

Aid and sovereignty: quasi-states and the international financial institutions

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Abstract. This article examines the changing status of ‘sovereignty’ in the context of some of the world’s poorest countries. An examination of the relationship between the International Financial Institutions (IFIs) and these countries suggests that the norm of sovereignty is increasingly being ‘trumped’ by the IFIs’ commitment to the achievement of good political and social arrangements and economic development within these countries. The article explores the historical roots of this development by tracing the way sovereignty became bound up with the idea of self-determination, the achievement of the ideals of the Enlightenment, and the pursuit of a ‘national economic project’.

This article is concerned with the meaning and status of ‘sovereignty’ for some of the world’s poorest countries. It argues that, over time, the possession of sovereign statehood became intimately connected to other norms which reflected the intellectual, social, political, and economic changes associated with the rise of modern nation-states in Europe. First, sovereignty became connected to the norm of self-determination which complicated the previously settled issue of by, and on behalf of whom, sovereignty could be claimed. Second, the sovereign state came to be seen as the place for the achievement of ‘ideal’ or good political and social arrangements largely understood in European Enlightenment terms. Third, and perhaps most significantly for modern states, the possession of sovereign statehood became intimately linked to the pursuit of material well-being and economic development.

The complex and unstable relationship between these normative commitments always had the potential to threaten the fragile sovereignty accorded to many newly-independent states after World War II. This article argues that over the past two decades concern for sovereignty has increasingly been ‘trumped’ by the international donors’ commitment to the pursuit of ‘ideal’ or good political and social arrangements and economic development within many of these countries. The empirical focus of the article is the changing relationship between low-income countries and the International Financial Institutions (IFIs), largely, but not exclusively, the World Bank. Since the early 1980s this relationship has assumed a central importance in the international relations of these countries, most especially in sub-Saharan Africa,

¹ Previous versions of this article were presented to a seminar on ‘The Theory and Practice of International Organizations’ at All Souls College, Oxford, and to the International Political Economy Workshop at the London School of Economics. I am grateful for the participants at both seminars for their comments and criticisms, especially Mats Berdal, Toby Dodge, Adam Roberts, and Gautam Sen, and to two anonymous referees for their very helpful suggestions.

and hence it provides an especially privileged site of investigation into the changing status of 'sovereignty'.²

The concept of 'sovereignty' and its relative significance has become a matter of renewed interest within International Relations which has reflected the increasing theoretical pluralism of the discipline.³ In broad outline the contemporary debate has circled around two sets of concerns. First, the extent to which economic interdependence, technological change, regional integration, and the proliferation of non-state and international organizations are eroding state sovereignty. This has been especially prevalent in the debate between realists and liberal interdependence theorists.⁴ The second, especially prevalent in both 'critical' and constructivist accounts, has been a concern with historicizing the concept of state sovereignty, analysing its place as an organizing and constitutive principle of the modern state system, and detailing the norms, rules and practices which go into sustaining it.⁵

This second strand of scholarship has pointed to the possibility that what sovereignty consists of and its importance can change over time.⁶ It has often been an explicit aim of this type of analysis to resist the idea that a straightforward definition of 'sovereignty' provides an adequate grasp of its meaning and significance. As Walker has argued, 'the very attempt to treat sovereignty as a matter of definition and legal principle encourages a certain amount of amnesia about its historical and culturally specific character'.⁷ This is in sharp contrast to many realist and liberal interdependence theorists who have tended to debate whether or not sovereignty is being eroded on the basis of a prior definition of what constitutes sovereignty and the characteristics of a sovereign state.⁸ As the historical survey below tries to show, one of the reasons why a formal definition is unlikely to provide adequate cognitive purchase on the content, meaning and significance of sovereignty is that it has always been bound up in a complex and changing relationship with other norms and ideas; and this has been true from the settlement of Westphalia to today.

Underlying this argument is the view that norms do not exist as discrete and separate entities each having their own autonomous significance. This is so for two related reasons. First, ideas and norms are embedded in, and connected to, other

² 'International Relations' with initial capital letters refers to the discipline; international relations refers to the discipline's subject matter.

³ For a critical discussion of the recent interest in sovereignty see Thomas Biersteker and Cynthia Weber, 'The Social Construction of State Sovereignty', in Thomas Biersteker and Cynthia Weber (eds.), *State Sovereignty as Social Construct* (Cambridge: Cambridge University Press, 1996).

⁴ See for example, Robert Keohane and Joseph Nye (eds.), *Transnational Relations and World Politics* (Cambridge, MA: Harvard University Press, 1972), Robert Gilpin, *The Political Economy of International Relations* (Princeton, NJ: Princeton University Press, 1987), and Mark Zacher, 'The Decaying Pillars of the Westphalian Temple', in James Rosenau and Ernst-Otto Czempiel (eds.), *Governance Without Government: Order and Change in World Politics* (Cambridge: Cambridge University Press, 1991).

⁵ See for example, R. B. J. Walker, *Insidel/Outside: International Relations as Political Theory* (Cambridge: Cambridge University Press, 1993), James Der Derian, *On Diplomacy* (Oxford: Blackwell, 1987), and Thomas Biersteker and Cynthia Weber (eds.), *State Sovereignty as Social Construct*.

⁶ J. Samuel Barkin and Bruce Cronin, 'The State and the Nation: Changing Norms and the Rules of Sovereignty in International Relations', *International Organization*, 48 (1994), pp. 107–30.

⁷ Walker, *Insidel/Outside*, p. 166. See also Jens Bartleson, *A Genealogy of Sovereignty* (Cambridge: Cambridge University Press, 1995), p. 13.

⁸ Janice Thomson, 'State Sovereignty in International Relations: Bridging the Gap Between Theory and Empirical Research', *International Studies Quarterly*, 39 (1995), pp. 215–19.

ideas and norms in complex and changing patterns. As Finnemore has argued, we should view norms 'not as individual "things" floating autonomously in some international social space but rather as part of a highly structured social context ... [a] ... fabric of interlocking and interwoven norms'.⁹ So, for example, the idea of state sovereignty becomes bound up with the idea of self-determination, which itself is bound up with the values of self-government and toleration of a degree of difference between states in their internal economic and political arrangements. As the historical survey tries to show, however, a complex bundle of norms and ideas need not be internally coherent, so that, for example, contemporary international society upholds both some kind of commitment to state sovereignty and some kind of commitment to the desirability of protecting and promoting universal human rights. Second, social actors do not and cannot reason and act on the basis of one norm, idea, or commitment alone, because they are embedded within and confront a world in which ideas, norms and commitments already exist in complex and changing relationships.¹⁰

Despite the increased concern within International Relations to detail the importance of 'ideas' or 'norms', less attention has been paid to the fact that they become institutionalized in practices and organizations.¹¹ We should not understand the significance of norms and ideas purely on the basis of how they 'influence' the decisions of policymakers.¹² Rather, following Charles Taylor (among others) we should say that ideas or 'norms' are both constitutive of, and are expressed through, practices and organizations in international life.¹³ This insight is particularly germane because International Relations deals so often with practices and organizations. The contemporary practices of diplomacy and international development, for example, are constituted by and express norms such as sovereignty and the pursuit of economic development, which may of course be in tension with one another, and may even be embodied in the same organization such as the World Bank.

A focus on the significance of norms and ideas is at odds with an approach which conceives of explaining international relations through the identification and description of the 'interests' of agents in an anarchical international system. An exploration of norms, and the practices and organizations through which they are expressed, entails a rejection of the idea that states constitute the only significant ontological unit in international relations. Instead, we require a commitment to the effect that practices and institutions in international life are constituted by ideas, norms, and commitments which are intersubjective and provide the resources for

⁹ Martha Finnemore, 'Constructing Norms of Humanitarian Intervention', in Peter Katzenstein (ed.), *The Culture of National Security: Norms and Identity in World Politics* (New York: Columbia University Press, 1996), p. 161.

¹⁰ This has been a constant theme of Charles Taylor's work. See, for example, Charles Taylor, 'To Follow a Rule', in *Philosophical Arguments* (Cambridge, MA: Harvard University Press, 1995). For a similar argument see Friedrich Kratochwil, *Rules, Norms, and Decisions: On the Conditions of Practical and Legal Reasoning in International Relations and Domestic Affairs* (Cambridge: Cambridge University Press, 1989).

¹¹ But see John Boli and George M. Thomas (eds.), *Constructing World Culture: International Nongovernmental Organizations since 1875* (Stanford, CA: Stanford University Press, 1999).

¹² Judith Goldstein and Robert Keohane (eds.), *Ideas and Foreign Policy* (Ithaca, NY: Cornell University Press, 1992).

¹³ Specifically see Charles Taylor, 'Social Theory as Practice', and 'Interpretation and the Sciences of Man', in *Philosophy and the Human Sciences: Philosophical Papers 2* (Cambridge: Cambridge University Press, 1985).

making sense of and acting in and on the world. Second, the exploration of norms entails a rejection of a straightforward positivist epistemology because as Kratochwil and Ruggie have argued, if one is committed to the idea that norms are both present and important in international society, one is committed to some kind of interpretative method as the only way to gain access to them.¹⁴ Third, this hermeneutic strategy is likely to be historical, as it will involve tracing the emergence and institutionalization of norms and ideas over time in an attempt to assess their contemporary significance.¹⁵

This last remark opens up the difficult issue of accounting for change within an approach which stresses the significance of norms for understanding international relations. There are two separable questions here. First, there is the question of why new norms emerge and old norms die away; why, that is, norms are added to or subtracted from the complex bundle of norms which characterize international relations through time. The emergence of the norm of state sovereignty itself is an example of just such a change, and the difficulty here is connecting these kinds of changes with the large and complex processes of economic, political and social change which may be of epochal proportions.¹⁶ Second, there is the issue of why, within a certain bundle or structure of norms, socially constituted agents promote one above another. The first question is beyond the scope of this article, and the historical survey below is meant to be simply illustrative. The second, as Finnemore has argued, is an open question requiring empirical investigation of the sort which Keohane has recommended.¹⁷

Sovereignty

The settlement of Westphalia is often taken as signalling the beginning of the European states system and as codifying the rights of sovereign authorities. In this view the settlement established the central connection between sovereign authority and a defined territory.¹⁸ It was, so Ruggie argues, 'the institutionalization of public authority within mutually exclusive jurisdictional domains'.¹⁹ Codified in the settlement, so it is often maintained, were certain features still associated today with sovereign statehood, including non-intervention in the internal affairs of other

¹⁴ Friedrich Kratochwil and John Gerard Ruggie, 'International Organization: A State of the Art on an Art of the State', *International Organization*, 40 (1986), p. 753.

¹⁵ As for example in Martha Finnemore, *National Interests in International Society* (Ithaca, NY: Cornell University Press, 1996).

¹⁶ Nicholas Onuf, *The Republican Legacy in International Thought* (Cambridge: Cambridge University Press, 1998), p. 148. One attempt to sketch what such an enterprise might look like is Robert Cox, 'Social Forces, States, and World Orders: Beyond International Relations Theory', in Robert Keohane (ed.), *Neorealism and its Critics* (New York: Columbia University Press, 1986).

¹⁷ Finnemore, 'Constructing Norms of Humanitarian Intervention', p. 185, Robert Keohane, 'International Institutions: Two Approaches', *International Studies Quarterly*, 32 (1988), p. 392. See also Finnemore, *National Interests in International Society*.

¹⁸ Barkin and Cronin, 'The State and the Nation', p. 108.

¹⁹ John Ruggie, 'Continuity and Transformation in the World Polity: Toward a Neorealist Synthesis', in Keohane (ed.), *Neorealism and its Critics*, p. 143.

states.²⁰ Osiander has argued, however, that the settlement was much more complex than is presented in this picture.²¹ First, it is clear that the parties to the negotiations at Munster and Osnabruck were operating within a normative framework made up of a sense of obligation to the ideal, if not quite the practice, of a 'Christian Commonwealth' (this was especially the case with the estates of the Holy Roman Empire); a commitment to the idea of being a 'good neighbour'; a general adherence to the concept of 'legality' as expressed in the body of legal texts and privileges established over time; and a recognition of the growing 'autonomy' which some states were claiming.²² Second, despite the establishment of rulers' territorial rights, there were important provisions in the settlement of Westphalia which attempted (only partially successfully) to guarantee freedom of religious worship where this religion differed from the official (and ruler's) religion.²³ Finally, it was clear that the negotiating parties recognised the need to ensure the 'full liberty of commerce [and] a secure passage by sea and land' in order to re-establish commerce for the 'public benefit', and to this end wanted to limit the power of rulers to impose tolls and customs charges.²⁴

Right from the beginning of the emergence of states as a central feature of European politics was a recognition that there were limits to the authority of rulers, and what emerges from a close study of the negotiations and the treaties is how embedded they were in an evolving set of normative commitments which were in potential tension with one another. An approach which takes norms seriously can, as Osiander has shown, provide a much more subtle and historically convincing account of the settlement of Westphalia. The following subsections sketch some of the ways in which the concept of sovereignty became bound up with other norms and ideas after 1648.

Sovereignty and self-determination

Fred Halliday has argued that International Relations theorists have usually operated with a holistic view of the state.²⁵ They have failed, so he suggested, to adequately distinguish between the government, the society, the state (in both its uses) and the nation. The point of analytically separating out components of 'the state' is that sovereignty can be and has been claimed on behalf of the state or government and its society (or nation). In the settlement of Westphalia the rights associated with territorial possession were claimed by and on behalf of sovereigns,

²⁰ Leo Gross, 'The Peace of Westphalia, 1648–1948', *The American Journal of International Law*, 42 (1948), pp. 20–41. The settlement comprised three treaties: between the Holy Roman Emperor and France and their respective allies; between the Holy Roman Emperor and Sweden; and between Spain and the Dutch states.

²¹ Andreas Osiander, *The States System of Europe, 1640–1990: Peacemaking and the Conditions of International Stability* (Oxford: Clarendon, 1994), ch. 2.

²² Osiander, *The States System of Europe*, pp. 42–48.

²³ *Ibid.*, p. 40, and article XXVIII of the Treaty between the Holy Roman Emperor and France. See also Stephen Krasner, 'Westphalia and All That', in Goldstein and Keohane (eds.), *Ideas and Foreign Policy*.

²⁴ Articles LXIX and LXX of the Treaty between the Holy Roman Emperor and France.

²⁵ Fred Halliday, 'State and Society in International Relations: A Second Agenda', *Millennium*, 16 (1987), pp. 215–29.

even though there were definite limits to these rights, and some of these limits made reference to the populace or 'public'. This situation has been transformed into one in which sovereignty is claimed by and on behalf of a people.²⁶ This development is bound up with the dramatic change in the language of political argument in Europe, whereby appeals to the 'people', to the 'public' and 'public opinion', and 'civil society' become increasingly persuasive. The developments here are complex and multi-faceted, but at least three features can be identified.

The first was intellectual and can be seen most starkly in the difference between Hobbes and Locke.²⁷ Hobbes argued that prior to the instigation of sovereign authority persons were only a 'multitude' in the state of nature, while Locke argued that while security may be lacking in a state of nature, a society does exist and economic progress and the establishment of commerce are possible.²⁸ This played an important role in establishing the idea that a 'society' with its own internal dynamics exists before the establishment of a sovereign authority, and that, as Locke argued, in some (few) cases the people had the right to act to preserve themselves in the face of tyrannical threats to their estates, liberties and lives. Second, as Habermas has shown, these intellectual developments were followed in the eighteenth century with social changes which produced a 'public' and 'public opinion' which both claimed, and was increasingly understood to have, an important role in monitoring and criticizing government activity and providing a space for the expression of political liberty.²⁹ Third, the emergence of the discourse of political economy, alongside the growth of capitalist economic activity, further developed the idea that society was characterized by its own internal laws which give it an extrapolitical identity, and more importantly, contributed to the idea that the duty of the state was to provide the conditions for the advancement of the material well-being of its society.³⁰

In the modern era these developments fed into the claim for self-determination. There emerged a close connection between the idea of state sovereignty and the claim for self-determination where being self-determining as a people largely came to mean having a sovereign state.³¹ This raised the difficult question of what constituted a people who were entitled to self-determination and the possession of sovereign statehood, but part of the close connection between self-determination and sovereignty was the more or less fictitious view that those within sovereign states were or would become a 'people', and that this formed the basis of a claim for sovereign statehood. As the UN Declaration on the Granting of Independence to Colonial Countries and Peoples put it, 'all peoples have a right to "self-determination"', and no 'inadequacy of political, economic, social, or educational preparedness should ... serve as a pretext for delaying [their] independence'. The other side of this claim was the idea that the state and government should in some important respects represent the wishes and aspirations of its people. This history is

²⁶ Barkin and Cronin, 'The State and the Nation', p. 108.

²⁷ Charles Taylor, 'Invoking Civil Society', in *Philosophical Arguments*.

²⁸ Taylor, 'Invoking Civil Society', p. 231.

²⁹ Jurgen Habermas, *The Structural Transformation of the Public Sphere: An Inquiry into a Category of Bourgeois Society*, trans. Thomas Berger (Cambridge, MA: MIT Press, 1989). See also Anthony Volpa, 'Conceiving a Public: Ideas and Society in Eighteenth-Century Europe', *The Journal of Modern History*, 64 (1992), pp. 79–116.

³⁰ Taylor, 'Invoking Civil Society', pp. 215–16.

³¹ Rosalyn Higgins, *Problems and Processes: International Law and How We Use It* (Oxford: Clarendon, 1994), ch. 7.

part of the reason why, in some instances, governments could be seen as illegitimate because they manifestly did not represent the wishes and aspirations of their society, and this is clear most obviously in arguments for decolonization.³² As James Mayall has argued, '[t]he nationalization of the concept of self-determination ... placed a time bomb under the concept of empire as a legitimate political form'.³³

Once the idea emerged that sovereignty was claimed on behalf of the 'people', intervention in the affairs of other states took on a new significance because it would be intervention in the 'national project' of a nation, not simply a refusal to respect the territorial rights of rulers. Thus the normative claim of state sovereignty came to include the view that it was wrong, in some moral or ethical, and not just legal sense, to intervene in the national project of a people. In this way discussion of sovereignty came to reproduce at the international level arguments about tolerance, pluralism, and the pursuit of freely chosen life patterns, which had become increasingly characteristic of especially liberal political theory.

Sovereignty and political ideals

State sovereignty as it emerged as a concept and a set of practices alongside the consolidation of the European states system did not refer to much which governments and rulers might do within their states but was instead largely concerned to regulate conduct between states.³⁴ It was not until the French and North American Revolutions and the rise of nationalism that the possession of sovereign statehood became increasingly linked to the achievement of goals within the state. The French and American Revolutions indicated that the nation state could now be a place for the achievement of the ideals of the Enlightenment.³⁵ This is, of course, intimately linked to the emergence of the idea of a society or nation on whose behalf sovereignty can be claimed, and who would be the chief beneficiaries of the pursuit of 'ideal' political and social arrangements.

This gave the possession of sovereign statehood a new significance, but also potentially threatened the traditional substance of state sovereignty as Burke realized:

The Treaty of Westphalia is, with France, an antiquated fable. The rights and liberty she was bound to maintain are now a system of wrong and tyranny which she is bound to destroy. Her good and ill dispositions are shown by the same means. To communicate peaceably the rights of men is the true mode of her showing her friendship; to force sovereigns to submit to those rights is her mode of showing hostility.³⁶

If the nation state was now a place for the achievement of ideal political and social arrangements, and these arrangements were universally desirable, there was an important justification, as Burke feared, for imposing them on other states. The

³² Higgins, *Problems and Processes*, ch. 7.

³³ James Mayall, '1789 and the Liberal Theory of International Society', *Review of International Studies*, 15 (1989), pp. 297–307.

³⁴ Ruggie, 'Continuity and Transformation in the World Polity', p. 145.

³⁵ Mayall, '1789 and the Liberal Theory of International Society'.

³⁶ Edmund Burke, *Reflections on the Revolution in France*, quoted in Der Derian, *On Diplomacy*, pp. 171–2.

diplomatic agents of the new French regime (at least in its early years) were 'to be not only gatherers of information, but disseminators of the Rights of Man'.³⁷

The sense that possession of sovereign statehood was bound up with achieving good political and social arrangements also found expression in the 'standard of civilization'.³⁸ During the nineteenth century a 'civilized' state permitted freedom of trade, applied the law in an egalitarian manner, accepted European international law, maintained diplomatic relations with other states, practised some degree of administrative efficiency, and generally upheld 'civilized' values. The 'standard of civilization' provided colonizers with a paternal justification to rule over 'uncivilized' peoples and attempt, if possible, to 'civilize' them, at least until they were in a position to realise the promises of Enlightenment 'civilization' themselves. As John Stuart Mill put it, some nations had 'not got beyond the period during which it is likely to be for their benefit that they should be conquered and held in subjection by [civilized] foreigners'.³⁹ The achievement of Enlightenment ideals within the nation state continued to underpin, among other things, the succession of international agreements on the abolition of the slave trade, and still underpins the contemporary discourse on human rights, the promotion of democracy, and the promotion of political and civil liberties.⁴⁰ This has become increasingly institutionalized in the practices and organizations of international politics, including in the United Nations, and in the ever growing number of public and private agencies dedicated to these tasks.

Sovereignty and material well-being

The most significant norm which has become associated with the possession of sovereign statehood is the pursuit of economic development, whether this is conceived in socialist or capitalist terms. Being a sovereign state is now intimately bound up with the pursuit of what we might call 'the national economic project', and being the government of a sovereign state entails a duty to provide for the material well-being of the populace. This is so commonplace it is hard to know what we would make of a government or ruler which did not have this as one of their professed objectives, whatever the reality of their rule. This relationship has become increasingly significant in the twentieth century with the massive expansion of government activities, the vast bulk of which are concerned with economic development and

³⁷ Der Derian, *On Diplomacy*, p. 176.

³⁸ Robert Jackson, *Quasi-States: Sovereignty, International Relations and the Third World* (Cambridge: Cambridge University Press, 1990), pp. 71–4, Gerrit Gong, *The Standard of 'Civilisation' in International Society* (Oxford: Clarendon, 1984), and David Strang, 'Contested Sovereignty: The Social Construction of Colonial Imperialism', in Biersteker and Weber (eds.), *State Sovereignty as Social Construct*, pp. 31–4.

³⁹ John Stuart Mill, 'A Few Words on Non-Intervention', in *Essays on Politics and Culture*, (ed.), Gertrude Himmelfarb (Gloucester, MA: Peter Smith, 1973), p. 337. It should of course be pointed out that not all colonial powers lived up to this in practice.

⁴⁰ J. Samuel Barkin, 'The Evolution of the Constitution of Sovereignty and the Emergence of Human Rights Norms', *Millennium*, 27 (1998), pp. 229–52, and Jack Donnelly, 'The Social Construction of International Human Rights', in Tim Dunne and Nicholas Wheeler (eds.), *Human Rights in Global Politics* (Cambridge: Cambridge University Press, 1999).

material well-being.⁴¹ As Thomas and Lauderdale have argued, ‘the state is chartered with the responsibility for “national welfare” ... which means a national economic policy that stimulates gross national product and a national welfare programme’. This has become so pervasive that even poor and economically undeveloped states have national welfare programmes.⁴² Just as this has become a central norm for domestic politics, so an increasingly wide range of international organizations and practices have come to express this at the international level.⁴³ These range from functional agencies such as the IMF, the World Bank, the WTO and the ILO, to the numerous treaties and protocols designed to regulate and expand international economic activity.⁴⁴

Quasi-states and international financial institutions

What Jackson has called ‘quasi-states’ were born into a world in which the concept of state sovereignty had become bound up in a complex relationship with other norms that reflected the intellectual, political, social, and economic transformations of the previous two centuries.⁴⁵ The sovereignty of these states was upheld by international society through its recognition of these states as formally sovereign, its general adherence to the normative principle of non-intervention in the national projects (internal affairs) of these newly independent peoples, and through integrating them into those practices, such as diplomacy and membership of international organizations, which characterize modern statehood. In addition, developed countries and newly established international organizations also took it upon themselves to assist, but in principle not to direct, these quasi-states in the task of economic development; that is to assist them in their ‘national economic project’.⁴⁶

This complex bundle of norms and practices was reflected in how the relationship between developing countries and IFIs was originally conceived. The principle of non-intervention in the internal affairs of developing countries was enshrined in the World Bank’s Articles of Agreement. The bank saw its role as that of an expert, and hence neutral, economic advisor. Eugene Black, President of the World Bank from 1949–62 said that ‘the professional job of the economist is ... to make the politician [and] the civil servant aware of the economic consequences of their decisions, and to provide evidence on which the decision-makers can weigh the benefits and costs of alternative courses of action’.⁴⁷ It was also expected that governments would take

⁴¹ Gianfranco Poggi, *The State: Its Nature, Development and Prospects* (Stanford, CA: Stanford University Press, 1990), ch. 7.

⁴² George Thomas and Pat Lauderdale, ‘State Authority and National Welfare Programs in the World System Context’, *Sociological Forum*, 3 (1988), p. 388.

⁴³ John Ruggie, ‘International Regimes, Transactions and Change: Embedded Liberalism in the Post-War Economic Order’, in Stephen Krasner (ed.), *International Regimes* (Ithaca, NY: Cornell University Press, 1983).

⁴⁴ Onuf, *The Republican Legacy in International Thought*, pp. 156–8.

⁴⁵ Jackson, *Quasi-States*.

⁴⁶ David Lumsdaine, *The Moral Vision in International Politics: The Foreign Aid Regime, 1949–1989* (Princeton, NJ: Princeton University Press, 1993), ch. 2.

⁴⁷ Eugene Black, *The Diplomacy of Economic Development and Other Papers* (Clinton, MA: Colonial Press, 1963), p. 24.

the lead in identifying projects for the World Bank to fund and would take the lead in coordinating the development process.⁴⁸

As Jackson has argued, this understanding of negative sovereignty was potentially in conflict with the need for IFIs to assist developing countries in the pursuit of their national economic project.⁴⁹ Although the tension between the substance of state sovereignty and economic development was not limited to developing countries (as the GATT Treaty of 1947 shows) it was certainly more acute. It was also in conflict with the universalism embodied in such things as the Universal Declaration of Human Rights, itself the manifestation of the idea that the state is a place for the achievement of ideal political and social arrangements.⁵⁰ The potential tension between the demands of non-intervention and assistance in the pursuit of the national economic project was complicated further by the ambiguous nature of the subject of sovereignty. The IFIs could only lend money to governments, but these governments were supposed to use this money to further the national economic project in the name of the people. The bank and the IMF were both committed to the principle that the governments of developing countries should in some sense represent the wishes and aspirations of their people.

Finally, relations between developing countries and the IFIs were understood on the basis of a particular view of economic development. Until the 1970s, economic development was largely understood as driven primarily by increased investment, the transfer of technology, and improved education and health provision. The dominant mode of thinking about development did not see the macroeconomic policy environment, or the political and institutional framework of a society, as the crucial determinants of economic development.⁵¹ In this sense, the IFIs did not concern themselves unduly with many components of what had become internal affairs. It is clear from this, however, that the ‘trumping’ of a commitment to sovereignty by a commitment to ideal political and social arrangements, or a commitment to economic development, was always a possibility.

There have been two main processes involved in making this a contemporary reality. First, and most obviously, the precipitous economic decline of particularly sub-Saharan African economies has dramatically increased their reliance on external aid. In 1980 aid comprised only 3.4 per cent of GNP in sub-Saharan Africa as a whole.⁵² By 1994 this had risen to 16.3 per cent. The World Bank’s definition of a highly aid-dependent country is one where aid comprises more than 10 per cent of GNP. In 1980 there were 14 such countries, but by 1994 this number had risen to 34. Most, but not all of these countries are in sub-Saharan Africa (they include Haiti, Cambodia, Nicaragua, and Nepal) and they comprise the bulk of what the bank classifies as ‘Low Income Economies’ (34 out of 49). For some of these countries, aid comprises more than 25 per cent of GNP (Mozambique, Tanzania, Burundi, Malawi, Rwanda, Sierra Leone, Niger, Burkina Faso, Haiti, Mongolia, Mauritania,

⁴⁸ Warren Baum, ‘The Project Cycle’, *Finance and Development*, 7 (1970), pp. 2–13.

⁴⁹ Jackson, *Quasi-States*, ch. 5.

⁵⁰ *Ibid.*, ch. 6, and Donnelly, ‘The Social Construction of Human Rights’, pp. 85–8.

⁵¹ As regards the World Bank see Bettina Hurni, *The Lending Policies of the World Bank in the 1970s: Analysis and Evaluation* (Boulder, CO: Westview, 1980).

⁵² The figures refer to what is called ‘Official Development Assistance’ (ODA) which comprises loans and grants made on concessional terms by all bilateral and multilateral agencies. It does not include disbursements by private development agencies and Non-Governmental Organizations (NGOs).

Congo, and Guinea-Bissau). There are, in addition, 17 countries where aid flows account for between 5 and 10 per cent of GNP.⁵³ There has also been a sharp rise in the extent of aid dependence in different sectors. For example, in 1990 donor contributions accounted for 85 per cent of Malawi's health sector budget.⁵⁴ The World Bank has argued that in the most highly aid-dependent countries 'aid can no longer be regarded as an adjunct to domestic investment resources but has become central to their economic management, and to the continued functioning of governments'; 'it is clear that the bulk of the capital budget and a significant portion of the recurrent budget of governments ... are directly or indirectly financed by aid resources'.⁵⁵ Put bluntly, the continued functioning of many governments has become dependent upon continued aid flows.

An increasing amount of aid to these heavily aid-dependent countries is from multilateral sources, most notably the IMF and the World Bank. In 1995, the debt to multilateral agencies accounted for 25 per cent of the total debt of sub-Saharan countries, and for some heavily aid dependent countries, their multilateral aid burden accounted for over 50 per cent of their total debt burden (Rwanda owes fully 80 per cent of its debt to multilateral agencies).⁵⁶ In some ways more important than the amount of money disbursed by the IMF and the World Bank is the fact the two Bretton Woods institutions stand as gatekeepers for the vast bulk of aid flows to the poorest countries. Those countries without an agreement with the IMF and the World Bank are extremely unlikely to receive other bilateral aid flows. By one estimate the World Bank stands as 'gatekeeper' for 75 per cent of aid to sub-Saharan Africa. This extreme reliance on external assistance provides donors with an opportunity to exercise 'leverage' over recipient governments.

The second process has involved a change in the way the governments of many developing countries have been perceived by the aid donors. Many governments have, in the view of the IFIs, proved themselves to be corrupt, more or less incompetent, and more or less brutal in the treatment of their citizens. That is, they have failed to fulfil the purposes of state sovereignty, both in terms of economic development and in terms of achieving desirable political and social arrangements. In addition, the acceptance by many IFIs of the basic arguments of neo-classical economics provided additional good reasons for questioning and restricting the activities of the state. Finally, the increasing acceptance of a set of arguments drawn from rational choice or public choice political economy meant that politicians and bureaucrats were seen as essentially self-interested.⁵⁷ Governments, in this view, were no longer seen as simply mistaken about economic policy, or inexperienced, or even the victims of unfortunate circumstances; rather they were themselves a major reason for the lack of economic and political development.

⁵³ World Bank, *World Development Report 1997* (Washington, DC: 1997), pp. 218–19.

⁵⁴ Lee Howard, 'An Assessment of Donor Coordination and External Financial Mobilization for Health, Population and Nutrition in Sub-Saharan Africa', Falls Church, VA, The Pragma Corporation, 1989.

⁵⁵ Stephen Lister and Mike Stevens, 'Aid Coordination and Management', internal World Bank paper, 22 April 1992, pp. 8, 10.

⁵⁶ World Bank, *World Development Report 1997*, p. 246.

⁵⁷ This has been particularly influential at the World Bank. See, for example, Anne Kreuger, 'Changing Perspectives on Development Economics and World Bank Research', *Development Policy Review*, 4 (1986), pp. 195–210.

A combination of economic mismanagement, more or less corrupt and brutal government, and the acceptance of a political economy which depicts politicians and bureaucrats as essentially venal has had the effect of drastically downgrading the legitimacy accorded by donors to many Third World governments. As Francis Deng has put it, 'the concept of sovereignty ... is becoming understood more in terms of conferring responsibilities on governments to assist and protect persons residing in their territories—so much so that if governments fail to meet their obligations they risk undermining their legitimacy'.⁵⁸ Donors have felt increasingly able to intervene in the internal affairs of many developing countries in the name of improving economic well-being, human rights, and political liberties.⁵⁹ In other words the IFIs have become central players in the attempt to fulfil the purposes of state sovereignty in many developing countries, and in so doing they have become the organizational embodiment of that set of ideals which has, at least since the French Revolution, always potentially threatened state sovereignty.

This can be illustrated through three trends. First, there has been a dramatic widening of the scope of IFI activities, second there has been a dramatic increase in the depth of IFI involvement, and third there has been an increase in aid and donor coordination. Before the late 1970s and early 1980s most development aid was directed to funding discrete investment projects.⁶⁰ There were important precedents for what became known as structural adjustment lending, including in India and a number of African countries, but these was seen by the World Bank as exceptional and by no means as a precondition for the success of discrete investment lending.⁶¹ By the middle 1980s this had changed. Structural adjustment lending accounted for more than 25 per cent of bank lending after 1986, and more importantly the bank and the IMF, under the influence of neoclassical and monetarist economic theory, came to see structural adjustment as an essential precondition of successful investment lending. Structural and sectoral adjustment loans typically came with a large number of policy conditions attached, including such things as the removal of import quotas, cutting tariffs, reducing interest rates controls, devaluation of currencies, elimination of state marketing boards, removal of restrictions on industry, the privatization or restructuring of state owned enterprises, and the removal of price controls on food, energy and agricultural inputs.

Since the massive expansion of structural adjustment lending in the 1980s, the IFIs, and especially the World Bank, have become concerned with many other aspects of developing countries' economic, institutional, and political arrangements. The World Bank and the IMF have increasingly stressed the idea of 'good governance'.⁶² According to the bank, improving 'governance' entails improving public

⁵⁸ Francis Deng, 'Reconciling Sovereignty with Responsibility: A Basis for International Humanitarian Action', in John Harbeson and Donald Rothchild (eds.), *Africa in World Politics: Post-Cold War Challenges* (Boulder, CO: Westview, 1995), p. 298. See also, Barkin, 'The Evolution of the Constitution of Sovereignty', p. 149.

⁵⁹ See the revealingly titled Tom Farer (ed.), *Beyond Sovereignty: Collectively Defending Democracy in the Americas* (Baltimore, MD: Johns Hopkins University Press, 1996).

⁶⁰ Hurni, *The Lending Policies of the World Bank in the 1970s*.

⁶¹ Paul Mosley, Jane Harrigan and John Toye, *Aid and Power: The World Bank and Policy-based Lending*, vol. 1 (London: Routledge, 1991), pp. 27–32.

⁶² World Bank, *Governance and Development* (Washington, DC: World Bank, 1992), and IMF, *Good Governance: The IMF's Role* (Washington, DC: IMF, 1997). The IMF has come to this more recently than the World Bank.

sector management, restructuring legal systems, decentralizing administration, improving 'accountability', and encouraging 'transparency' and information provision. The bank has also increasingly concerned itself with promoting the 'participation' of project beneficiaries in project design and implementation, and with encouraging the development of a 'civil society'.⁶³ Both of these are also being pursued through much increased cooperation with Non-Governmental Organizations (NGOs), particularly as project implementing agencies.⁶⁴ IFIs have also become concerned with developing an institutional framework in their borrower countries which will provide an 'enabling environment' for the private sector. For the World Bank this has included, among other things, lending to reform regulatory institutions in telecommunications and water provision, restructuring banking and financial institutions, and encouraging the development of stock markets.⁶⁵ Finally, IFIs, including the World Bank and the IMF, are also concerning themselves with the levels of military spending in many developing countries.⁶⁶

The World Bank itself has not and cannot advocate multi-party democracy (at least in public), although many of the components of 'good governance' are congruent with it. This is partly because of prohibitions in its Articles of Agreement, and partly because the bank recognizes that democratic governments are certainly no better, and may under some circumstances be worse at economic management than non-democratic ones.⁶⁷ However, many other bilateral and multilateral development agencies have made progress towards democracy a condition of continued lending. The EBRD for example has as its primary purpose promoting 'economic progress and reconstruction ... in central and eastern European countries committed to applying the principles of multi-party democracy, pluralism and market economies'.

It is important to note that lending in all these areas is now undertaken by IFIs after their own assessments of the development priorities in their borrower countries. As has been suggested, when the World Bank was set up it was assumed that borrower governments would undertake the work of identifying investment projects and leading the development process. This has been superseded by a situation in which the bank takes *de facto* responsibility for project identification and preparation.⁶⁸ In addition, the identification and preparation of development projects within the bank now takes place within the framework of a 'Country Assistance Strategy', which articulates both the level and composition of assistance to be given to each of its borrower countries. There is, in short, very little of developing

⁶³ Buvan Bhatnagar and Aubrey Williams (eds.), *Participatory Development and the World Bank: Potential Directions for Change* (Washington, DC: World Bank, 1992).

⁶⁴ Samuel Paul and Arturo Israel (eds.), *Nongovernmental Organizations and the World Bank: Cooperation for Development* (Washington, DC: World Bank, 1991).

⁶⁵ On this see among many others, Cheryl Gray, Lynn Khadiagala and Richard Moore, *Institutional Development Work at the World Bank: A Review of 84 Bank Projects* (Washington, DC: World Bank, 1990).

⁶⁶ World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth* (Washington, DC: World Bank, 1989), pp. 167–8, and World Bank, *World Development Report 1991* (Washington, DC: World Bank, 1991), pp. 141–3.

⁶⁷ World Bank, *World Development Report 1991*, p. 133.

⁶⁸ World Bank, *Assessing Development Effectiveness: Evaluation in the World Bank and the International Finance Corporation*, (Washington, DC: World Bank, 1994), p. 33.

countries' economic, governmental, administrative, institutional, and social structures and policies which IFIs see as being beyond their purview.⁶⁹

In addition to the increased scope of development activities, there has also been a dramatic increase in the depth of involvement. The increased depth of World Bank involvement is evident in the details of its lending. One example out of many will suffice to illustrate the point. In Ghana the World Bank has designed and is funding the 'Local Government Development Project'.⁷⁰ The project is designed to support Ghana's ambitious programme of governmental and administrative decentralization.⁷¹ A World Bank report identified a lack of revenue as the crucial factor preventing local government from properly fulfilling its requirements as laid out in the Ghanaian constitution.⁷² According to the bank, the most under-utilized source of local tax revenue was property tax. Local government units were hampered from increasing the collection of property tax by the lack of any up-to-date register of rateable properties, the lack of any database of potential tax payers, and a general lack of administrative capacity, especially the lack of appropriately trained personnel.

The 'Local Government Development Project' is attempting to rectify these problems. The project supports the development of accurate urban maps using aerial photography and the formalization of street names and addresses to allow an accurate role of rateable properties to be drawn up. The project specifies among other things, the scale of the maps, their degree of accuracy, the map content, and even the contour lines to be used. Once the database is in place, the project provides support for new computer hardware and software to allow for the automated production of tax demands and improved billing and collection operations. The project also supports an extensive programme of training, 'based on a survey of skill deficiencies' for both local government staff and for members of central government. This includes training in financial management, the management of waste management systems, accounting and bookkeeping, project planning, project management, personnel management, the function of local government units, and the role of local councillors. This is in addition to on-the-job training which will deal with such matters as work procedures, equipment operation, efficient use of materials, planning work assignments, maintenance procedures, management of the work place, safety 'and other related topics'.⁷³

Projects such as these are intimately concerned with the details of the day-to-day operation of government and administration and with the relations between governments and their societies.⁷⁴ The World Bank and other IFIs are not only concerned

⁶⁹ For a case study see David Plank, 'Aid, Debt and the End of Sovereignty: Mozambique and its Donors', *The Journal of Modern African Studies*, 31 (1993), pp. 407–30.

⁷⁰ Staff Appraisal Report, 'Republic of Ghana: Local Government Development Project', report number 12332-GH, January 1994.

⁷¹ Richard Crook, 'Four Years of the Ghana District Assemblies in Operation: Decentralisation, Democratisation, and Administrative Performance', *Public Administration and Development*, 14 (1994), pp. 339–64.

⁷² West Africa Department, 'Ghana—Strengthening Local Initiative and Building Local Capacity', report number 11369-GH, February 1993. These duties include aspects of health service provision, maintenance of roads and streets, water and sanitation provision, community development, and some aspects of education.

⁷³ 'Local Government Development Project', pp. 110–11. This level of detail is entirely typical.

⁷⁴ David Williams, 'Governance and the Discipline of Development', *European Journal of Development Research*, 8 (1996), pp. 157–77.

with inducing major economic and political reforms in their recipient countries, but as this project shows, they are also concerned with attempting to reconstruct in the minutest detail the functioning of governments. The point of this kind of activity is both to make up for the inability of governments to fulfil the promises of state sovereignty, and to construct a state which can, in the course of time, fulfil these promises without external assistance. The norm of state sovereignty is being increasingly 'trumped' by the pursuit of other norms.

None of this means, as some have argued, that the IFIs can and do always get their way. Despite the scope and depth of World Bank activities within its borrower countries, developing country governments have been able to resist implementing its loan conditions, and they have dissembled, bargained, dragged their feet, and generally, where they wished, tried to maintain some semblance of control over the process of political and economic reform.⁷⁵ This has been made possible in part by the fact that in many developing countries there may be upwards of 25 or 30 official aid agencies operating, and possibly hundreds more NGOs.⁷⁶ Not only has this proliferation of aid and donors provided recipient governments with room to manoeuvre, it has created massive problems of coordination, especially as many of the recipient countries have weak administrative structures for coordinating aid and donor activities.⁷⁷ One particularly valuable tactic has been to play one donor off against another, or argue, for example, that IMF and World Bank loan conditions contradict each other (which they sometimes have).⁷⁸

The recognition that these problems were reducing the developmental effectiveness of external assistance has led to a rapid rise in the number of aid and donor coordination meetings chaired by the World Bank (this is in addition to those chaired by UNDP and IDB).⁷⁹ In 1986 the World Bank chaired 20 such meetings, 26 in 1992, and 30 in 1994.⁸⁰ A UN study in 1990 concluded that 'the reality has been that donors have been playing increasingly prominent roles in the coordination of aid—both directly and through the Bank/Fund policy framework—and that the role of LDC governments has been relatively diminished in the process'.⁸¹ For example, an OECD study found that major donors used the aid coordination groups for Bangladesh 'as an instrument for influencing the direction and timing of the government's economic policy decisions'.⁸² This is significant not only because it reduces the room for manoeuvre of recipient governments, but it also effectively takes out of the hands of governments control over the amount and direction of aid

⁷⁵ Mosley et al., *Aid and Power*, vol. 1, p. 136, Christopher Clapham, *Africa and the International System: The Politics of State Survival* (Cambridge: Cambridge University Press, 1996), pp. 180–1, pp. 201–7.

⁷⁶ This massive external penetration is made clear in Clapham, *Africa and the International System*, pt. III.

⁷⁷ Lister and Stevens, 'Aid Coordination and Management', p. 18.

⁷⁸ R. Feinberg, 'The Changing Relationship Between the World Bank and the IMF', *International Organization*, 42 (1988), pp. 545–60.

⁷⁹ OECD, *Aid Coordination and Aid Effectiveness: A Review of Country and Regional Experience* (Paris: OECD, 1988), pp. 13–29.

⁸⁰ See the World Bank Annual Reports for the relevant years. See also OECD, *Aid Coordination and Aid Effectiveness*, p. 21.

⁸¹ Devendra Ray Panday and Maurice Williams, 'Aid Coordination and Effectiveness: Least Developed Countries 1981–1989', study prepared for the Second United Nations Conference on the Least Developed Countries, March 1990, p. 120.

⁸² OECD, *Aid Coordination and Aid Effectiveness*, p. 42.

resources and decisions about development priorities. The 'national economic project' is increasingly being designed and implemented by aid donors in an attempt to make up for the fact that, in the eyes of the donors, many governments are unable or unwilling to do it themselves.

Despite the growth of aid coordination there is little reason to think that the IFIs will be successful in their attempts to induce economic development and political and institutional reform. The IFIs, like the governments of developing countries before them, face not just weaknesses in governmental and administrative structures, but deeply embedded social practices which have proved very difficult to change, and which provide resources to draw on in the attempt to subvert, avoid, or upset this developmental drive.⁸³

Not all developing countries have experienced these developments equally. The world's poorest countries, particularly in sub-Saharan Africa, have seen the substance of their sovereignty almost disappear. Others, such as in Latin America and South East Asia, have maintained more control over the process of economic development. This may be simply because these countries are more economically advanced, and have more effective political and administrative structures. But this goes some way to supporting the arguments presented here, for it seems that one of the criteria for being respected as a sovereign state is precisely the ability of a government to actually fulfil the purposes of state sovereignty. The limited tolerance of difference embodied in the idea of state sovereignty does not, today, extend to governments who so apparently fail to fulfil the purposes of state sovereignty.

Conclusion

Both developing countries and IFIs work hard to maintain the view that the sovereignty of developing countries is not under threat from the activities of aid donors. The World Bank, for example, is careful to say that all decisions about loans, country development strategies, and donor coordination are reached in discussion with recipient governments. Similarly, all project proposals are accompanied by signed letters (often to the President of the Bank) from ministers in recipient governments agreeing to the project, and undertaking to fulfil their role in project implementation. Similarly, developing countries are the most outspoken defenders of the idea of state sovereignty within the World Bank. That both IFIs and developing countries continue to talk as if state sovereignty was still a significant fact may itself be important. It may be a sign that, as yet, few people are willing to embrace a world where state sovereignty is not, in theory at least, the basic organizing principle of the state system. The question is whether the sovereignty of many developing countries survives as anything more than a show, as anything more than 'a political drama with an audience more or less willing to suspend its disbelief'.⁸⁴

⁸³ Goran Hyden, *No Shortcuts to Progress: African Development Management in Perspective* (Berkeley, CA: University of California Press, 1983) and Sudipta Kaviraj, 'On State, Society and Discourse in India', in James Manor (ed.), *Rethinking Third World Politics* (London: Longman, 1991).

⁸⁴ Donal B. Cruise O'Brien, 'The Show of State in a Neo-Colonial Twilight: Francophone Africa', in Manor (ed.), *Rethinking Third World Politics*, p. 146.

The activities of the IFIs in their relations with many developing countries certainly suggest that the substance of state sovereignty does not amount to very much more than a show. As the above discussion has shown, there is now not very much left of the idea of a sphere of 'internal affairs' over which governments have sole authority. The IFIs are prepared to intervene in almost all aspects of economic, political, and social life, and as has been argued, many governments are now no longer in effective control of the national economic project. In response to this it might be argued that this situation arose through the actions of governments who voluntarily entered into contractual relations with IFIs, and that in principle this is no different from any other kind of international agreement where states willingly cede some of their authority in return for expected benefits. As well as showing a certain naivety about contractual relations between developing countries and the IFIs, this argument misses the crucial significance of these changes. Following Onuf we should see this as a reflection of how the changing set of norms bound up with sovereignty have constituted and legitimated the activities of an increasing number of international organizations which compete with states for authority over areas once understood as largely under domestic jurisdiction.⁸⁵

The discussion of state sovereignty presented here has wider implications, particularly for how we understand the role of state sovereignty in international society. Part of the history of state sovereignty is a history of its relationship with other norms and ideas. Of particular importance in this history is the rise of the idea that state sovereignty was in part about the pursuit of economic development and ideal or good political and social arrangements in the name of a society or a people. The experience of the world's poorest countries is only one part of a larger process whereby the pursuit of economic development and the ideals of the Enlightenment have become an increasingly important part of the normative structure of international relations.

⁸⁵ Onuf, *The Republican Legacy in International Thought*, pp. 153–62.