the existing export subsidies and barriers to importation.[82]

The Geneva Conference took the Round back on track and provided that agricultural export subsidies would have been eliminated, including below-market rates on exportations.[83] Moreover, the agreement established a cut of tariff in manufactures, respecting exemption for developing countries. Such achievements have been significant, but modest. Furthermore, the outcome document leaves a wide open space for the implementation of such measures, conceding to the countries responsible for the distortion of the market - mainly US, EU and Japan - an important arbitrary power. Furthermore, the new agenda included all the Singapore issues, except trade facilitation.

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[81] The participation in the WTO mechanism requires competencies and stuff dedicated, rephrasing, availability of resources. For this reason, the WTO has established special bodies of counselling and capacity-building. One of this is the Committee on Trade and Development that, as main tasks, observes how provisions favouring developing countries are implemented, redacts guidelines for technical cooperation, favours the participation of developing countries in the trading system, and tries to improve the position of LDCs. A Sub-Committee on LDCs complements the work of the Committee. What is more, the WTO provides technical assistance to developing countries, which includes mainly legal assistance and training sessions. These measures should help developing countries in increasing their negotiating power, limiting the dramatic impact of the gap of resources between countries. It is sufficient to consider, for instance, that many poor countries cannot even afford the cost of a delegation in Geneva.

[82] Charlton & Stiglitz, 2005, p. 97.

[83] Cline, 2005, p. 4.

The subsequent meeting hold in Hong Kong can be seen as a further missed opportunity to make trade fairer. In this occasion, developing countries, that used to form different groups since 2001, such as the African Group or the LDC group, joint together into the G-110 alliance on agriculture, in order to put pressure on EU and US for the restriction of their domestic subsidies and trade barriers. Nevertheless, the expectations of the G-110 have been frustrated, with the only gain to establish an ending date for export subsidies in 2013.

A further relevant issue object of this Ministerial Meeting was the non-agricultural market access (NAMA), first formulated in 2004, concerning tariffs on manufacturing, fisheries, and mining. Rich countries have tended to apply tariff escalation, which consists in higher import duties on semi-processed products than on raw materials, and still higher on finished products, in order to protect domestic industries.[84] Labour-intense sectors are central for the domestic economy, because of the strict connection with the level of employment. This typology of tariff escalation constitutes therefore a heavy obstacle to development. Developing countries, gathered in different coalitions, try to strongly contrast the actual formulation of the NAMA; however, at the present time, the terms of agreements are still under negotiation.[85]

In Hong Kong, the negotiation relating to duty-free and quota-free (DFQF) market access for LDCs took a step back from the Doha mandate. The principal issue has been the restriction on the categories of products object of the measure. For instance, US tried to protect its textile sector from countries such as Bangladesh, Cambodia and Nepal; meanwhile Japan continued to protect its market for rice, fish, leather goods and footwear.[86] So far, the DFQF measure is not based on binding norms.

During the Meeting in Hong Kong, one more time, trade ministers could not find solutions for the major disagreements in the negotiation, which now seems to be stalemated, also because of the precarious situation which presently affects the global economy. One of most controversial topics of the ongoing Round is agriculture with its multifaceted aspects, which deserve a more detailed analysis, presented in the following paragraph.

II.3. Agriculture: a key issue?

The agricultural sector is seen as crucial element for the development of poor countries, since about three-fourth of the world's poor live in rural area and, on the other hand, the encouragement of the urbanisation process would not be a suitable alternative. However, it is important not to have

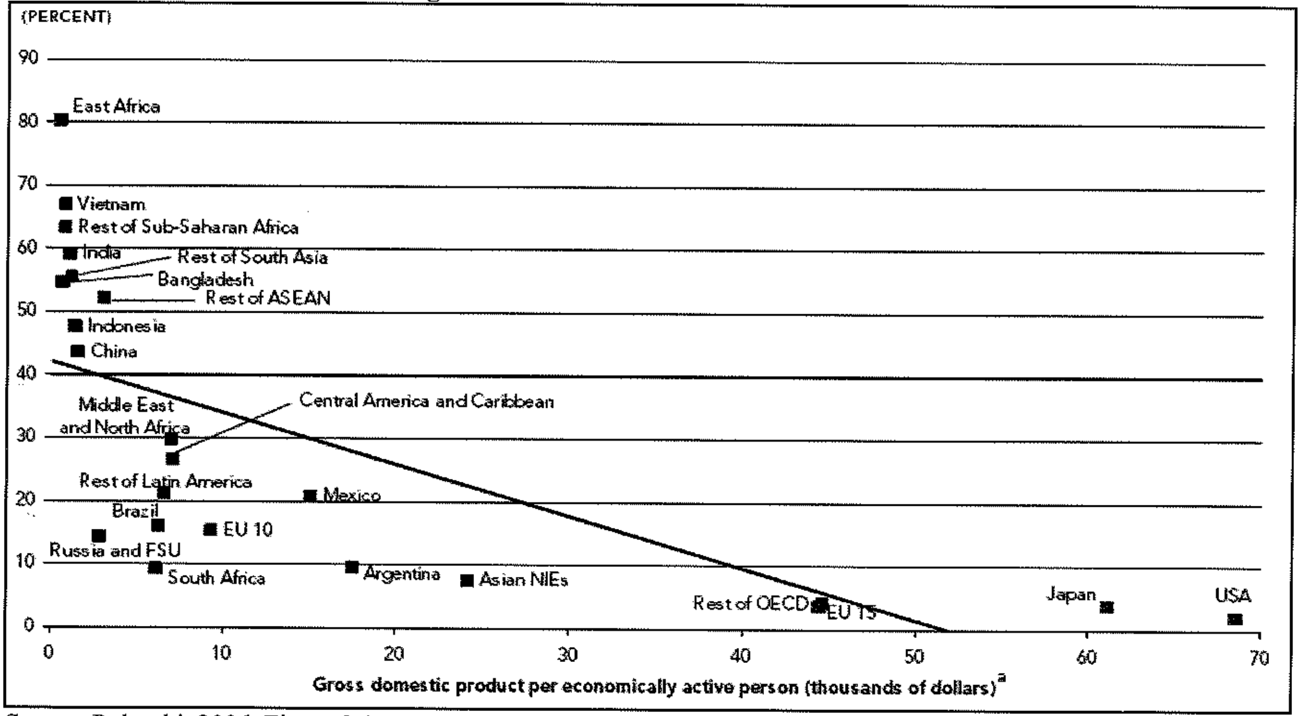
[84] Oxfam, 2005, p. 13.

[85] Since countries which have already significantly opened their market to rich countries are likely to take different positions from those which still have high tariffs, there is a split among developing countries in the NAMA negotiation. (Oxfam, 2007 (a), p. 8).

[86] Oxfam, 2005, p. 15.

excessive expectations toward the result of a good agrarian reform, since agriculture is just one of the multiple factors that concur to the current situation of the weak economies.

Table 2. Agricultural labour as a share of total labour



Source: Polanski, 2006, Figure 2.1.
a: Gross Domestic Product in 2001 US Dollars.

As aforementioned, the major problematic concerning agriculture are the domestic supports applied by rich countries, mainly based on market access and subsidies, which provoke a distortion of the global market. The path toward the reduction of such distorting factors started in early 2000, with the commitment, for the next Round, to strengthen the correlated measures. The Agreement on Agriculture had the long-term aim to create a fair and market-oriented trading system for the sector. In fact, it is the last remaining sector with the highest barriers posed by rich countries and that still much can gain from a further liberalisation.[87] However, some of the poor countries, especially in the short-period, could suffer for potential side effects of the liberalisation process, such as increasing food prices and erosion of favourable access to EU and US markets.[88] In fact, normally the poorest farmers do not reach a level of production sufficient to compensate their needs and are food buyers. Furthermore, they could be prevented from participating effectively in the market for the lack of infrastructures and the implementation of non appropriated domestic reforms. Moreover, many farmers in developing and least-developed countries live in remote rural area with no connection to

[87] Elliott, 2007, p. 1.

[88] The ingress in the international market, expectantly provokes an increase of the demand of agricultural products, which logically implies a proportional increment of the prices.

the international market.[89] It is, hence, necessary to be realistic about the feasible impacts of agrarian reforms. However, this is not a good justification for the still high level of protectionism present in rich countries.

Studies demonstrate that the agricultural market is highly distorted in Japan, EU and US.[90] The most distorting measures include market price support, import restrictions and payments based on output or input used. Iceland, Norway and Switzerland are applying huge distorting policies too, but they do not affect considerably the global trade for the limited extension of their domestic markets. As an example of the specific measure adopted by different countries, it is interesting to notice that rise is the most highly supported product in the OECD area, with a concentration of the phenomenon in Japan and Korea. Moreover, US, EU and Japan restrict considerably the import of sugar; meanwhile OECD countries tend to support dairy farmers. Furthermore, the inclusion of cotton into the agriculture negotiation, instead that in a separate agreement, increase the possibilities of US to continue the implementation of cotton subsidies which impact so hardly African producers. In 2004, a cotton sub-committee was set in order to specifically address the problem. Furthermore, a WTO dispute settlement brought by Brazil against US has obliged the superpower to take steps for reforming the highly distorting system applied to the cotton sector.[91] However, the results thus far achieved are minimal.[92]

Currently, the countries that can potentially gain from the Doha Round are the new emergent economies, such as Brazil, Argentina and Thailand. Low-income countries could beneficiate only in the case that sugar, rice, tobacco and other tropical products were included in the liberalisation process, but this is unlikely to happen.

The Hong Kong Ministerial, as aforementioned, established in 2013 the ending date for every kind of export subsidy. However, it is important to remember that such subsidies do not represent the principal way of dumping; furthermore, the implementation of the measure requires vigilance.

It is difficult to make a comprehensive analysis of the agricultural sector for its multilateral aspects and infinite linkages. For instance, it could be found connection with the current food crises, normally ascribed only to the drastic rise in fuel price, which has provoked a dramatic increase in the price of food. One of the measures of such increase is the WB's index of food prices, which

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[89] Elliot, 2007, p. 2.

[90] Among others, Charlton & Stiglitz, 2004 (b), p. 14; Cline, 2005, p.4; Elliot, 2007, p. 5.

[91] See WTO Dispute Settlement Body, *United States – Subsidies on Upland Cotton. Request for consultation by Brazil*, 3 October 2002.

[92] In Hong Kong, the group formed by Mali, Chad, Benin and Burkina Faso, together with Senegal, were strongly resolute in contrasting US' position. Strengthened by the presence of a number of cotton farmer's organisations, they obtained the pledge to end every form of export subsidy applied by developed countries by 2006 and to reduce other trade distorting subsidies further for cotton than for crops. (Oxfam, 2005, p. 12).

increased 140 percent from 2002 to 2008.[93] Since it has been shown that farmers in developing countries spend almost the 70 percent of their incomes buying food, the food crisis have a strong impact on them.[94]

The WTO holds a program of food aid, in which the main providers are US and Europe. Surprisingly, during the Hong Kong Ministerial those countries were accusing each other of manipulating the issue for commercial benefits. In effect, this WTO's program is not well structured and can bring the side effect to discourage local farmers and represent a variant of export subsidies.[95] The negotiation in Hong Kong produced a framework to prevent the abuse of food aid, however, high level of vigilance are, one more time, necessary.

Nowadays, the negotiation seems to be stuck and a new turning-point is hoped. The asymmetrical distribution of powers is the major problem, furthermore, most of the time, it is the mere faith in liberalisation to prevail. It is important to consider, however, that developing countries' markets are not perfect and, thus, the application of the classic liberalisation policies does not represent the best alternative for them. The conditions that render a market perfect are quite sophisticated and difficultly realised for every country. They include full employment, perfect competition, perfect capital and risk market. The application of liberalisation policies tends to loose effects when such requisites are not fulfilled. Simplistically, the suddenly openness of a non perfect market could provoke a dramatic decrease in prices, hence a suspension of domestic production and a consequent rise of unemployment. Countries which have no possibility to gain from exports become net losers in this process and are strongly damaged in the short period. In fact, developing countries do not usually have welfare systems or capacity to create good economic policies, instead, they lack of infrastructures, Information Technology, know-out and, above all, of the level of reliance which represent the basic requirement for the economy to prosper.

For this, it is worth to wonder if the current situation of the international market is characterised by fair competition or if, otherwise, the developing and least-developed countries need external aid for restoring their current economies and compensate the damages caused by the past trade agreements. As will be drafted, the present negotiation is characterised by several pressing questions that need to be faced.

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[93] FAO, 2008, p. 13.

[94] The food crisis reached its highest peak in July 2008 and, thus far, it is gradually decreasing for effect of the financial crisis. However, the situation still requires the adoption of measures that should specifically address the agriculture sector. According to para. 2 Article 11 of the ICESCR on the right of everyone to the an adequate standard of living, including adequate food, state parties shall take, individually and through international cooperation, the measures needed: "to improve methods of production [...] by developing or reforming the agrarian systems [...] taking into account the problems of both food-importing and food-exporting countries, to ensure an equitable distribution of world food supplies in relation to need". For more detailed information on the relation between the food crisis and the agrarian sector see Oxfam Briefing Paper, *Investing in poor farmers pays. Rethinking how to invest in agriculture*, 2009.

[95] Oxfam, 2005, p. 12.

II.4. Current open issues

The main motivation that pushes developing countries in taking part in the Doha Round is that there are important gains feasible for them if the negotiation goes back to the first intention to foster development and create fairer condition of trade.

The dichotomy of interests between the North and the South of the world and the different position assumed during the negotiation can be explained by the shape of their domestic economies. In fact, all developed countries are characterised by the same kind of economy, in transition from manufacturing into services and knowledge economies, while the developing economies can be categorised into subsistence agriculture, export agriculture and those leading to a system centred on manufacturing.[96] Thus, evidently, the developing countries push for reduction of subsidies and trading barriers for agriculture and manufacturing. However, further and less expected considerations can be made. I believe that some crucial issues affecting directly developing countries - such as the access to life-saving medicines, the absence of unify policy on genetic modified food (GMF) and on human mobility - are not duly considered.

In relation to the trade of medicine, the WTO, with the articulation of the TRIPs and the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement), has a strong weight in deciding rights and obligations of the pharmaceutical industry. In fact, medicines, as the other intellectual properties, are object of a system of patents which restrict their use. This policy find justification in the need to encourage the scientific research, however, there is an evident ethical issue concerning life-saving drugs. Access to medicines impacts on the possibility to enjoy the right to health, established by Article 12 of the ICESCR.[97] While governments hold the responsibility for ensuring access to health care for all their citizens, the role of pharmaceutical industry is crucial in providing medicines, hence needs a careful analysis.[98]

Since the incentives to research are market oriented, there is the tendency to create profitable products instead that study new remedies against the diseases affecting the poor countries, such as malaria and TB. Nowadays, malaria is responsible for one million deaths every year, TB of two millions, while more than half of the global cancer deaths are in developing countries.[99] Particularly worrying it is the rising drug resistance to medicaments against TB, pneumonia, which is still the

[96] Charlton & Stiglitz, 2004 (b), p. 6.

[97] Interesting for the interpretation of the Article in relation to the WTO agreements is the General Comment on the right to health. The UN Economic and Social Council, in fact, declared that in relation to other international agreements states parties should take steps to ensure that these instruments do not adversely impact upon the right to health. Similarly, states parties have an obligations to ensure that their actions as member of international organisations take due account of the right to health (para. 39). Moreover, states are responsible for the violation of the obligation to respect the right to health if they fail to take into account their legal obligations concerning such right when entering into agreement with other states, international organisations or multinational corporations (para. 50). See Economic and Social Council, General Comment n. 14 on the right to the highest attainable standard of health of 11 August 2000.

[98] Oxfam, 2007 (b), p. 2.

[99] *Ibidem.*

main cause of infant mortality, and gonorrhoea, which constitutes a relevant element in the transmission of HIV, currently affecting 39.5 million persons.[100] According to the UN Special Rapporteur on the right of everyone to the enjoyment of the highest attainable standard of physical and mental health, gross inequity in access to medicines remains the overriding feature of the world pharmaceutical situation.[101] Average per capita spending on medicines in high income countries is 100 times higher than in low-income countries: about US$ 400 compared with US$ 4; furthermore WHO estimates that 15 per cent of the world's population consumes over 90 per cent of the world's production of pharmaceuticals. [102]

The WTO has tried to partially resolve the problem of access to life-saving drugs, but with scarce results. The agreement established by the WTO allowed developing countries to buy the patent of life-saving medicines at low price, but this benefit was diminished by the lack of manufacturing capacity. Moreover, the agreement limited the trade of generic medicine in developing countries. After years of lobbing from NGOs and developing countries, the restriction to the trade of generic pharmaceuticals was removed. However, the strong pressure from US, EU and drug companies on developing countries' governments seriously compromises the effective use of such provision.[103] There is the urgency of a new reform which goes far beyond the economic evaluation of the issue.

The TRIPs includes another topic of interest for the developing economies, i.e. genetic modified foods. This topic is still considered by the WTO a "current issue" for its innovative nature. However, the first patent for GMF is from the Eighties and the WTO seems more likely unable to take a position. The main problem concerning GMF is that farmers are obliged to buy the seeds every growing season, because the patents are protected. In fact, in order to defend their property rights and increase their profit, agri-biotech industries have implanted a "suicide gene" in all the GMFs. In this way, the industries proportionally gain more than the farmers and succeed in creating unfair relationships of dependence. GMFs, on the other hand, can be seen with suspicious for their no-well understood effects on the environment and human health. In fact, their effects in the long-term have not been duly examined. However, when national states want to ban the use of GMFs, they incur in the incompatibility of legislation at international level, since in other countries they can be allowed and mixed with non-modified foods.

A further aspect that can be related to the Doha Round is human mobility; in fact, one of the major economic resources of developing countries is unskilled labour. The formulation of agreements

[100] *Ibidem,* p. 7.

[101] Special Rapporteur on the right of everyone to the enjoyment of the highest attainable standard of physical and mental health, 2006, para. 37.

[102] *Ibidem.*

[103] Oxfam, 2007 (b), p. 9.

which incentives their mobility would certainly increase global efficiency.[104] The allocation of labour resources has a strategic significance, but it brings, as well, important implications in the life of people. It is important to implement policies direct to avoid brain-drain and to encourage the ingress of remittances, in the consideration that they represent capital subject to a high level of volatility.[105] But, it is important to foment the immigration of unskilled workers only if there is the willingness to improve, at the same time, appropriate legislations and social policies in receiving countries.

Making more general considerations, if the authentic intention of the Doha Round is to foster development, the WTO is called to encourage the adoption of good policies and praxis suitable for the specific situation of developing economies.

It can be argued, for instance, that developing countries could gain more from the creation of regional agreements than from the access to international market. Developing countries probably do not hold such a strong interest in competing with rich countries; however, they failed to create regional systems among them, which would have produced the conditions for a more intense regional trade and the improvement of their economic conditions.

Differently, a considerable numbers of regional and bilateral agreements have been adopted for the regulation of trade relations between rich and developing countries. Such typology of accords, called Free Trade Agreements (FTAs), is used by the powerful states in order to gain concessions that would be unreachable in the WTO's negotiation. FTAs, thus, represent a modality to elude the global forum and undermine every achievement obtained by developing countries under the WTO's system. So far, more than 250 regional and bilateral trade agreements govern more than 30 per cent of the world trade.[106]

Policies of opposite sign should be instead proposed in developing countries, for instance, the encouragement to diversify their economies and foster domestic markets. The necessity to revitalise rural development, to mention a further example, should not be seen in opposition to the acceptance of foreign direct investment and construction of a good industrial sector. It should be made a balance among all the aspects which compose a good economic environment, in the consideration that there are no fixed formulas that can be applied to every country, but, to the contrary, there is the need to create *ad hoc* economic policies.

[104] Charlton & Stiglitz, 2004 (b), p. 7.
[105] Generally, volatility refers to the amount of uncertainty or risk about the size of changes in a security's value. This means that the price of the security can change considerably over a short period of time.
[106] Oxfam, 2007 (a), p. 5.

The last important remark concerns the necessity, for the WTO, to rebuild reliance and credibility, in order to re-establish a positive relation with the developing countries.[107] The attitude assumed during the past decades can make developing countries doubt about every proposal coming from the rich countries, and this, clearly, is not the right premises for a concerted negotiation. Moreover, the WTO need to remember that, as already said, its statutory mission is not limited to economic purposes and that it is called to avoid the maintenance of a monopolistic position played by rich countries. More explicitly, it is expected to promulgate trading rules consistent with the human rights regime and to environmental sustainability.[108]

At the present time, the global economic and financial crisis is absorbing most of the WTO efforts, with new commitment to the support of trade undertaken by the G-20 in April this year.[109] However, the situation of the developing economies needs particular attention, since they are as well strongly affecting by the current crisis. This situation requires the adoption of measures able to preserve the improvements so difficultly achieved during the past years of negotiations and still insufficient. Moreover, a better consideration of the influence of a more prosper South economy on the global level could lead to a change of prospective and to the promotion of fairer and concerted policies. Such policies should include a regulation of the capital market, which as well can be characterised by different level of liberalisation. This topic will be hence object of the next chapter.

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[107] To this purpose, the WTO is trying to increase its level of transparency. For instance, for the first time in 2006, the WTO made public all the official documents issued under the GATT during the period 1947-1995.
[108] Kwa, 2007, p. 27.
[109] In that occasion the G-20 decided to provide US$ 250 billion for restoring trade finance (e-mail from WTO news alerts).

III. FOREIGN CAPITAL:
POTENTIALITIES AND CRITICALITIES

The level of economic growth is proportional to the availability of financial resources and their correct use. Those sources can be grouped in three main invoices: financial flows, private direct investments (FDI) and foreign aid.

Nowadays, developing countries are constantly trying to attract foreign capitals, sometimes disregarding the side-effects that they may generate. In fact, the short-term effects of the capital market liberalisation and presence of foreign industries in poor countries could by far overcome the long-term positive effects.

Regarding the sophisticate financial market, developing countries seem unable to manage negotiations with aggressive agents and contrast speculation. They lack strong financial institutions and expertise, furthermore the high volatility seem to nullify every positive impact.

Concerning foreign industries, unsurprisingly, externalities tend to be higher in developing countries. That because transnational corporations (TNCs) have incentives in playing as free riders, sometimes not caring about the damages connected to the productive process. Companies are perfectly conscious of their high level of power in the territory, since many TNCs are richer than the state where they are operating; besides, part of them take advantages from the local corruption, where it exists. [110]

Hence, the positive and negative effects of foreign investments need a careful analysis even though a stronger presence of the rule of low alone would considerably improve the situation.

The last form of external capital flow, for poor countries, is represented by the assistance provided by richer countries. Aid, however, is not so completely clean from shadows and criticalities. In fact, it has been used several times for financing the military sector or, paradoxically, it has gone back to the Western banks in form of illicit capital flow.

This chapter will analyse the impact of these three forms of foreign capital - financial, direct investment and aid - on the economies of developing countries.

III.1. Capital market liberalisation

Capital market liberalisation is the openness of national economies to cross-border capital flows.[111]
Financial liberalisation is composed of private portfolio investment, banking system and trade-

[110] See Table 3, p. 37 & Table 6, p. 53.

[111] Most of the private flow destined to developing countries is represented by foreign direct investment (FDI), which has particular characteristics and will be analysed afterwards. This paragraph will focus on the impact of financial market on developing economies, remembering that it has privileged middle-income countries to the detriment of the marginalised economies, typically sub-Sahara Africa and South Asia.

related lending. Private portfolio investment, which is currently one-third of overall net resources flow to developing countries, consists of foreign purchases of the stocks, bonds, certificates of deposit, and commercial papers of developing countries.[112]

The level of international financial liberalisation is the degree to which agents can conduct cross-border transactions without incurring in different typologies of taxations or delays. In the classic economic theory, usually such measure is associated to an increase of economic growth, but unfortunately this is no true in developing countries where, instead, it is likely to generate macroeconomic volatility and the occurrence of financial crises. As in the case of trade liberalisation, this is due to the high degree of market's imperfection which characterises developing economies. However, when liberalisation is carefully implemented, it improves the possibilities of access to the credit market and generates new opportunities for risk diversification, which could compensate the side-effects of the short-term. Unfortunately, the two different typologies of effects, positive and negative, tend to address specific targets. In fact, new opportunities represent an advantage for rich, who can ask for credits and make investments; meanwhile the adverse effects of volatility tend to affect predominantly the poor.[113] Thus, it can be traced a direct proportional relation between capital market liberalisation and social inequality, i.e. when the first rise, the second increase proportionally. Consequently, it must be attentively evaluated when and how to introduce market liberalisation and to what extent.

Limiting liberalisation means to trace a role for the state, whose typology of intervention could vary. For instance, it can be argued that in developing countries local industries need a favourable legislation which protects them from the international competitors.[114] This would limit the increasing of unemployment in the short-term and give the industries the possibility to gain expertise before eliminating any protection system. Moreover, it is indispensable to improve the welfare system responding to the necessity of most vulnerable part of the society, such as women, ancients and less-skilled workers, who tend to be excluded from the labour market. Economic crises can have long-term effects on poverty for their impacts on health, schooling and nutrition.[115] This may imply the generation of chronic damages for the poorest part of the population generated by temporary crises.

It can be argued that there is a great distinction between *being open* financially, which is associated with greater stability, and *becoming open* financially, which, instead, is connected with the

[112] Todaro & Smith, 2003, p. 645.
[113] Charlton & Stiglitz, 2004 (a), p. 2.
[114] Obviously, the same kind of measure would be inappropriate in the developed countries, where the anti-trust policies play a crucial role in avoiding the creation of oligopolies and increasing the wellbeing of the population.
[115] For instance, empirical studies show that in time of crisis school enrolment declines, in particular for females. (Charlton & Stiglitz, 2004 (a), p. 8).

generation of financial and exchange rate crises.[116] In fact, when developed countries interest rates rise or perceived LDCs' profit rate decline, foreign speculators withdraw their securities quickly; meanwhile, to the contrary, developing countries need long-term economic investments and not speculative capital.[117] Thus, developing countries which are relatively closed should approach liberalisation very carefully.[118]

The intervention of the state in the regulation of the financial market is also legitimated by the particular role of information in this field. In fact, incomplete information, more than in trade market, can provoke adverse selection problems, in the sense to encourage the investment in high-risk projects and no in local firms which would make the domestic economy prosper. The problem of moral hazard is related to the financial market worldwide and it represents one of the major causes of the current economic crisis, but its effects in developing countries are even more serious.[119] Furthermore, liberalisation in precarious economies can generate herding behaviour, i.e. the tendency to imitate other agents' attitude instead than make appropriate economic evaluations on the own investments. This phenomenon amplifies price movement and the spreading of crises from a country to another. In fact, since the investors know little about developing countries, they tend to panic and flee countries which are not necessary connected with a crisis in a particular area.[120] In this case, the role of expectations is extremely strong and the countries seen as involved in the crisis became inevitably affected by it. When a country is excessively dependent on foreign capitals, sudden shifts in foreign capital flows can create financing difficulties and economic downturns.[121] Moreover, the developing countries often lack robust financial institutions able to manage temporary volatility, with deeper increment of the risk of crises.

The linkage between financial liberalisation and economic crisis is also accentuated by the dependency from external factors, such as the world interest rate. The evidence shows that market liberalisation can provoke shocks in the exchange rate, with the consequence to favour the Dollar respect the other currencies and, thus, increase the value of foreign debts for developing countries.[122] This will impact the fiscal policy, since most of the country budget will be needed for the repayment of the debt, and may lead to reduction in transfers, social programs of public investments, such as infrastructures. It is important to consider that even small reduction in social

[116] World Bank, 2002, p. 70.

[117] Todaro & Smith, 2003, p. 647.

[118] Particularly worrying is the tendency to propose market liberalisation as a response to financial crises, when the states are already trying to handle domestic debts and promote stabilisation. In this light, the tendency of the IMF to propose liberalisation in every circumstance has been severely criticised. See Charlton & Stiglitz, 2004, p. 3.

[119] The idea of moral hazard is related to situations of information asymmetry. Synthetically, moral hazard occurs when the party with more information has a tendency or incentive to behave inappropriately.

[120] World Bank, 2002, p. 72.

[121] *Ibidem.*

[122] The effects of foreign debts on development will be deeper analysed in the third paragraph.

spending may have deep effects on the poorest part of the population, for whom transfers represent a considerable portion of their income.[123]

The openness of the capital market should be, hence, gradual and well pondered. In order to avoid the increasing of social inequality, it would be useful to implement programs of microfinance and fostering local economy, with particular attention to private initiatives.[124] In fact, the evidence shows that capital market liberalisation leads to an expansion of credit to medium and large business, the foreign sector and urban areas, but it provokes no effects, or even a contraction, on small enterprises and rural area.[125] In fact, the poor have serious difficulties in the access to credit and other financial services because they are unable to provide guarantees or pay tax-rates and charges. Since the projects of microfinance are generally not rentable, banks do not have any interest in providing them. A solution could be represented by the intention of governments to attract NGOs and not only private capitals. Furthermore, politicians should evaluate more properly the social aspects of economic policies and the distribution of costs among the population. To the contrary, if states tend to behave as enterprises which optimise budgets and cut expenses, they legitimacy and social consensus is likely to vanish. Unfortunately, this does not constitute a strong motivation for the political elite of countries where the level of democracy is incredibly low. Perhaps, the level of control and attention exercised by the international community could partially improve the situation.

In conclusion, there are no easy solutions since the limitation of the liberalisation process is strongly obstructed by the major financial institutions and lobbies of private investors. However, higher forms of control and regulation are required, in order to invert the current trend which has leaded to an increasingly unequal world.[126]

Similar considerations can be done in relation to the FDI; however, as shown underneath, from an economic perspective its role in generation of economic growth is far more positive.

III.2. FDI

The capacity to attract Foreign Direct Investment seems to be the first preoccupation of governments in developing countries, even if both the literature and the empirical evidence have shown the multiple side-effects related to the respect of human rights, conditions of work, environment and economic instability in the long-term. Thus, it is logic to wonder why the

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[123] Charlton & Stiglitz, 2004 (a), p. 12.

[124] In my view, the exogenous contribution to economic growth should be proportional to a correspondent endogenous growth; otherwise the disequilibrium leads to asymmetry of powers and abuses. Hence, there should be a threshold of capital flow proportional to the GDP. However, such view is quite controversial and seldom accepted.

[125] Charlton & Stiglitz, 2004 (a), p. 14.

[126] The average income of the top 20% of the world's population is about 50 times the average income of the bottom 20%. UNDP, 2005, p. 36.

governments are still so keen in attracting foreign industries and, moreover, what measures can be taken for improving the current situation.

Table 3. Comparison between corporations' revenue & countries' GDP

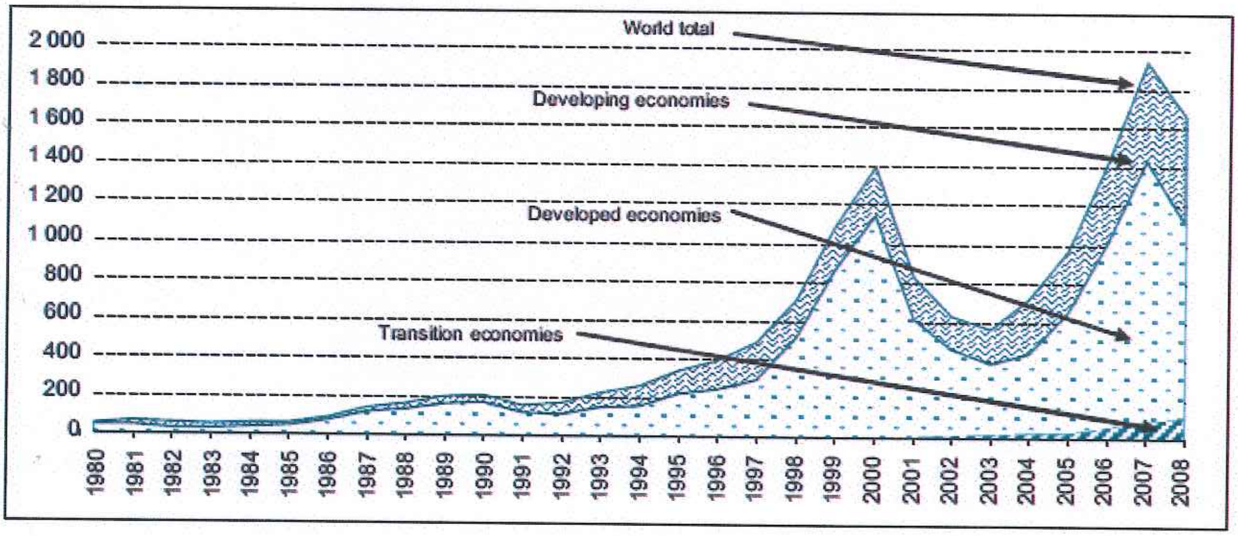
Rank	Company or country	Revenue or GDP (millions in US $)
1	Iran, Islamic Republic	385,143
2	**Wal-Mart Stores**	378,799
3	**Exxon Mobil**	372,824
4	Greece	356,796
5	**Royal Dutch Shell**	355,782
6	Denmark	342,672
7	Argentina	328,385
8	Venezuela, RB	313,799
9	**BP**	291,438
10	Ireland	281,776
11	Finland	271,282
12	Portugal	242,689
13	**Toyota Motor**	230,201
14	Czech Republic	216,485
15	**Chevron**	210,783
16	**ING Group**	201,516
17	Romania	200,071
18	Malaysia	194,927
19	**Total**	187,280
20	**General Motors**	182,347
21	Ukraine	180,355
22	**ConocoPhillips**	178,558

Source: 500 Largest corporations 2008, Future Magazine, 21 July 2008, (available on http://money.cnn.com/magazines/fortune/fortune500/2008/full_list/, consulted on 1 July 2009) and GDP 2008, World Development Indicators database, WB (http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf, consulted on 1 July 2009).

FDI is represented by the establishment of subsidiaries of corporations in a country different from that of ownership. Indeed, a transnational corporation is a corporation or enterprise that conducts or controls productive activities in more than one country. Historically, they were mainly operating in extractive and primary industries, such as petroleum and non-fuel minerals. Currently, instead, manufacturing and services have occupied the preponderant part of their production activities. This phenomenon emerged markedly in the Nineties, when important corporations, general from the OECD area, started dispersing aggressively their manufactory activities to countries that offered lower production costs and, in limited cases, potential access to large domestic markets. Nowadays, FDI is still divided in three main areas: market-seeking, efficiency-seeking and resources-seeking. Typically, FDI is present in stronger way in developing countries such as East Asia and Latin America than in LDCs. Meanwhile, the TNCs' property is typically concentred in US, EU and Japan.

FDI reached its historical maximum in 2007, with 1.9 trillion Dollars invested.[127] However, lately the trend has changed dramatically and, as effect of the ongoing financial and economic crisis, the amount of money dedicated to direct investments is estimated to have declined by 15 per cent in 2008, with a further decrease in 2009.[128] The effects of the crisis are spread differently according to the geographic area and affect predominantly developed countries (see Table 4). Flows into developing countries, instead, continued to grow in 2008, but at a substantial lower rate than before. A further worsening of a situation is foreseen for 2009, due to the impossibility for managers to trace medium-term prospects for FDI and, thus, likely to reduce the investments.[129]

Table 4. FDI inflows, global and by group of economies, 1998-2008
(Billion of dollars)



Source: UNCTAD, based on FDI/TNC database (www.unctad.org/fdi consulted on 10 May 2009).

Currently, TNCs represent the major force in the globalisation of the world trade and a relevant part of international exchange involves intrafirm sales of intermediate products.[130] It is important to stress that TNCs are not necessarily interested in the developing of the areas in which they are operating, instead their objective is to maximise their returns.[131] The large scale of operations, the immense capital and the consequent difficulty for other enterprises to enter into the market and

[127] UNCTAD, 2009, p. 3.
[128] *Ibidem.*
[129] The measures currently adopted to limit the effect of the crisis, with the commitment of WTO, are to: foster the stability of the financial system; renew commitment in order to encourage FDI and avoid protectionism; and promote investment innovation.
[130] Todaro & Smith, 2003, p. 636.
[131] *Ibidem*, p. 635. However, such view can be disagreed. In fact, every day more, TNCs are considered entities able to take into consideration non economic factors.

compete with them, increase considerably their bargaining powers, hence the margin of control on the territory in which they are operating.

On the other hand, developing countries' governments try to attract FDI in any way, sometimes to the detriment of the real interest of the population. The policies implemented comprise measures, such as deregulation and privatisation of public services, which can seriously affect the poorest part of the population and increase marginalisation and inequality.

However, the positive effect of FDI in terms of economic growth is amply demonstrated.[132] In fact, TNCs provide financial resources and new factories; they also favour the exchange of expertise and information, which in the long-term helps in creating an environment in which local industry can prosper. The major opposers to FDI, instead, believe that subsidiaries inhibit the expansion of small-scale local enterprises, since they have few contacts with the local environment, import intermediate products from overseas affiliates and fail to reinvest their profit in the local territory. Thus, it is important to define what policies or measures would reduce the possible side effects determined by the presence of foreign subsidiaries in developing countries.

When, to the contrary, the presence of FDI is not supported by appropriate domestic policies, it tends to divert resources from the food production and to favour an excessive rural-urban migration. The World Bank, in particular, stresses the linkage between urbanisation and economic growth. The tendency to establish affiliates in urban areas is due to the easier access to the international market, availability of transportation technology, administrative system and communication network; but its effects can be disastrous for the population. For instance, in the largest urban agglomeration most of the houses are illegal and the hygienic conditions are often unacceptable.

A further relevant criticality is represented by the potential capacity of TNCs in contributing relevantly to the public revenue through forms of corporate taxations, but, oppositely, specific bilateral agreements between governments and corporations include extensive tax concessions or even public subsidies. When this happens, the public administration is not provided by the surplus of funds necessary for contrasting the side-effects caused by TNCs and cannot implement specific social programs and infrastructures, for instance, in the new suburban areas. As a result, private profit of TNCs exceeds social benefit, and the returns to host countries can even be negative.[133]

Moreover, corporations can avoid grand part of the tax imposition in developing countries through an artificial inflation of the prices paid for intermediate products purchased from overseas affiliates, with the aim to lower their declared local profit. This common strategy for capital flight, called *transfer pricing*, is difficult to control and contrast. Its vastness cannot be exactly determined,

[132] As demonstrated by the development economics (see Todaro and Smith, 2006) and by intergovernmental organisations' studies (see, for instance, World Bank, 2002).
[133] Todaro & Smith, 2003, p. 641.

however, one should bear in mind that the majority of the international trade transactions, nowadays, occur among affiliates of the same corporation. Such practice seriously compromises the possibility, for the territory where the subsidiary is operating, to benefit from FDI; hence it represents a heavy obstacle to development.

On the other hand, when the local governments are too scrupulous or do not fulfil corporations' requirements, TNCs move to countries where the conditions are more favourable. This usual practice underlines the minimal negotiation power of governments respect the corporations. The adoption of common standards by all host countries, particularly on corporate taxation, would considerably attitude the problem.[134] Obviously, every typology of commitment can be asked only if every country, with concerted approaches, make the same requirements. All these measures should be directed to minimise the oligopolistic behaviour of TNCs, which is fostered by *laissez-fair* politics. The adoption of common practices, instead, would increase the bargaining power of the host countries.

From an economic perspective, it would be useful to concentre FDI in industrial districts, at least at the beginning, as happened, for instance, in the case of Pearl River Delta of South China.[135] That would reduce the risk for investors and create a close space easier to monitor and manager. On the other hand, those districts should not be isolated from NGOs and other independent monitoring systems and, in any case, there are supposed to become free human rights zones.

The last critical issue about the presence of TNCs' affiliates is the *cultural contamination* provoked, which can be seen as a further negative externality affecting the population. In fact, it can be argued that TNCs concur to spread lifestyles and social values different from the local ones. For instance, they can encourage selling of identity goods, such as mobile phones or automobiles, in societies where the economy is almost at subsistent level. Even this issue could be partially solved by the appropriate implementation of social policies, such as the ones concerning schooling, training and support to cultural production.[136]

In sum, TNCs can create employment, but generally precarious and not responding to international labour standards; they can increase production diversification, import know-how and Information Technology, but this does not always impact positively local enterprises; moreover FDI tends to

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[134] It would be extremely useful to create, in some way, a long-term relationship between the TNCs and the territory, thus, the corporation would be more interested in the loyalty of the workers, in particular of the skilled manpower, and it would pay more attention to the preservation of the environment. However, a compulsory enforcement of such measure would result difficult.

[135] The role of districts, in economics, is still debated. It can be said that districts are worthy when, in the long term, are able to spread positive effects on the rest of the territory.

[136] The link between globalisation and culture and the necessity to support the cultural sector is well explained in World Bank, 2002, p. 128.

favour only specific areas, characterised by the presence of favourable economic opportunities, without investing in the countries most needed of resources.

All things considered, the presence of FDI is indispensable for developing countries. Thus, meanwhile a limitation in FDI flows would be not appropriated and counterproductive, the measures to limit TNCs' despotism mush be enforced and strongly supported. Such measures should include, first of all, vigilance on the level of corruption of local governments, with the necessity of international monitoring and participation of the civil society through organisms such as the independent anticorruption agencies.[137] Of the same sign is the necessity to increase the level of democracy and accountability of local governments, fostering thus the power of the local population. Moreover, a higher degree of democracy could be asked even to the TNCs themselves, since, thanks to the new Information Technology, it would not be too difficult for the shareholders to participate in the decision-making process, currently in the hands of the managerial autocracy. Obviously, it is not possible to foresee if the shareholders would be more human rights oriented, but there are good hopes for possible improvements.

Recently, increasingly, the literature has identified corporate social responsibility and the adoption of voluntary codes of conduct as useful tools that can limit negative externalities and positively impact human rights. The idea consists in recognising potentiality to voluntary behaviours and self-impositions beyond to legal enforceability. The adoption of code of conducts is generally the response to civil society's pressure and it is seen by TNCs as an instrument capable to increase their competitiveness and clean their images. Clearly, the expectations regarding the effects of corporate social responsibility on the respect of human rights and the creation of the conditions for development cannot be too enthusiastic; however, even this path deserves the due consideration.

Finally, the imposition of common standards, maybe imposed internationally through the inter-governmental agencies, would define a minimum level of conditions that must be necessarily fulfilled.[138] For instance, as already mentioned, it could be established the minimum threshold of corporate taxation proportional to the income and TNCs could be asked to invest in the local territory in order to compensate the negative externalities connected with the industrial production.

In conclusion, the analysis of the role of capital flows and FDI on the developing countries and their strong criticalities do not exclude their usefulness, but call for regulation and high level of vigilance

[137] One of the most famous NGO in this field is Transparency International, see www.transparecy.org (accessed on 12 May 2009).

[138] A positive example is represented by the ILO's campaign for a *decent work* concerning the conditions of labour, which provides norms concerning minimum safety requirements, minimum wage and social security for all the workers worldwide. Importantly, ILO is characterised by a tripartite structure, which comprises government, employer and worker representatives.

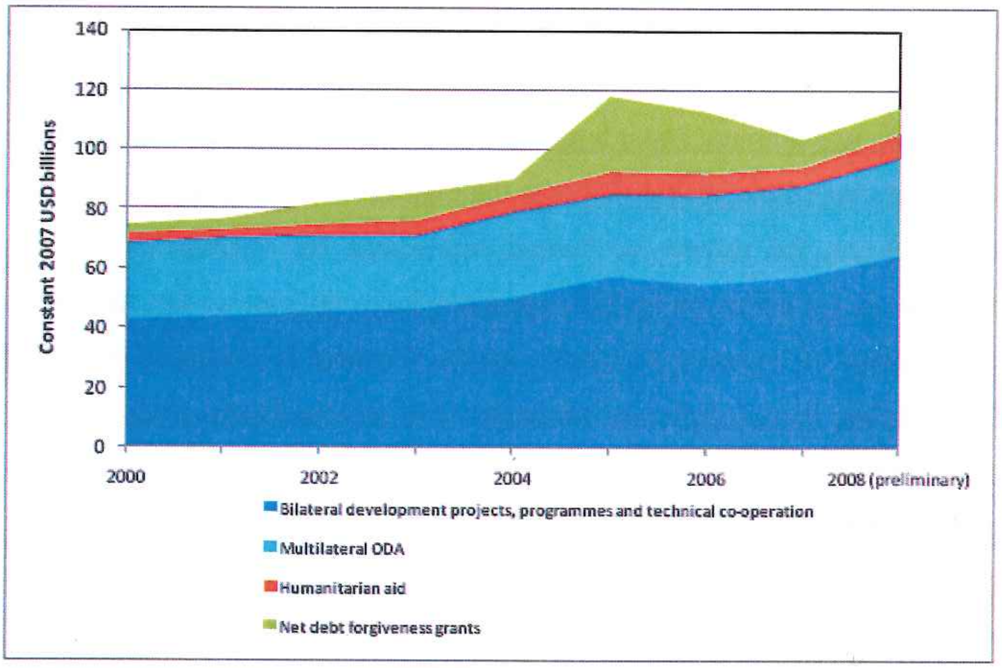
from the state and the international community, both in its form of *union of nations* able to produce a binding legislation and *collective of persons* able to raise their voices.

The following step is the consideration of the third typology of capital flow, foreign aid, which, theoretically, is supposed to go far beyond the scope of self-interest and potential returns.

III.3. Foreign Aid

Aid represents the last source of financing available to developing countries, in its forms of public development assistance, both bilateral or multilateral, and private assistance, provided typically by NGOs. Assistance, as well known, is not coincident with free donation of money; but, especially in the case of public provision, it requires a future return of the sum with interest rate and repayment period normally softer than the usual commercial terms. In every circumstance, assistance must be no remunerative for the provider. The amount of money given by public actors that includes bilateral grants, loans, technical assistance and multilateral flows is called official development assistance (ODA), which is normally the object of statistic measurements and evaluations.

Table 5. Components of DAC donors' ODA[139]



Source: OECD (www.oecd.org/dac consulted on 20 April 2009).

[139] The DAC donors are the 22 member countries of the OECD Development Assistance Committee (DAC), which constitute the principal OECD's body dedicated to cooperation with developing countries. They represent the world's major donors, providing, only in 2007, $103.7 billion in aid. Such donors are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxemburg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and United States. The Committee, in which governments and multilateral organisations participate, constitute a forum whose aim is to increase aid effectiveness in the effort to support sustainable development. See www.oecd.org/dac (consulted on 20 April 2009).

Meanwhile, comprehensive data on the entire aid flow to developing and least developed countries, including private contributions, would be difficult to trace. Currently, the most recent authoritative data are presented by OECD (see Table 5).

In relation to ODA, a strategic and central role is played by the financial intergovernmental institutions. First of all, the original institution of the World Bank, the Bank for Reconstruction and Development, whose activity since 1944 relates capital investment and advisory service in middle-income countries.[140] Since 1960, this organism has been complemented by the International Development Association whose aim is to reduce poverty by providing interest-free loans and grants for programs that foster economic growth and reduce inequalities in the least developed countries.[141]

The WB works in concomitance and coordination with the IMF, whose aim is to guarantee financial stability focusing especially on the international monetary problems.[142] In the Eighties, the IMF started to deal with poverty alleviation and in 1999 the Poverty Reduction and Growth Facility (PRGF) was created, in order to provide financial assistance to low-income countries experiencing serious balance of payments problems. For requesting loans to the Facility, Poverty Reduction Strategy Papers (PRSP), which embody comprehensive country-owed strategies for contrasting poverty, must be designed and implemented. Moreover, the PRGF provides financial support for temporary needs arising from exogenous shocks, through the Exogenous Shock Facilities (ESF), approved in September 2008.[143,144] The ESF is directed to country eligible for PRGF without arrangements under it. The access is determined on case-by-case basis and it is subordinated to conditionality.[145]

[140] See Articles of Agreement of the International Bank for Reconstruction and Development, 27 December 1945, as amended 16 February 1989.

[141] The World Bank group is constituted by five institutions: the International Bank for Reconstruction and Development, established in 1944; the International Finance Corporation of 1956; the International Development Association set up in 1960; the International Center for the Settlement of Investment-related Disputes, established in 1965 and the Multilateral Investment Guarantee Agency, set up in 1985. See Boisson De Chazournes, 2007, p. 212.

[142] See Articles of Agreement of the International Monetary Fund, 22 July 1944, as amended 11 November 1992. In particular, the IMF experienced an enlargement in the reading of its mandate during the second revision of the Fund's Articles of Agreement in 1976, with the insertion of a reference to social policies of the organisation's member states in relation to the supervision of exchange arrangements. Boisson De Chazournes, 2007, p. 218.

[143] In both the Facilities the interest rate is only 0.5 per cent and loans have to be repaid in a period of 10 years, extendible for 5 more. Similar conditions are implemented in case of natural disasters and post-conflict situations through the Emergency Assistance.

[144] WB and IMF, known as Bretton Woods institutions, in answer to external pressure have started embracing a new multidimensional vision of development. From the Nineties they started moving from the consideration of mere economic aspects to the inclusion of social justice, culture and respect of rule of law, with attention to the fight against poverty. Boisson De Chazournes, 2007, p. 220.

[145] The requirements to design PRSP has been dropped, however the ESF is supposed to retain a focus on the impact of shock and related policies on poverty. (Further considerations on conditionality will be presented later in this paragraph).

The Bretton Wood institutions are involved in the realisation of the MDGs, as strongly remarked in the Monterrey Conference of 2002. Specifically, the WB's efforts in achieving the MDGs are represented by targeting investments towards education, health and expansion of the borrower capacity to provide basic services.[146] The IMF, instead, is involved through the already mentioned Poverty Reduction Strategy Papers. [147]

Concerning the UN member states, their commitment to the MDGs is to contribute to foreign aid through a disbursement for ODA equivalent to the 0.7 per cent of the GDP.[148] At the present time, only Sweden, Netherlands, and Denmark implement this provision, even if their contribution was that high even before the divulgation of the MDGs campaign.[149] Meanwhile, US and Japan, even if in absolute terms are the major donors, contribute in a proportion well below the target of 0.7 percentage point.[150] What is more, in order to estimate correctly the value of ODA, it is important to distinguish between nominal and real value of the assistance, especially in time of rapid inflation.[151] The calculation, in fact, is normally based on the nominal value and this explains the constant increasing over the time. Nevertheless, considering the inflation rate, the real value perceived has followed a less positive trend. For this, the calculation based on the GDP's percentage is clearer and more immediate; it well reflects the efforts of the states in respect to their real possibilities.

Particularly interesting, furthermore, is the way in which aid is distributed. The logic beyond it does not seem determined by considerations on the real needs of people, but by different motivations based on the strategic importance of some geographical areas for their political or military importance. It can be argued that rich countries tend to provide assistance in return of corresponding benefits, either political, economic or military.[152] Such motivations distort the optimal allocation of aid.

These considerations are relevant in order to realise that the way in which funds are managed makes a difference; meanwhile, too often, there is the tendency to ask for more money without focusing on the real utilisation of the resources.[153] Aid effectiveness is currently the preoccupation of the inter-governmental organisations responsible for the management of ODA, such as OECD, WB, IMF and

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[146] Boisson De Chazournes, 2007, p.222.
[147] *Ibidem.*
[148] Goal 8, Indicator 32 of the MDGs, according to the Road map toward the implementation of the United Nation Millennium Declaration of 6 September 2001.
[149] See www.oecd.org/dac (consulted on 19 April 2009).
[150] *Ibidem.*
[151] Todaro & Smith, 2003, p. 648.
[152] Todaro & Smith, 2003, p. 653.
[153] For instance, aid is subject to the law of diminish marginal returns, in the sense that to an increase of the inputs, i.e. the money spent, does not correspond a proportional increase of the outcomes. Collier, 2007, p. 169.

also important NGOs active in this field.[154] One of the main problems is the lack of coordination among donors and the overlapping of interventions. A possible solution, suggested among the others by the WB, is the increasing of aid channelled through country budgets. That would ameliorate the position of recipient states, able in this way to implement their own policies and poverty reduction's strategies. Unfortunately, this form of aid is often associated with conditional clauses, which imply the provision of assistance in exchange of the implementation of specific social and economic policies established by intergovernmental organisations. This typology of intervention has broadly shown its ineffectiveness during the Eighties with the Washington Consensus.[155] The problem concerns the conditionality policy itself, which, when it does not include requirements totally inadequate, is based on the idea that fixed formula can fit the so different contexts of developing countries. Moreover, most of the times local governments failed to implement correctly the polities suggested, with a further aggravation of the situation.[156]

However, it is worth to bear in mind that the scope of the aid is not economic and aid can be reasonably provided even when its effects are no excessively positive. This consideration is relevant for the destination of the aid itself. In fact, if efficiency was the only parameter considered, the countries receiving aid would be the less needing, since aid is more effective in middle-income countries where there are good government praxis and emerging markets, respect the LDCs characterised by completely marginalised economies. In fact, in emerging economies aid is potentially able to attract foreign investments, revitalise the domestic economy and promote economic growth; meanwhile in LDCs these results are less perceivable and aid tends to be dispersed.

Particularly interesting about aid is the fact that it is granted by the same countries which implement trade barriers, tolerate foreign debts and are accomplice in capital flight.[157] Trade agreements are the object of the II chapter of this work, meanwhile debt relief need a deeper explanation, bearing in mind that it may not be the ideal solution for every country, for instance for those which obtained huge founds from oil deposits and mismanaged them.[158] In fact, as much as possible, every

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[154] In particular, OECD has adopted the Paris Declaration on Aid Effectiveness on 2 March 2005. Even if is too early for an evaluation of its impacts, the Declaration aims to spread good practices, coordination and higher level of control in the management of aid, through the adoption of controllable actions and indicators.

[155] The term Washington Consensus refers to a set of policies - proposed by US Treasury, Federal Reserve, IMF and WB - whose implementation used to be required as a condition of aid. Such policies included: outward-oriented trade and investment policies, low inflation, balanced budgets, lowered exchange rates, privatisation, deregulation and strict protection of private property.

[156] Collier, 2007, p. 182.

[157] Sogge affirms that aid constitutes a way to catalyse the attention and, at the same time, help to camouflage unfair trade, brain drain, capital flight, lowered public revenues, technological change, warlord and drug-lord wars, such as other dynamics beyond public control. Sogge, 2002, p. 9.

[158] Collier, 2007, p. 171.

intervention should encourage good practices, instead that reward the undeserving, and avoid potential manipulations.

Foreign debt can be seen as the other side of financial market liberalisation and ODA. The emerging of financial markets and correspondent availability of credit with a very high volatility played a different role in middle-income countries and poorest countries, in which the negative effects have overcome the positive. The LDCs ended up in a vicious circle that has obstructed the possibility to develop. The failure in the creation of economic growth, due to structural reasons, have been aggravated by the duty to return the money received, hence the major part of the current ODA and of the domestic budgets are spent for repaying foreign debts. As seen, this may constituted a lack of resources for the social sector, such as schooling, health and social security.

Nowadays, foreign debt is considered a human right issue, because the presence of high level of indebtedness in developing countries strongly compromises the human right situation of that territory.[159] There is the urgency to increment forms of debt relief, implemented by the major inter-governmental financial institutions, such as IMF, WB and regional banks.[160] However, the resources needed for such operation are conspicuous and not easily available; moreover there is the need to keep a high level of vigilance in order to avoid that the receiving countries mismanage their funds, for instance, incrementing the military budget or implementing policies that increase inequality. [161]

In order to address these issues, the Heavily Indebted Poor Countries (HIPC) initiative, a joint IMF-WB operation strongly supported by the civil society, was finally approved by the financial institutions in the middle-Nineties and complemented, in 2005, by the Multilateral Debt Relief Initiative.[162] Such initiatives, which are currently implemented, do not lack, unfortunately, of shortcomings and incoherence. First of all, the criteria of access are very restrictive, in fact, the first model of the initiative approved in 1996 required a *per capita* income inferior to 785$ and a threshold of 200 per cent of the proportion between total external debt and annual exportation. In 1999, a reform decreased the threshold to 150 per cent and introduced the condition for the

[159] For this the UN has appointed an independent expert on foreign debt and other related issue, as mentioned in the first chapter.

[160] Thus far, 35 countries have benefited from forms of debt relief, for a total amount of money corresponding to US $51 billions. However, 16 countries have not yet completed the requirements for debt relief. A further challenge is that eligible countries get full debt relief from all their creditors, including bilateral creditors. See http://www.imf.org/external/np/hipc/index.asp (consulted on 1 July 2009).

[161] It has been calculated that the 11 per cent of the ODA finances involuntary the military contingent of developing countries, constituting an approximation of the 40 per cent of the total military budget in Africa, the continent most seriously affected by civil wars. Collier, 2007, p. 174.

[162] In June 2005, the G-8 proposed IMF, International Development Association and African Development Fund to cancel 100 percent of their debt claims on countries reaching the completion point under the HIPC. Such proposition, called Multilateral Debt Relief Initiative, does not include any parallel debt relief on the part of official bilateral or private creditors; nevertheless, in 2007 the Inter-America Bank decided to provide a similar debt relief to five HIPCs.

countries' governments to draft the already seen Poverty Reduction Strategy Papers, as solicited by the political opposition and the civil society. That brought to an increasing of poverty reduction expenditures from 6.4 per cent to 8.1 per cent in the 28 countries object to the HIPC initiative between 1999 and 2004.[163]

The initiative represents a good result in term of multi-stakeholders participation. In fact, recipient countries have been actively involved in the formulation of the strategy for the allocation of the resources and similarly the civil society, even if with a less influential role. This incremented the level of accountability and the realisation of social benefits, especially in terms of poverty reduction.

Nevertheless, the time for the implementation of the HIPC is considered too long, two years before 1999 and almost four after the reform are needed to every eligible country before reaching the remission of the debt. Furthermore, while the amount of debt is reducing, the debt service costs are incrementing for the countries participant in the initiative; hence the total reduction of the debt is not as relevant as it can seem at a first glance.[164] More importantly, the monitoring exercised by the financial institutions, so important for the success of the initiative, might constitute the Trojan horse for the encouragement of liberalisation and privatisation policies so criticised during the Eighties, when, as already underlined, IMF and WB were fostering them under the form of conditional loans. Obviously, the system of vigilance is important in order to assure that governments do not mismanage the part of domestic budget incremented in form of debt relief. However, the necessity to promote economic growth, indispensable for escaping the poverty tramp, has to be consistent with the human right discipline and should tend to the abolition of the poverty gap; consequently, *laissez-fair* policies are decisively inappropriate.

Debt relief strategies are very costly but inescapable in order to avoid episodes of country failure, as happened in Argentina. The problem connected with foreign debts is not only the high level of sophistication of the financial market, but above all the unequal distribution of social costs, affecting in particular the most vulnerable part of the population. If the linkage between debt and human rights is obvious, there are no simplistic solutions. The intergovernmental institutions have declared the economic impossibility to provide debt relief in a more extensive way, moreover their activity depend on the willingness of the donor states, i.e. the superpowers. What is more, part of the debt depends on private actors, who cannot be obliged to cooperate in the achievement of development programs.

The necessity to harmonise ODA and external debts policies is evident, otherwise, the first would be used to pay the second. Further efforts in this sense are asked in order to avoid the perpetuation

[163] Northover, 2008, p.13.
[164] Marcías, 2008, p. 44.

of dramatic situations, where poverty becomes the normality, while resignation and opportunism dominate the scene.

III.4. Long term solutions and urgent measures

What is needed is a complete reform of the international financial system, as the current crisis, mainly due to the unjustified disproportional weight of the finance on the real economy, can clearly show. Nowadays, the financial sector is escaping any reasonable control, and it is no more conditioned by the real economy, but, to the contrary, it compromises the economic trend. Some economists think that a feasible solution can only be comprehensive, including a reform of the major financial institutions, mainly the Bretton Wood institutions, and introducing radical changes, such as a unique currency, which would eliminate the problem of the highly volatility of the exchange rate.[165] Moreover, it is essential to stress the importance of the abolition of every fiscal paradise, in order to reach a reasonable level of coherence and dignity.[166]

Evidently, this typology of changes will require a long time of implementation, meanwhile the control on the financial market should be intensified through a more incisive international legislation and further agreements. It is urgent to heighten the level of transparency and accountability. Furthermore, it would be useful to limit the possibility of financial speculation in the LDCs, which lack the skill necessary for acting in a highly aggressive and competitive international market and, to the contrary, need long-term investments. Some authors propose the imposition of a tax on every financial transaction, which would have an incidence on speculation and guarantee a better distribution of the wealth.[167] Obviously, such measure is quite sophisticated and costly to implement, moreover it is directly connected with the political will to adopt it.

In my opinion, what is needed is a humanisation of the whole financial sector, currently too artificial and abstract. For instance, the investors should be put in the conditions to exercise a control, even minimum, on their investments and the managements' autocracy or technocracy, as already said, should be limited.

If globalisation is related to the higher circulation and speed of information, fundamental for the generation of the economic orientation and preferences, such information has been monopolised

[165] Among others: Jeffrey Sachs, Paul Krugman and Joseph Stiglitz.

[166] Tax havens are further increased after the dismantling of controls on international capital flows and they allow illicit capital flight, especially from developing countries, and money laundry for drug dealing, terrorism, corruption and mafia. Essentially, they offer secret banking and tax exemption, including the exemption from corporate taxation. An annual increase of 0.5% tax on the assets held in tax havens would be able to finance the UN Millennium Development Goals for 2015. Rouco, 2006.

[167] The Tobin Tax, after its originator's name, was first proposed in 1971 and it would be applied to the whole trade of currency across borders. It is hence intended to put a penalty on short-term speculation in currencies. The original tax rate proposed was 1 per cent, then lowered to a margin between 0.1 to 0.25 per cent.

and manipulated. The globalisation process has to be made democratic and fair, principally through a *liberalisation* of the information itself.

At national level, a stronger presence of the rule of law and deeper transparency at the government level would considerably improve the margin of control on FDI and aid, eliminating hidden interests and illicit practices. Therefore, the following chapter will focus on the importance of good governance, which can dramatically influence the level of sustainable development.

IV. GOOD GOVERNANCE

Policies and institutions are key elements of development. Unfortunately, developing countries are often characterised by weak institutions, low expertise and low level of reliance and social acceptability of the central system of government. A complete analysis of the reforms needed would embrace the consideration of the form of governance, the electoral system, the degree of acceptance and implementation of the rule of law, the role of the civil society, the media, *et cetera*. This chapter, for reasons of conciseness, will focus on few transversal issues which are considered some of the major obstacles to development, i.e. the high incidence of corruption, the vastness of inequality and discrimination toward women.

All the aforementioned subjects, as will be shown, impact on the possibility to enjoy basic human rights and to benefit from the generation of development. Hence, such practices constitute human right violations to the extent in which they are implemented, supported or tolerated by the central government. Moreover, they seriously compromise the quality of life in developing countries and the generation of economic growth.

IV.1. Corruption and weak institutions

The first impediment to development connected with governance, both at national and international level, is corruption, which seriously compromises the efficacy of every policy and strategic plan. It implies that the few resources present are mismanaged and used in advantage of few. That concerns the flow of aid, but also the country budget accumulated through the internal taxation.

A level of zero corruption can be observed nowhere in the world, however, its incidence is particularly worrying in developing countries due, at least partly, to the artificial imposition of western forms of government during the period of colonisation. The root causes of the wide presence of corruption and its social legitimisation are hence ascribed to the brusque passage from cohesive autonomous local communities to the implant of informal institutions fostered by the ex-colonial powers.

The presence of corruption can be explained through the concept of social capital. This concept is related to the cultural aspects which characterise a society, more exactly to the level of confidence, the level of social activism, civic conscience and the predominant ethic values existing in a given society.[168] In this perspective, corruption is not present in societies endowed by high social capital because it is not socially tolerated and the social sanctions, in terms of reputation and marginalisation, are very high. In this typology of environment, the control exercised by official

[168] In the economic theorisation, the level of confidence, in the sense of positive reciprocal expectations among agents, has always been seen as a key element for the functioning of the market, being at the base of every economic transaction.

agencies is inexpensive and norms do not need to be enforced with coercion, since they are socially accepted. To the contrary, in developing countries, where the level of social capital is low, the scenario is diametrically opposite: norms are not accepted and the system of control and suction is very costly. A possible strategy, for limiting the spread of non desirable behaviours, could be the subdivision of public expenses into coercive enforcement and cultural programs which increment the acceptability of norms. Cultural projects require long time of implementation and must be adapted to the context. However, their presence is inescapable from an ethic perspective, but also for limiting the costs of surveillance.[169]

Corruption can be seen as a form of state failure; therefore, it has often been used for justifying a wider intervention of the market to the detriment of the role of the public institutions.[170] A wide margin of privatisation, consequently, has been encouraged by the IMF and WB during the Eighties, the years of exaltation of the liberal market.[171] Such tendency is still persistent, with crescent privatisation of public goods supply, often tendered to Western companies. However, when the privatisation process is managed by the corrupt public administration itself, few improvements can be expected. The evidence has shown minimal ameliorations, to the contrary, the imposed privatisation has represented a tool for increasing the illicit incomes of dishonest politicians instead that incrementing the public Treasure.[172] In fact, the realisation of privatisation in absence of adequate regulations has been characterised by a high corruption resulting in the lack of genuine competition among new private entities created. This has nullified the efficiency that the market was supposed to generate. It has been the inadequateness of the context, for the lack of legal and market's institutions and mechanisms, which has determined very often the failure of the privatisation process. The application of fixed economic formula and the aseptic definition of property rights have shown their limitations. This has concurred to lower the already poor level of confidence in the markets' institutions *imported* by the Western powers.

To mention some examples in relation to the private market, thus far, one of the sectors more seriously affected by corruption has been the extractive, for its connection to governmental agencies, as shown by international indexes.[173] That partially explains why the large amount of

[169] There is the need of heavy investment in education and culture. A comprehensive process should involve education, media, referent models and concrete institutions.

[170] The solution is quite paradoxical, since in the classical economic theory, the role of the state is justified by the failure of the market, for instance, in the supply of public goods or income's allocation. Bardhan affirms that state, market and local community are all highly imperfect; each can do something better than other, while each fails miserably in some matters. Bardhan, 2000, p. 284.

[171] Privatisation has an important role to play in most developing countries, but it must be adapted on the context and it does not implicate the banishing of the government from the economic scene.

[172] Stiglitz, 2002, p. 86.

[173] For instance, the Transparency International's Bride Payers' Index points out that extractive, construction and real estate are the sectors most prone to corruption, see www.transparency.org (accessed on 12 May 2009).

money generated by oil and gas deposits has not helped developing countries in improving their precarious economic conditions.[174]

Another sector deeply involved in bribery is construction. It is considered the most corrupt sector internationally with high incidence of bribery, extortion, fraud and other equivalent criminal offences. One of the reasons is the impossibility to draft a *complete contract*, in fact, the planning of infrastructures makes difficult the foreseen of every possible future state and, then, it is easy to advocate the justifiability of further costs not originally included in the budget. Today, the major constructive industries are Western and their intervention in developing countries needs a system of monitoring and sanctioning.

It is important to bear in mind that the perpetuation of high level of corruption is possible thanks to the complicity of the Western society. In fact, the Western banks have offered their services to several developing countries' politicians. For instance, Sani Abacha, the military dictator who was *de facto* president of Nigeria from 1993 to 1998, used to secure his money in few Swiss banks, which after his death refused to return the money to the Nigerian government.[175] This event does not constitute a single case and it is urgent to ask for more transparency in the banking service. At the present time, the capital flight from developing and least developed countries is incrementing the growth of the Western banks.[176]

What is more, until a decade ago, according to the French fiscal regime, the bribes paid by corporations to developing countries' administrations could benefit forms of tax relief.[177] France, among other countries, was following such policy, in the attempt to defend the interests of its firms. The end of this practice was determined by an OECD's decision to declare it illegal, at least formally.[178]

When the market presents these typology of problematic, such as imperfect information which characterised the constructive sector, the public institutions enter to play a crucial role. Apart from the legislature, an effective judicial system is crucial in fighting corruption. It can help to end impunity, ensure fair dispute resolution and enforce the impartial rule of law.[179] Unfortunately, in developing countries the institutions, including the judicial system and the police force, are worryingly weak for structural reasons, such as the scarcity of experienced people and lack of social

[174] A further reason is the so-called Dutch Disease. This debated economic theory explains the deindustrialisation of a nation's economy that occurs when the discovery of a natural resource raises the value of that nation's currency, making manufactured goods less competitive respect to other nations, with the consequent increasing in the imports of such goods and decreasing in the exports.

[175] The money has been returned only after that the episode was made public. Collier, 2007, p. 224.

[176] This phenomenon is not limited to the fiscal paradises, but involves many important Western banks, such as US and UK banks.

[177] Collier, 2007, p. 226.

[178] The OECD has subsequently adopted the Convention on combating bribery of foreign public officials in international business transaction, on 21 November 1997, thus far ratified by 38 countries.

[179] Transparency International, 2007, p. 8.

legitimacy, as already seen.[180] Thus, the criticalities which characterise the market everywhere, in developing countries are harder to overcome. That explains why some countries have not experienced an industrial development meanwhile others have.[181] In this case, a stronger presence of international institutions and regulations, even if useful, cannot substitute the role of the state, which needs to be reinforced. The role of the state is not substitutive, but complementary to the role of the market, that, without a structural regulation, would tend to oligopolies and asymmetry of powers which are no optimal for the wellbeing of the population. The centrality of the role of the state is still needed in this phase of the globalisation process, since a system of global governance seems difficult to realise.

Obviously, the state will act in the interest of the collective of citizens only when it is built according to democratic laws and institutions. In this case, the level of accountability and transparency will be higher and the government will be obliged to respect its political mandate. Unfortunately, in developing countries political corruption is considerable and includes even forms of vote-buying and intimidation. This constitutes a relevant obstacle in reducing the poverty level. In fact, the poorest and emarginated parts of the society tend not to have voice in political decisions, while the upper and middle classes can generally exercise forms of lobby and public pressure. The role of the middle class, advocating for more equitable policies, may be decisive in improving the conditions of the poor, as it has happened several times in the history. The middle class has often promoted cultural changes and revolutions; for this its gradual disappearance due to the tendency to increase the social gap, even in Western countries, is particularly frightening.

However, since the voice of vulnerable groups can be stronger at local level, some literatures stress the potential role of decentralisation for fighting corruption and promote a social desirable allocation of resources. Decentralisation has been a long-term trend in developed countries and lately has been growing in the developing world; even though a pre-existent system of patron-client relations can compromise the whole process, with slightly improvement from the situation of concentration of power in the central government.[182]

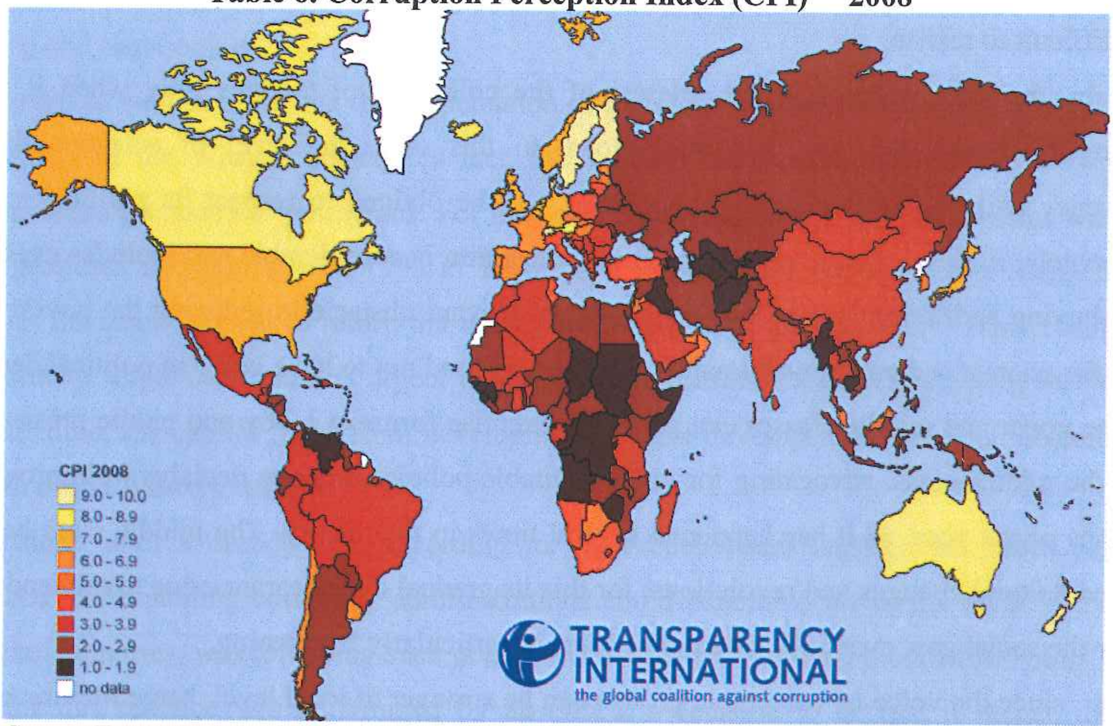
[180] The institutions include property rights, formal contracts and guarantees, trademarks, limited liability, bankruptcy laws, which are not well defined and effectively enforced in developing countries, increasing thus transaction costs and risk for the agents. The literature shows that traditional institutions in developing countries have failed to evolve in impersonal, open and legal-rational entities. However, in some cases, as in Southeast Asia, more collectivist organisations have been suitable for foster economic growth. Bardhan, 2000, p. 272.

[181] The reason can be trace in the history of developing countries that, after the colonisation period, had often suffered period of despotism. In fact, it is not rational for a dictator to foster institutional changes that safeguard property rights, law enforcement, and further economic structures, even though they will bring to economic growth. Dictatorships, to the contrary, tend to preserve the *status quo*, for the fear that changes could weaken their position. Bardhan, 2000, p. 278.

[182] Todaro & Smith, 2006, p. 554.

Concerning the sectors affected by corruption, as anticipated, one of the most critical is aid delivery and management.[183] In fact, corruption tends to be massive in the major recipient countries.[184] In particular, the situations that render aid more urgent, such conflict, reconstruction and post-disaster, are the most challenging for the transparency and accountability of the use of resources. A partial solution is represented by the increasing monitoring and evaluation exercised by donor countries, however, its cost reduces the amount of aid dedicated to the implementation of specific programs.

Table 6. Corruption Perception Index (CPI)[185] 2008



Source: Transparency International (www.transparency.org accessed on 12 June 2009).

The higher awareness of the effects of corruption on development led to the formulation and adoption of different measures, such as the UN Convention against Corruption, entered into force in December 2005.[186] The 140 signatory states and 136 parties recognised the necessity of prevention and criminalisation of corruption, including international cooperation and asset recovery.

Finally, a central role in fighting corruption at all levels is played by the civil society. The creation of multi-stakeholders forums of discussion and the maximum disclosure of information can have an

[183] The distortion of aid begins "upstream", in donor countries, when aid priorities are not based on the needs of the poor or a recipient country's long-term national development objectives, but rather are "supplier driven" and influenced by both domestic and donor industry interests. Transparency International, 2007, p. 4.

[184] According to OECD DAC statistics, the top ten recipient counties for 2007 are, in descending order: Iraq, Afghanistan, Tanzania, Cameroon, Sudan, Viet Nam, South Sahara, China, and Ethiopia. See www.oecd.org/dac (consulted on 7 June 2009).

[185] The CPI is calculated by Transparency International using data from 13 sources originated by 11 independent institutions. All sources measure the overall extent of corruption in the public and political sector.

[186] G.A. Resolution 58/4 of 31 October 2003.

important role in contrasting illegal practices. The presence of independent media and the activism of the academic world are also worthy in creating awareness and consequent social changes.

IV.2. Inequality

More than one billion people live on less than $1 per day[187] and more than 2.8 billion – almost half of the world's population – live on less than 2$ a day.[188] In a world where obesity is becoming one of the most serious disease affecting the quality of life, malnutrition, water contamination, dysentery and malaria are still causes of death of million people every day. If extreme poverty is decreasing in East Asia, it is increasing in sub-Saharan Africa. Worldwide, the gap between rich and poor is high and getting higher.[189] Inequality is incredibly high also within countries and developing countries are no an exception.

For the poor, the presence of such inequality nullifies the potential advantage to live in a richer society.[190] The level of inequality which characterises developed countries and the consequent presence of poverty, obviously with minimal incidence, well represent how economic growth is useless in terms of poverty eradication when not accompanied by the implementation of adequate policies and measures.[191] Therefore, before stressing the importance of economic growth, the development agencies ought to promote a more equal distribution of incomes among the population.[192] Such distribution do not refer exclusively to concession of pocket money or pensions, that sometimes are incredibly useful, but it is also connected with the equality of possibilities in accessing basic goods, such as water, sanitation and security. The lack of this possibility undermines seriously the right of every man to live in dignity, as established by the UNDHR and related Covenants, and recalled in several official events and formal documents. In this light, inequality, to the extent in which increases poverty, represent an obstacle to the universal enjoyment of human rights and to the right to development in particular.

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[187] In reality the symbolic sum of 1$ established in the Eighties as poverty line has been adjusted to $1.08 in the Nineties and to $1.15 now. It must be seen as the purchasing power correspondent to it. However, according to financial institution such as the WB, the $2 day rate is considered a more appropriated parameter at least in the Latin America and Western Europe.

[188] Todaro & Smith, 2006, p. 193.

[189] Ibidem, p. 194.

[190] Green, 2008, p. 4.

[191] For instance, the report on the mission to US of the UN Independent Expert on the question of human rights and extreme poverty, undertaken in 2005, underlines the worrying presence of extreme poverty in one of the richest countries worldwide. UN Independent Expert on the question of human rights and extreme poverty, 2006, para. 11-42.

[192] The pressing questions are: do the poor benefit from growth? and does this depend on the type of growth a developing country experiences? or from the policies the government implements? Todaro & Smith, 2006, p. 195.

A good index that shows the level of world inequality is the Human Development Index, introduced by the first Human Development Report in 1990, which provides an assessment of country achievements in different areas of human development (see Table 7).[193]

Table 7. Human Development Index

	Human development index (HDI) value 2005	Life expectancy at birth (years) 2005	Adult literacy rate (% aged 15 and above) 1995-2005	Combined enrolment ratio for primary, secondary, tertiary education (%) 2005	GDP per capita (PPP US $) 2005	Life expectancy index	Edu-cation index	GDP index
Developing countries	0.691	66.1	76.7	64.1	5,282	0.685	0.725	0.662
Least developed countries	0.488	54.5	53.9	48.0	1,499	0.492	0.519	0.452
Arab States	0.699	67.5	70.3	65.5	6,716	0.708	0.687	0.702
East Asia and the Pacific	0.771	71.7	90.7	69.4	6,604	0.779	0.836	0.699
Latin America and the Caribbean	0.803	72.8	90.3	81.2	8,417	0.797	0.873	0.740
South Asia	0.611	63.8	59.5	60.3	3,416	0.646	0.598	0.589
Sub-Saharan Africa	0.493	49.6	60.3	50.6	1,998	0.410	0.571	0.500
Central and Eastern Europe	0.808	68.6	99.0	83.5	9,527	0.726	0.938	0.761
OECD	0.916	78.3	..	88.6	29,197	0.888	0.912	0.947
High-income OECD	0.947	79.4	..	93.5	33,831	0.906	0.961	0.972
High human development	0.897	76.2	..	88.4	23,986	0.854	0.922	0.915
Medium human development	0.698	67.5	78.0	65.3	4,876	0.709	0.738	0.649
Low human development	0.436	48.5	54.4	45.8	1,112	0.391	0.516	0.402
High income	0.936	79.2	..	92.3	33,082	0.903	0.937	0.968
Middle income	0.776	70.9	89.9	73.3	7,416	0.764	0.843	0.719
Low income	0.570	60.0	60.2	56.3	2,531	0.583	0.589	0.539
World	0.743	68.1	78.6	67.8	9,543	0.718	0.750	0.761

Source: Human Development Report 2007/2008 (http://hdr.undp.org/en/humandev/hdi/ consulted on 5 June 2009).

A further significant indicator of inequality is the Human Poverty Index, which does not simply consider the sole distribution of the income inside a country, but also life expectancy, access to basic education and of overall economic provision, represented by the percentage of people without access to health services and safe water plus the percentage of children under 5 who are underweight.[194] Such indexes provide a world ranking which show how people is affected by deprivation, respect the usual incomes' measurements, for instance traditionally used by the WB, which fail to describe how the level of income affects the quality of life.[195] In fact, poverty is much more than lack of material resources, it is a constant condition of powerlessness, frustration, tiredness and exclusion from the decision making process.[196] Poverty impacts on the possibilities of health, security, employment, social inclusion and further no monetary factors related to the human wellbeing and self-esteem.[197]

[193] The framework of the HDI is explained in charter I.
[194] See HPI at http://hdr.undp.org/en/statistics/indices/hpi/ (consulted on 5 June 2009).
[195] Currently, the WB adopts a different kind of poverty assessment which aims to address extent and causes of poverty, including gender analysis and institutional barriers.
[196] Green, 2008, p. 7.
[197] *Ibidem*, p. 8.

From an economic perspective, inequality implies an impossibility for the poorest to become active economic actors, for instance to qualify for loans or start a business. People living at subsistence level is completely excluded by the economic system, they do not purchase goods or services and fail to save money. That has a strong impact in the domestic economy, since the rich tend to buy foreign goods and are responsible for capital flight; hence the middle class is often the major motor of the internal production of goods. The poor, to the contrary, represent a cost for the society in terms of security, disbursement of money and country's image.[198] Inequality, hence, does not seem a positive element for the generation of economic growth, but it holds more probably the function to perpetuate the *status quo*.[199]

What is more, inequality foments a no meritocratic economic system, with serious consequence of the optimal allocation of human resources. The impossibility of access to education impedes individuals from developing their potentialities and attitudinal vocations important for getting a suitable workplace. Poverty, hence, is transmitted from generation to generation, with the impossibility to escape its tramp.[200]

The level of inequality is aggravated by the discrimination related to gender, race, and social status of cultural minorities. Discrimination, unfortunately, represents a peculiar characteristic of many developing countries' societies. That is due to the perpetuation of ancient traditions, but it had also been fomented by the colonial powers for opportunistic reasons, as happened, for instance, in Burundi and Rwanda. It has been further increased by the scarce access to education. Consequently, poverty affects differently the diverse parts of a society. Statistics show that the individual affected by extreme poverty typically are located in the rural areas, are more likely to be women or children and are more often concentred among minority ethnic groups and indigenous peoples.[201]

In sum, an understanding of the nature of the size distribution of income is central to any analysis of poverty in developing countries. Once inequality as been defined and measured, it must be constantly monitored and contrasted. Inequality can be drastically reduced with the adoption of suitable policies, in particular through the implementation of fiscal reforms.

A path for the detriment of inequality is the fostering of democratic institutions and public participation. The democratic process would tend to install an elaborate system of checks and

[198] Country's image can be seen as the capacity of a country to attract foreign capitals.

[199] Some theorists affirm that a perfect equality of incomes would annihilate every incentive in working harder, acquiring skills or innovate. That is due to the spread incapacity of the economic theory to analyse the variety of agents' preferences and recognise the existence of no monetary motivations. The experience of some North European countries, such as Norway and Sweden, where the wage level tend to be equal, could be seen as a disproof of such considerations.

[200] Green talks of *lottery of birth*, an idea derived by philosophers such as John Locke, Thomas Hobbes and Jean-Jacques Rousseau. Green, 2008, p. 3.

[201] Todaro & Smith, 2003, p. 229.

balances in the public sphere and meticulous rules of equity in sharing the spoils.[202] In fact, a fair electoral system would bring to the formation of a government interested in consider the necessities of the most vulnerable part of the society. That would put an end to perpetuation of policies and praxis intended to defend the rights of minority elites. The existence of a genuine democratic system would save people from the manipulation and recruitment exercised by extremist political wings, avoiding the danger of civil wars, which are so spread in many African regions.

In order to reduce inequality, the government can implement several policies that need to be opportunely shaped on the context. First of all, the state should avoid the implementation of all the public policies intended to benefit elites, such as tax allowances, subsidised interest rates, and overvalued exchange rates. What is more, the state could encourage indirectly a partial progressive redistribution of asset ownership. The concentration of wealth can be contrasted through the implementation of policies which provide free access to education and training programmes, directed to increase the income-earning opportunities of the poor.[203] This idea is based on the necessity of empowerment and certainly require long-time for the realisation; however, such typology of policies are inescapable for the creation of the conditions of development. Cultured individuals, moreover, will be less easily manipulated and more capable to advocate their rights. Furthermore, as already mentioned, it would be useful to implement projects of micro-finance for incrementing the business initiatives.

The most important tool that the state owns for conditioning the wealth distribution is the progressive taxation on incomes and wealth and the utilisation of the country budget for the implementation of poverty reduction plans and basic welfare systems.[204] However, the implementation of suitable fiscal policies is not an easy task. In fact, theoretically the burden of the tax is designed to fall most heavily on the upper-income groups; unfortunately, it can happen that forms of taxation thought as progressive turns out to be regressive in practice. Therefore, many times lower and middle-income groups pay a proportionately larger share of their incomes in taxes than the upper-income groups.[205] That happens because the poor, most of the times, are taxed at the source of their incomes or expenditures, i.e. directly from the wages or indirectly on the purchasing of goods. To the contrary, the rich tend to derive the largest part of their incomes from the return on

[202] Bardhan, 2000, p. 280.

[203] The economic theory has coined the term *human capital* in order , synthetically, to underline the link between the asset of skill and knowledge possessed by an individual and his/her ability to participate in the economic process and produce value. This concept was created with the intention to put an emphasis on the no material components of the economic process. In this terms, it could be said that, in order to promote development, it is necessary to invest in human capital.

[204] In particular, it should be limited the tendency of developing countries' governments to spend a huge share of the country budget in the military sector.

[205] Todaro & Smith, 2003, p. 239.

physical and financial assets that can be easily go unreported.[206] Moreover, for the administrative weakness in collective income taxes a very low percentage of persons effectively contribute on regular base, in addition, property tax are calibrated at a far lower level of what they could be.[207] Hence, a closer control on fiscal evasion and elusion could play an important role.[208] Tax administration and enforcement of compliance require expertise and technology; they actually constitute an issue in most developing countries. However, the most important element for the creation of a comprehensive system of progressive taxation is the political will, obviously compromised by the political instability of many developing countries, which limits the possibility to implement long-term policies.

The use of the country budget, that as seen is particularly meagre, can be used for direct transfer of money, such as pensions for unemployed, or for the provision of goods, typically merit goods, and services. Not only access to schooling and health systems, but also to water and sanitation are a priority for extreme poor.[209] Furthermore, it can be opportune to implement food programs and keep under control the price of essential foodstuffs, applying price ceiling and monitoring.

The direct transfer of money, if useful because gives the freedom to dispose of the resources according to the personal necessities, can generate side-effects when it is not correlated to comprehensive policies.[210] In fact, poverty programs must address the specific target, i.e. the persons excluded by the economic system, in order to avoid money waste, and meanwhile avoid the creation of dependency.[211] Furthermore, pensions must keep a low level, since they could constitute an incentive in leaving the workplace or economic activity in order to benefit from them.

A further initiative that would be relevant in contrasting inequality is the monitoring of the informal sector. A strategic plan should be draft in order to prevent and limit the irregular forms of employment characterised by the absence of security nets and degrading working conditions.

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[206] Typically, for most LDCs, direct taxes – those levied on private individuals, corporations, and property – constitute a spectrum varying from 20% to 40% of total tax revenue and range from 12% to 20% of their GDP. Todaro & Smith, 2003, p. 751.

[207] Studies show that less than 3% of LCD population actually pay income taxes, compared with the 70% of the developed countries. Meanwhile, property taxes constitute generally less than the 5% of the total tax revenues. Todaro & Smith, 2003, p. 754.

[208] Similar considerations are valid also in developed countries. However, as many times observed, in developing countries their effects are more serious and can concur to generate chronic situations. Typical features of the developing countries are, as already mentioned in chapter III, the presence of legal and camouflaged fiscal incentives often used to attract foreign investments, even when they are not the optimal strategy in an optic of equality and social wellbeing, and the necessity to use the country budget for the repayment of foreign debts.

[209] The UN General Assembly declared 2008 year of sanitation, with the intent to create awareness and accelerate the process toward the MDGs target to halve the number of 2,6 billion people without access to basic sanitation by 2015.

[210] One of the focuses for 2008-2009 activity of the UN Independent Expert on extreme poverty has been the analysis of the human rights approach to cash transfer programmes. (See UN Independent Expert on the question of human rights and extreme poverty, 2009).

[211] The sociologic implications in this typology of policies are quite relevant. It is important to bear in mind that economic considerations are not always sufficient and a deeper interrelation among experts of different disciplines should be encouraged.

In sum, the measures should not be isolated and occasional, responding to emergency situations, but ought to be included in strategic plans and thought in the light of their long-term effects. Every plan and policy should aim to the future eradication of poverty, which can be achieved only with structural reforms and deep changes, starting from a deep change of mentality. Importantly, the poor should never be seen as victims or passive recipients, but they must be actively involved in the formulation of policies and their implementation, rephrasing, the process toward the eradication of poverty must be agent oriented, since paternalism tends to create only resentment and dependence.[212]

A further argument in favour of the elimination of inequality is that a more equal distribution of income can be seen as a public good, when it represents an agreed social objective, i.e. when the electorate has thus decided.

In conclusion, the institutional arrangements of a society are often the result of distributive conflict among different social groups, and the deriving perpetuation of inequality may block further institutional changes that could bring to a more suitable distribution of resources and overall development. It is to say, the preservation of the *status quo* is not positively related with the generation of economic growth, but more likely with the will to preserve the political and social concentration of power.

In the following paragraph, such considerations will be declined in the gender perspective, putting at the centre of analysis the most relevant group, in term of vastness and social impact, object to persistent discrimination.

IV.3. A focus on gender discrimination

As inequality is strongly accentuated in presence of discrimination, it will be presented the condition of women as the major group living in permanent situation of inequality. Women, in fact, are affected by poverty in a higher proportion respect men; they represent the three fifths of the total extreme poor, through a process called feminisation of poverty.[213] That is partially due to the high incidence in developing countries of households headed by women, who have a lower per capita income compared to men. The root-cause is principally cultural. The perpetuation of traditions and social norms that relegate to women the mere competence in the domestic sphere, negating them the possibility to benefit from education, to enjoy civil and political rights, such as property rights, characterise often the position of women in many developing countries. It is specifically the absence of economic possibilities, aggravated by the lack of control on the household income that

[212] Here the reference is, once more time, to the idea of empowerment, i.e. to the possibility to participate actively in the decision making process which conditions the life of the community or group to which the poor belong.
[213] UNFPA, 2008, p. 3.

affects the right to express opinions and play an active role in the society. Discrimination tends to affect women from the childhood, in which they suffer worse nourishing respect their brothers, lower levels of health care and more vulnerability to physical violence and sexual abuse.[214] In particular the scarce access to schooling and technical education compromises their possibility to find a workplace and become economically independent. They often find a job in the informal sector, characterised by precarious conditions and lack of tutelage against abuses. In developing countries, even governmental programs aimed to improve earning potential and formal-sector employment are often limited to men.[215] However, the heaviest discrimination is represented to the lack of reward of their domestic work; moreover, many times women are not paid for the work performed in the family agriculture or business.[216]

The condition of women represents an urgent human rights issue worldwide. Since 1975, governments, civil society and UN have committed themselves to work with and for women.[217] The more successful result has been the UN Convention on the Elimination of All Forms of Discrimination against Women of 1975 and its follow up, represented by the World Conferences on Women. However, if many improvements have been obtained, many others need to be met. For instance, a lot have been achieved in terms of political representation with the introduction of the quota system proposed by the Beijing Declaration and Platform for Action, output document of the Fourth World Conference on Women in 1995. However, the quota system in use normally establishes a minimum of 30% of women in the electoral lists, which is quite far from the real equality represented by 50% of the effective sits, as proposed by the Beijing Platform for Action.[218] Thus far, the impossibility to condition the decision making process is one of the major obstacle to women emancipation. The space for improvement of the condition of women in many countries is still wide; the country reports of the *ad hoc* Committee are significant in this sense. For instance, in the state of Saudi Arabia which has ratified the convention in 2000, women cannot vote, they are *de facto* banned from driving and cannot benefit from inheritance.[219] This extreme example symbolises the difficulty of enforcement of the treaty for the presence of unfriendly national legislations and strict social codes.[220] Moreover, many times women themselves join in perpetuating practices such

[214] For instance, it is estimated that in India, girls are four times more likely to suffer from acute malnutrition and boy are 40 times more likely to be taken to a hospital when ill. Todaro & Smith, 2006, p. 229.
[215] Todaro & Smith, 2006, p. 230.
[216] For instance, in Mexico, the 22.5% of women in agriculture and the 7.63% in non-agriculture sectors work full-time without pay. Todaro & Smith, 2006, p. 229.
[217] UNFPA, 2008, p. 3.
[218] The Fourth World Conference on Women, Beijing Platform for Action, para. 190 (b).
[219] UN Committee on the Elimination of Discrimination against Women, 2008, para. 30.
[220] This example refers to a Muslim country. However, women discrimination can be found worldwide. In Latin America, for instance, laws against domestic violence and sexual harassment have been adopted, but are extremely difficult to enforce.

as child marriage and female mutilation, believing that are forms of protection for them and their children.[221]

Development economics, since Sen, has increased the attention on the role of women and its potentiality in the development process.[222] In particular, Sen has brought to light the issue of the *missing women*, i.e. the number of disappeared women because of ill-treatment and lack of care. If the usual proportion of women is 102.2 every 100 men, in India is 92.7, thus the estimated number of missing women is about 36.7 million.[223] With the same method, it can be shown that the total number of missing women worldwide is more than 100 million.[224]

In relation to development, the role of women is crucial, not only for the possibility to participate in economic process, but even for their influence on birth control.[225] Studies show that women's access to basic education provoke decreasing in the birth rate and, moreover, better healthy conditions of the children.[226] The evidence shows that programs designed to increase nutrition and family health are more effective when targeting women and not men; in fact, an increase in the household income do not necessarily translate into improved nutritional status.[227]

The Human Development Report dedicates to these subjects two specific indices, the Gender-related Development Index (GDI) which considers life expectancy, adult literacy rate and estimated earned income, while the Gender Empowerment Measure (GEM) focuses on political participation and work position (see Table 8). The analysis of the indexes shows that women nowhere enjoy equal treatment. Even in the five top countries in the world, the GDI is close to 1, but never 1, which would represent the complete equality, and the GEM is near 0.9.[228]

In addition, with different extent, worldwide women are paid less for performing the same job. Just to mention few examples, in Botswana the percentage of women's salary respect men's is 52, in Brazil 61 and in Republic of Korea 56; but even in European countries such as Austria, Luxemburg

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221 See, for instance, Sen A, *Development as Freedom*, 1999.

222 Sen, 1999, p. 105.

223 The calculation has been proposed by Sen and reanalysed by Nussbaum. They consider the female/male ratio of 102.2 present in sub-Saharan Africa where women play a central role in the productive economic system, which give them the right to claim food in time of scarcity. The gender ratio in Western countries is higher, but it would not be appropriated to the context of developing countries. Nussbaum, 2000, p. 3.

224 Sen, 1999, p. 105.

225 Empirical arguments exalt the negative effects of population growth on development, its tendency to increase poverty and inequality and to seriously compromise the conditions of health for mother and children. Moreover, a rapid population growth would render more difficult the provision of food and the preservation of the environment. Opposite theories, instead, argue that population growth is not a problem in itself, but the unequal distribution of resources and the trend of population density constitute the real issue. Obviously, such a delicate theme is dense of sociological, ethic and religious implications. However, currently there is consensus at least on the fact that population should grew more slowly and that forms of public coercion in family planning should be avoid. Todaro & Smith, 2006, p. 287-295.

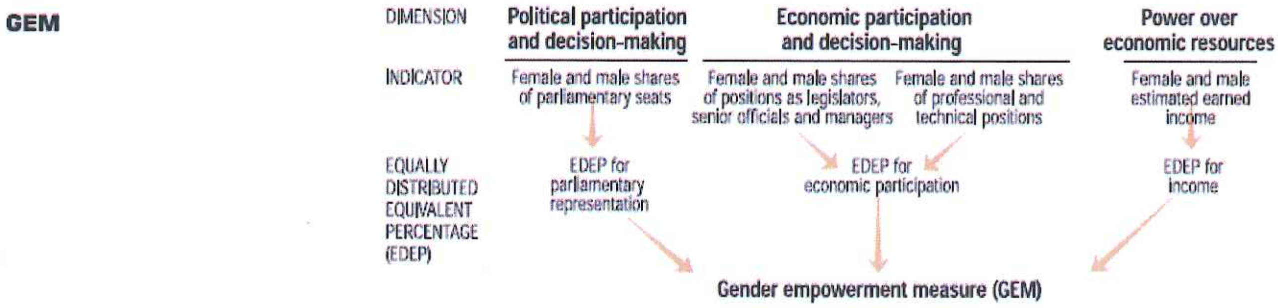
226 Sen, 2000, 510.

227 Todaro & Smith, 2006, p. 229.

228 In the worst countries the GDI tends to 0.4, meanwhile the GEM is often impossible to calculate and finds in lowest result in Yemen, with a value of 0.136. http://hdr.undp.org/en/statistics/indices/gdi_gem (consulted on 10 June 2009).

and Portugal the percentage is near 60.[229] Moreover, they are essentially barred from higher-paying occupation.[230]

Table 8. Gender Empowerment Measure Calculation & Rank



GEM ranks for 108 countries and areas

1	Sweden
2	Norway
3	Finland
4	Denmark
5	Iceland
6	Netherlands
7	Australia
8	Germany
9	Belgium
10	Switzerland
11	Canada
12	Spain
13	New Zealand
14	United Kingdom
15	Singapore
16	Trinidad and Tobago
17	France
18	United States
19	Austria
20	Portugal
21	Italy
22	Bahamas
23	Ireland
24	United Arab Emirates
25	Argentina
26	Greece
27	Costa Rica
28	Cuba
29	Israel
30	Estonia
31	Czech Republic
32	Macedonia (TFYR)
33	Latvia
34	Slovakia
35	Bahrain
36	Peru
37	Slovenia
38	Croatia
39	Poland
40	Namibia
41	Cyprus
42	Lithuania
43	Barbados
44	Bulgaria
45	Ecuador
46	Suriname
47	Mexico
48	Tanzania (United Republic of)
49	Panama
50	Honduras
51	Uganda
52	Saint Lucia
53	Lesotho
54	Hungary
55	Guyana
56	Serbia
57	Venezuela (Bolivarian Republic of)
58	Japan
59	Kyrgyzstan
60	Dominican Republic
61	Philippines
62	Viet Nam
63	Moldova
64	Botswana
65	Russian Federation
66	Uruguay
67	Nicaragua
68	Korea (Republic of)
69	Malaysia
70	Malta
71	Jamaica
72	China
73	El Salvador
74	Kazakhstan
75	Chile
76	Mauritius
77	Bolivia
78	Thailand
79	Belize
80	Romania
81	Brazil
82	Colombia
83	Nepal
84	Ethiopia
85	Montenegro
86	Ukraine
87	Indonesia
88	Azerbaijan
89	Oman
90	Maldives
91	Zambia
92	Syrian Arab Republic
93	Cambodia
94	Mongolia
95	Armenia
96	Georgia
97	Madagascar
98	Pakistan
99	Qatar
100	Sri Lanka
101	Turkey
102	Tonga
103	Iran (Islamic Republic of)
104	Morocco
105	Algeria
106	Saudi Arabia
107	Egypt
108	Yemen

Source: Human Development Report 2007/2008. http://hdr.undp.org/en/statistics/indices/gdi_gem/ (10 June 2009).

In conclusion, a comprehensive analysis of the major obstacles to development must consider the special role of women in rising attention on the need of children and of future generations, in conditioning the birth rate and in representing a potential force, currently unutilised, for the economic process.

[229] United Nations Statistics Division, http://unstats.un.org/unsd/demographic/products/indwm/ww2005/tab5g.htm (consulted on 10 June 2009).
[230] Todaro & Smith, 2006, p. 228.

CONCLUSION

The concept of human development at the centre of the RTD is multifaceted and transcends the mere economic aspects. This notion is the product of several international documents, including the Declaration on the RTD, which embrace a dense concept of development comprehending peace and disarmament, the participation in the development process, the role of women and the elimination of discrimination toward vulnerable groups. In this view, this work has attempted to emphasise the multiplicity of factors which impact on the possibility to development and underline how the modalities chosen for the generation of economic growth impact the human right condition of developing countries.

Since, as already seen, the effects of the economic policies affect differently the diverse components of the society, social policies and evaluations of economic policies' social impact are central in the formulation and realisation of development programmes. Hence, this thesis has insisted on the importance of the role of the state, when it is democratic and able to empower the citizens, in implementing social desirable policies not designed in order to advantage particular interests. Moreover, an authentically democratic governance implies the implementation of a system of check and balances which produces accountability and reinforces the incentives, for the political class, to respond to their mandate and foster the civil participation, priming a virtuous circle in which the level of democracy tends to increase.

In addition, this thesis has pinpointed the positive role of the market when seen as system able to optimise social impacts and not only economic returns. In fact, the finality of the marketplace is not the market itself but its usefulness for the humanity. The market, far from been a self-regulatory mechanism, needs a series of legislations and regulations in order to operate.[231] Hence, at domestic and international level, the legislation and the system of governance are responsible for shaping the conditions of the market - and not the exact opposite - in a way capable to guarantee a sustainable development, which safeguards the rights of future generations, limits the impact on the environment and includes fairer and more equitable distributive praxis. If from the corporations there is the natural tendency to enlarge *ad infinitum* the demand of goods and services, from the public side there must be awareness of the social implications of such behaviour and the ability to know, represent and defend the interest of the society.

The persistence of a high level of poverty shows as the globalisation process that nowadays characterises the economy has failed to be implemented according to the most social desirable

[231] The high and every day higher protection of the property rights shows how the implementation of laws and policies constantly characterises the marketplace.

perspective. Currently, the commitment of the international community toward the elimination of poverty is represented by initiatives such as the MDGs and Multilateral Debt Relief Initiative. However, their implementation is linked to the predisposition toward charity and compassion of the richer countries and not to defined responsibilities. Some attempts have been made in this sense: for instance, the possibility to see poverty as human right violation and, on the other hand, the intention to create a responsibility for the international community through the concept of solidarity rights. In both the cases, the identification of a violator or a duty-holder is vacant and in both the cases the possibility of enforceability seems uncertain. Thus, meanwhile the Secretary General affirmed that the persistence of poverty represents a violation of several human rights established in the Bill of Rights and core human rights treaties,[232] the Human Rights Council charged the Independent Expert on human rights and international solidarity to prepare a draft declaration on the right of peoples and individuals to international solidarity.[233] Even though further future steps will be needed for the achievement of enforceable norms, thus far it has been shown the inescapable link between development, elimination of poverty and human rights.[234] In fact, the eradication of poverty is not only a development goal, but a central challenge for human rights, such as, *vice versa*, the defence of all human rights is a central element for the poverty eradication process.[235]

Worldwide, the absence of global governance represents the main obstacle to the implementation of comprehensive strategies. The current system of governance is fragmentary and not democratic. Meanwhile the Group of Eight represents only the interests of the most powerful countries, the UN seems to play a residual role, far underneath its potentiality. The intergovernmental financial institutions, on the other hand, were created in order to keep their independence and autonomy. In fact, the combination of Articles 57 and 63 of the UN Charter concerning the various specialised agencies determines that such agencies may be brought into relationship with the UN according to *ad hoc* agreements. The agreements referring to the IMF and WB (originally constituted by the sole International Bank for Reconstruction and Development) came into force in November 1947 and

[232] In his Report of 2006 on the International Day for the Eradication of Poverty, the Secretary General underlined the link between poverty and human rights, in particular referred to the right to life and physical integrity, UDHR Article 3 and ICCPR Article 6; the right to recognition as a person before the law and to be registered, UDHR Article 6 and ICCPR Articles 16 & 24; the right to justice, UDHR Articles 10 & 11, ICCPR Articles 14-15; the right to take part in political affairs, UDHR Article 21; the right to participate in the social and cultural life, UDHR Article 22 and ICESCR Article 15; the right to decent work, UDHR Article 23, ICESCR Articles 6-9; the right to decent standard of living, UDHR Article 25; the right to adequate food, UDHR article 25, ICESCR Article 11; the right to housing, ICESCR Article 11, CRC Article 27, the right to health, UDHR Article 25 and ICESCR Article 12; the right to education, UDHR Article 26 and ICESCR Articles 13-14. (UN Secretary General, 2006, paragraphs 4-7).

[233] The first mandate has been assigned by the Commission on Human Rights through resolution 2005/5 and endorsed by the Economic and Social Council with 37 favourable votes to 15 and 1 abstention. Interestingly, all the member of the G-8, except the Russia Federation, voted against. (Economic and Social Council, 2005, para. 16).

[234] The expectations toward a future declaration on the right to international solidarity should be modest. Moreover, its value would be mainly symbolic.

[235] UN Secretary General, 2006, para. 6.

have not further been revised. In particular, Article IV paragraph 3 of the agreement between the UN and the WB attests the recognition from the UN "that the actions to be taken by the Bank on any loan is a matter to be determined by the independent exercise of the Bank's own judgment" and the UN pledge to "refrain from making recommendations to the Bank with respect to particular loans or with respect to terms or conditions of financing by the Bank". [236] However, the Bank recognises that "the UN and its organs may appropriately make recommendations with respect to the technical aspects of reconstruction or development plants, programmes or projects".[237] It is thus rhetorical but logic to advocate for a reformulation of such agreements in the light of the new economic scenario and of the lessons learned during more than 60 years; meanwhile it ought to be stressed the legitimate interest of the UN in matters related to development and social impact of the financial institutions' policies.

A considerable part of the literature calls for a rethinking of the Bretton Wood institutions' system, in particular advocating for the passage from the model "a dollar a vote" to a real democratic representation.[238] In particular, in the IMF the voting power is attributed according to the economic evaluation made in 1944, with few adjustments, while the only country possessing veto-power is the United States.[239] Such a typology of decision making process compromises the legitimacy of the organisation and requires an urgent reform. It is worth to remember, however, that in the WTO where the decisions are adopted by consensus, the asymmetric relationships of power between rich and poor countries and the consequent political pressure are still impeding the realisation of authentic democratic negotiations. It is important, hence, that the changes hoped are real and not only apparent, as unfortunately is likely to happen.

A further proposed reform concerning the system of governance of the Bretton Woods institutions is the enlargement of the decision making process to persons different from the ministers of finance and governors of the central banks of the member states, including, for instance, ministers of social affairs, work, justice and trade.[240] Otherwise, it is logic to expect a mere consideration of financial aspects, neglecting the social implications of the proposed policies. Even though this system has already shown its limitations, during the Eighties with the implementation of the conditionality clauses and in the Nineties with the Argentina case, a radical change in the structure of governance has not been achieved, nor even taken in due consideration. Not surprisingly, from inside there is a natural resistance to change, on the other hand, from outside there must be the willingness to

[236] Article 4 para. 3 of the Agreement between the United Nation and the International Bank for Reconstruction and Development.
[237] *Ibidem*.
[238] Among other, Green, Stiglitz and Sachs.
[239] Stiglitz, 2001, p. 23.
[240] *Ibidem*, p. 24.

contrast such tension and promote a radical reform.[241] In fact, as stated in Article 3 paragraph 3 of the Declaration on the RTD, in the responsibility to cooperate in order to ensure and eliminate the obstacles to development, "states should realise their rights and fulfil their duties in a manner as to promote a new international economic order based on sovereign equality, interdependence [...] and realisation of human rights".

This thesis, in particular, has demonstrated that the economic system needs to be humanised in order to constitute a positive propulsive force for human development.[242]

The last remark focuses on the role of the civil society and its potentiality in impacting the reality and promoting significant changes. The whole discourse on development let infer the intrinsic importance of the process over the result. A worthy part of such process is embodied by the civil society and its efforts in remembering to the political class the interests of the vulnerable and voiceless. When the civil society is not enough empowered, skilled and capable to represent an authoritative interlocutor for governments at national and international level, such governments ought to foster the civil society independent movement as unique force in the realisation of authentic democracies. In the Vienna Declaration and Programme of Action, after reaffirming the universality and inalienability of the RTD,[243] the World Conference on Human Rights "recommends that non-governmental and other grass-roots organizations active in development and/or human rights should be enabled to play a major role on the national and international levels in the debate, activities and implementation relating to the right to development and, in cooperation with Governments, in all relevant aspects of development cooperation".[244] Furthermore, subsequently, the World Conference recalls the attention on "the mutually reinforcing interrelationship between development, democracy and human rights".[245]

In conclusion, as recognised in the core international treaties and documents, social justice and democratic processes should inspire the structural changes needed to ensure a sustainable development for every person everywhere. In such a scenario, the economic science ought to be

[241] In particular, the IMF has shown more resistance to change, while the WB has started implementing some reforms, but, in my view, still partial. For instance, the 2009 WB Report is titled *Reshaping economic geography* and represents the proposition of highly debatable policies for developing countries, among other, the fostering of the urbanisation process. I personally assisted to a presentation of the publication during the European Developing Days in Strasburg the past November, and I wonder if it really necessary to wait for the negative social returns of such policies before strongly contesting and contrasting them. Fortunately, the renewed attitude of developing countries toward the financial institutions characterised by legitimate scepticism can mitigate the consequences.

[242] As already mentioned, particularly worrying in the current disproportion between finance and real economy, which need to re- establish an equilibrium.

[243] Vienna Declaration and Programme of Action, para. 72.

[244] *Ibidem*, para. 73.

[245] *Ibidem*, para. 74.

functional to the realisation of a development process in which "all human rights and fundamental freedoms can be fully realised".[246]

[246] Declaration on the Right to Development, Article 1, para.1.

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