Reform of International Institutions

Towards a Commonwealth Agenda

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COMMONWEALTH SECRETARIAT

The Contributors

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Introduction

Jonathan Ockenden

Background

International co-operation plays an important role in the lives of the world's citizens. Whether it be in maintaining economic prosperity nationally and internationally, supporting peace and security or defining and monitoring respect for human rights, international co-operation is key. In all these areas it is international institutions that provide the channels through which this necessary intergovernmental co-operation takes place.

Reflecting the importance of these institutions and the commitment of Commonwealth member states to enhancing the mechanisms of international co-operation, the final statement of the Commonwealth Heads of Government Meeting (CHOGM) held in Kampala, Uganda in November 2007 concluded:

> Heads of Government expressed concern that the current architecture of international institutions, which was largely designed in the immediate aftermath of the Second World War, does not reflect the challenges in the world of the 21st century. This undermines the legitimacy, effectiveness and credibility of the whole international system. Heads requested the Secretary-General to establish a small representative group of their number that would build on the considerable work that has already been done to undertake advocacy and lobbying in support of wide-ranging reforms. In doing so, the group would take particular cognisance of the special needs of LDCs and small states. This group would report back to the next Heads of Government Meeting in Trinidad and Tobago in 2009.

Following this, a representative group, comprising 11 Commonwealth leaders, met in London on 9–10 June 2008. Its discussions were supported by papers setting out possible ways in which a Commonwealth reform initiative could deliver improvements in the international system in three specific areas: the UN development system; international environmental governance; and the Bretton Woods institutions. The papers were prepared by experts in the field. Simon Maxwell is head of the London-based Overseas Development Institute (ODI), which is closely engaged in studying the theory and practice of the international aid system. W Bradnee Chambers is the Senior Programme Officer at the United Nations University Institute of Advanced Studies in Tokyo and has a decade of practical and analytical experience in the field of international environmental negotiations and governance. Ngaire Woods has a long track record of analysing the Bretton

Woods institutions and leads the Global Economic Governance (GEG) programme at University College, Oxford. Their papers are published in this report.

This introduction provides further context. It outlines the purpose of international institutions and their importance to all countries, with a particular focus on the Commonwealth. It goes on to examine the case for reform at this time and the role the Commonwealth can play. Finally, it explains why the three areas examined here were chosen for particular attention and describes the initiatives taken since the CHOGM meeting.

Why international institutions matter

The need for international institutions reflects the fact that individual countries' actions have effects – both positive and negative – on others. These interlinkages create interdependence; international institutions have grown up to help states manage this. Spurred by the recognition of the costs of the failure of co-operation between nations in the middle of the twentieth century, an international system has grown up with the UN at its core, supplemented by the global economic institutions, the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO).

Commonwealth countries have a particular interest in efficient and effective international institutions. In the economic sphere, member countries are heavily dependent on an open and stable trading system; but Commonwealth members cannot, on their own, ensure the stability of the global economy. As a result, they are crucially dependent on the successful co-operation that is essential to global economic stability. In addition, the bulk of the Commonwealth's membership, 32 small states, are particularly affected by the development of the international system. These countries are disproportionately affected by global developments and also disproportionately unable to influence them. It is only through a well-functioning multilateral system that there is any possibility that the interests of these states will be taken into account in global policy.

Why reform?

The motivation for Commonwealth leaders to focus on reform at this time reflects two complementary trends. First, the world is changing rapidly and the nature of the global challenges faced by all countries is changing with it. As a result, the multilateralism that the international institutions were designed to foster is more important than ever. The second factor is the sense that – despite the growing need for them to function effectively – the international institutions are unable to deliver all that their member states require from them.

While states have always had links with one another, these have intensified and strengthened in recent years. As a result, the potential impact of one country's policies on others has grown, and the speed with which that impact can be transmitted has accelerated. In the economic sphere, the Asian crisis of the late 1990s, and the still unfolding financial crisis, have illustrated both these factors and re-emphasised both interdependence and the necessity of a collective response to global challenges.

In addition, it is clear that some global challenges are on a scale that can only be dealt with by global action, since no one country can tackle them on its own. Meeting the challenge of climate change, both in its immediate effects and controlling further change, is the clearest example of this. There are equally important areas where co-operation will become more important over time, for example energy and water supply.

The case for international co-operation is strengthened by the intensification of the interlinkages the international institutions were designed to manage.

But as the challenges have increased in speed, scope and size, reinforcing the case for stronger international co-operation, wider questions have arisen as to whether the existing institutions, in their current form, are equipped to meet them. If they are unable to help states meet these challenges, the question is whether they can change themselves to become more supportive. The initial judgement of Commonwealth leaders at the 2007 CHOGM was that the institutions need to be reformed if they are to be effective. Three factors may have contributed to this view.

The first lies in the governance of the institutions themselves – the degree to which it is both globally representative and globally responsive. To be effective, institutions must have the confidence of all their members. An important part of ensuring this confidence is that governance structures are updated to reflect shifts in the balance of political and economic power in the world. Often there is a sense that changes within institutions have lagged behind these shifts, particularly in responding to the fact that there are now more – and more diverse – systemically important states. Equally problematic is the sense that the institutions may not have been responding to the particular concerns of all their members. This is especially important for the poorest and smallest countries which have long felt that their interests were not being properly catered for by the international system. Matching representation with changing circumstances, and responding to the interests of all their members, are key criteria in ensuring the effectiveness of international organisations.

There are also issues about the extent to which the institutions' mandates might inhibit their effectiveness. Although the international system has been able to adapt and evolve within institutions' existing mandates, the pace and nature of global change means that the world is a fundamentally different place from the one in which many of them were founded. This creates two types of risk. The first is internal to the institution – that its remit may be either too narrow or wrongly focused, so that it is unable to be as effective as it could be. The second is that the system as a whole is becoming less coherent as new issues arise. As a result, issues requiring collective action may not be addressed efficiently by the system.

The final area which may inhibit the effectiveness of the institutions is the commitment of members to multilateral solutions. Without a willingness to co-operate, the institutions cannot be effective. This commitment depends partly on the credibility of the governance and mandate of the institutions to the membership. However, it also requires consideration of whether other mechanisms could be set up through which members can reaffirm their commitment to international co-operation and multilateralism.

The Commonwealth initiative

The Commonwealth is not a formal decision-taking body and its members alone cannot determine reform processes within any international institution. However, the diversity of the Commonwealth and the importance that all its members attach to multilateralism give it a perspective on reform which can find wider resonance. The starting point for Commonwealth leaders in taking forward this initiative was their shared view that reform is necessary. The purpose of their London meeting was to identify which areas of the international system they should focus on and the nature of the reform they wished to promote.

Although reform processes within the international system often interact, three discrete areas for discussion were identified, both because of their direct relevance to Commonwealth members and because they are all areas in which the Commonwealth has either worked in the past or where it already has a mandate.

The first area is the UN's own approach to the provision of support for the poorest countries. Aid is often provided through various members of the UN family of institutions, which together form a loose UN development system. Many Commonwealth members are aid partner countries: others are significant donors. Both these groups have a common interest in the efficient delivery of aid. For a number of years, Commonwealth finance ministers have supported a programme of work through which the Commonwealth helps to strengthen the effectiveness of the system. The UN is an important player in that system. It has also been giving careful consideration to the ways in which its aid provision can be improved, particularly through the process that began with the report of the Secretary-General's High-level Panel on UN System-wide Coherence. The background paper also sketched out a wider reform agenda for the UN which the Commonwealth might consider taking up. The purpose of the London meeting was to identify what further Commonwealth action should be taken to strengthen the UN aid system and to define how far to go in calling for wider reform.

The second area is the global financial institutions – the IMF and the World Bank – which together are known as the Bretton Woods institutions and are charged with supporting world economic stability and increased global prosperity. Commonwealth work in this area goes back at least a far as the early 1980s when a study group set out a programme of reform. Commonwealth finance ministers review the work of the Bretton Woods institutions annually, and the institutions have a direct impact on many Commonwealth countries. The mandates and governance systems of the financial institutions have been under more or less constant re-examination since the turn of the century. As a result, internal reform processes have been taken forward in both of the institutions. Leaders were encouraged to consider whether the pace of change is adequate to re-equip the institutions with the skills and equipment to deliver what is needed.

The final area is the international mechanisms through which the world addresses the challenge of achieving sustainable development, covering the full range of cross-border impacts, from pollution to climate change, that go under the broad heading of

international environmental governance. Again, this is an area in which the Commonwealth has a significant track record. It was first raised at the 1987 CHOGM and articulated most recently in the Lake Victoria Climate Change Action Plan following the 2007 Meeting. This level of interest reflects the fact that many of the countries that are most vulnerable to the effects of climate change are Commonwealth members. It is also the area where it is clearest that only collective action will be adequate to tackle the global challenges. In contrast to the other areas, the need here is to create a new system capable of tackling the challenges, rather than reform an already existing set of institutions. On the issue of setting up international environmental governance machinery, an area that is particularly fluid, leaders were asked to state how fundamental and ambitious they wished to be.

Next steps

The papers published here set out the background to the leaders' discussions. Following their meeting, they agreed the Marlborough House Statement on Reform of International Institutions, reproduced in the Appendix. This makes a strong statement in support of a fundamental re-animation of the multilateralism which underpinned the international institutions at their foundation. It also provides guidance in each of the three specific areas. Within the UN system, the leaders saw a need for the Commonwealth to support a renewed impetus in the ongoing reform process. They gave particularly strong support to the full implementation of the 'One UN' programme.

On the Bretton Woods institutions, the Commonwealth leaders felt that incremental reform was unlikely to bring change that was rapid or deep enough to meet the needs of the international community. Instead, they called for a fundamental reform of the purposes and governance of the institutions. However, they also recognised the need to win support for this view both within and beyond the Commonwealth if extensive reform was to be achieved. Finally, they agreed there should be a similar far-reaching process to create a coherent system of global environmental governance.

Since the London meeting in June 2008, these conclusions have been broadly endorsed by the rest of the Commonwealth, both at a special meeting of Commonwealth Heads of Government held in New York in September 2008 and, in relation to the Bretton Woods institutions, by Commonwealth finance ministers at their meeting in St Lucia in October. Following this, a pan-Commonwealth process of consultation has been launched, with a view to generating a consensus on the specifics of reform and the process through which reform can be taken forward. It is hoped that in this way the Commonwealth will play a significant role in creating the institutions that the world needs to meet the challenges of the twenty-first century.

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A Commonwealth Initiative to Support UN Reform

Simon Maxwell

Summary

This paper places UN reform in the context of reform of the international system and has been prepared on the basis of representative consultation. The core argument can be summarised in four sentences:

- First, Commonwealth countries need the UN to meet and solve global challenges and shared problems, and to take advantage of opportunities for change.

- Second, the UN is not performing as well as it could.

- Third, reform is slow, for understandable reasons.

- Fourth, the Commonwealth can play a unique role in forging consensus about the shape and pace of change.

There is a long list of issues on the table – ranging from big opportunities to make progress on the millennium development goals (MDGs) to the management of problems like climate change or the threat of disease. Various UN panels and international commissions have made contributions, as have Commonwealth leaders.

Not all collective action problems are for the UN to solve. Sometimes non-governmental bodies or smaller groups of countries can make adequate progress. There is a special role for the UN, however, where action is required that involves engagement by nation states, universality, political legitimacy, formal accountability or the interlinking of political, economic, social and normative frameworks.

Against this background, the UN does well in providing the infrastructure of internationalism. In addition, it is a very large provider of financial assistance and humanitarian aid, and a key forum for conflict resolution and resource for peace-keeping.

But at the same time no-one doubts the fragility of the system, especially when it is faced with new challenges.

Proposals for UN reform have a long history. There is already quite a substantial reform agenda on the table and progress has been made, but very slowly and in a sometimes fraught political atmosphere.

Now the UN Secretary-General has identified the development arena as important for reform. The MDG *Call to Action* made in September 2008 offered one opportunity, as did the Financing for Development meeting which took place on 29 November–2

December in Doha. It is likely, however, that early 2009 will be taken up with debate, before the pace of change accelerates.

There are many barriers to progress, including lack of trust among UN member countries; an overloaded and excessively interconnected reform agenda; and a lack of authority exercised by the Secretary-General, especially with respect to the specialised agencies.

Accelerating progress to reform through overcoming the barriers is the challenge for all in the international community.

The role of the Commonwealth

System reform – especially when it involves the UN – demands careful attention to the 'how' as well as the 'why' and the 'what'. Past efforts have rarely lacked good ideas, but have often foundered when it comes to building a consensus for change.

The unique role of the Commonwealth – with its shared values, global reach, and mix of large and small states – lies in its potential to forge a new consensus on the need for change and how to deliver it.

A first step would be to create a Commonwealth approach to accelerating the existing reform processes. Heads of Government should agree principles and priorities for the role of the UN in the future. In the light of these, the Commonwealth Secretariat could be mandated to produce a short- to medium-term action programme, which is manageable given the timetables of current UN reform processes, working within current constraints, but also, importantly, finding ways to lift the constraints.

There is also a longer-term reform agenda and, particularly, a specific issue around the emerging aid architecture. Although aid is not increasing as rapidly as was promised at the G8 summit at Gleneagles, increasing volumes are likely to flow through the UN system. There is a need to consider how additional aid money can be used more effectively and as a catalyst for movement on reform issues.

To tackle these issues, the Secretariat could be asked to draw up a timeline and implementation plan, stretching over at least an 18-month period in order to give time for consensus building, within the Commonwealth and more widely. An 'advocacy roadmap' for the Commonwealth would be especially useful.

Commonwealth engagement

The Secretariat's initial thoughts for areas in which proposals could be developed include:

- Strengthening the UN Economic and Social Council (ECOSOC) to ensure that it has a role in promoting greater coherence and co-ordination in addressing global developmental challenges;

- Promoting reform of the international aid architecture, with an effective role for the new UN Development Cooperation Forum (UNDCF) and more secure and multi-year funding for key UN agencies and programmes;

- Greater focus on fragile and vulnerable economies across all agencies and programmes;

- A unified UN funding mechanism for the MDGs;

- Building international capacity to respond rapidly to economic and social crises, and mechanisms for co-ordination;

- Developing stronger relationships with regional organisations and giving high priority to building their capacity to respond to emerging challenges;

- Strengthened and concerted Commonwealth advocacy at meetings such as the UN MDG summit, the high level forum on aid effectiveness which took place in Accra in September 2008 and the Doha Financing for Development meeting.

Core questions

Practically, there are ten questions that need to be answered about the reform process:

1. What transnational issues are of most concern?

2. Which of these requires international collective action?

3. Which is most suitable for UN, rather than alternative, management?

4. How should one judge the capacity of the UN to deliver the desired changes?

5. What changes would ensure that the UN does a more effective job?

6. Are these changes already on the UN reform agenda?

7. Will these changes be delivered by ongoing UN reform processes?

8. If not, what has to happen to accelerate ongoing reform?

9. What additional measures should be on the agenda?

10. What has to happen to deliver these additional measures?

Transnational issues for the twenty-first century

Reform is about tackling problems and managing risks, but also about taking advantage of opportunities. In 2008, the international agenda was dominated by peace and security, the rising price of food and the threat of climate change – but also by the opportunity to make significant progress towards the millennium development goals.

In 2002, Jean-François Rischard wrote a book entitled *High Noon: 20 Global Problems, 20 Years to Solve Them*. He distinguished between: (a) issues involving the global commons, such as global warming and water deficits; (b) issues whose size and urgency requires a global commitment, such as the fight against poverty and conflict prevention; and (c) issues needing a global regulatory approach, such as the global financial architecture and rules for e-commerce. The full list is reproduced in Figure 2.1.

Figure 2.1. Twenty global challenges

Sharing our planet: issues involving the global commons	Sharing our humanity: issues whose size and urgency require a global commitment	Sharing our rulebook: issues that need a global regulatory approach
• Global warming • Biodiversity and ecosystem losses • Fisheries depletion • Deforestation • Water deficits • Maritime safety and pollution	• Massive step-up in the fight against poverty • Peace-keeping, conflict prevention • Education for all • Global infectious diseases • The digital divide • Natural disaster prevention and mitigation	• Re-inventing taxation • Biotechnology rules • Global financial architecture • Illegal drugs • Trade, investment and competition rules • Intellectual property rights • E-commerce rules • International labour and migration rules

Source: J-F Rischard, 2002

Others have been in similar terrain. For example, the international Task Force on Global Public Goods, led by Ernesto Zedillo and Tidjane Thiam, which reported in 2006, identified six priorities:

- Preventing the emergence and spread of infectious diseases

- Tackling climate change

- Enhancing international financial stability

- Strengthening the international trading system

- Achieving peace and security

- Deterring international terrorism

The World Economic Forum has taken a global risk management approach, examining economic, geopolitical, environmental, social and technological risks, ranging from extreme weather events to issues like the failure of the communications technology that connects the world. Risks are assessed according to their likelihood and potential magnitude (see Figure 2.2).

With the movement made possible by the ending of the cold war, the UN itself has taken many initiatives to deal with global problems and has been the beneficiary of reports dealing with its role. These include the 1995 Commission on Global Governance, chaired by a former Commonwealth Secretary-General; *An Agenda for Democratization*, a report submitted by the UN Secretary-General in 1996; the Brahimi Report on peace-keeping operations published in 2001; the report of the 2004 World Commission on the Social Dimensions of Globalization; and the deliberations of the High-level Panels on Threats, Challenges and Change, and on System-wide Coherence,

Figure 2.2. The 18 core global risks: likelihood and severity by number of deaths
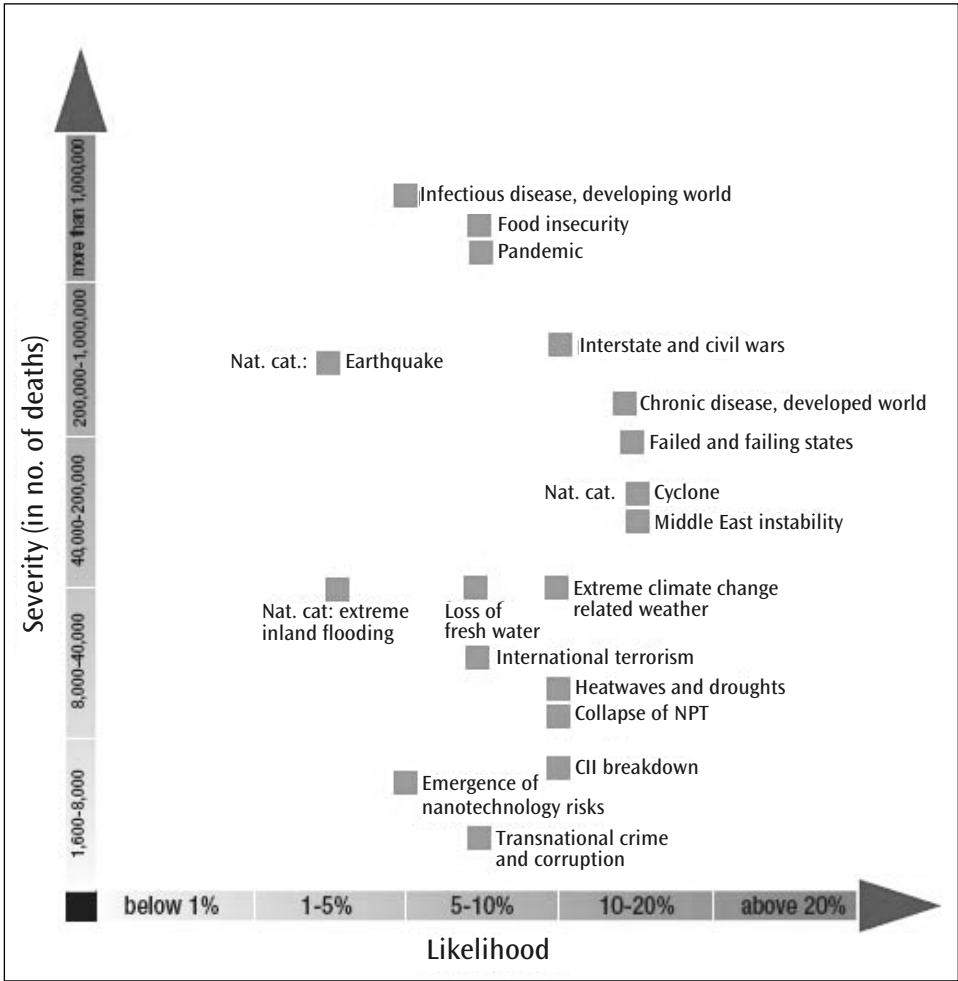
which reported at the end of Kofi Annan's tenure as Secretary-General. There was also the UN Secretary-General's own report, launched in 2005, *In Larger Freedom: Towards Development, Security and Human Rights for All.*

The first of the High-level Panels produced a report entitled *A More Secure World: Our Shared Responsibility*, published in December 2004. It dealt specifically with: (a) what it called 'comprehensive collective security'; (b) poverty, infectious disease and environmental degradation; (c) conflict between and within states; (d) nuclear, radiological and biological weapons; (e) terrorism; and (f) transnational organised crime.

The report of the second panel was called *Delivering as One* and was published in November 2006. It focused particularly on issues related to development, humanitarian assistance and the environment, arguing that:

Ours is the era of globalization, of global change unprecedented in its speed, scope and scale. As the world becomes ever more interdependent, sharp social and economic inequalities persist. Some of the poorest countries and communities remain isolated from economic integration and the benefits of globalization, and are disproportionately vulnerable to crisis and social upheaval. There is greater awareness of the acceleration of environmental degradation and climate change, and its effects on agricultural productivity and food security. More conflicts are within states than between them, and the risk of terrorism and infectious disease illustrate that security threats travel across borders.

Poverty, environmental degradation and lagging development heighten vulnerability and instability to the detriment of all. Now, more than ever, dealing with inequality – by achieving the Millennium Development Goals and wider development objectives – is central to economic stability and global security. In the face of unacceptable poverty we have a clear moral imperative to act when we have the knowledge, ability and resources to do so.

Delivering as One, 2006, paras 2–3

There have been other significant contributions from outside the UN, for example, Childers and Urquhart (1994); the independent working group report, *The United Nations in its Second Half-Century* (1995); and the South Centre report (1997).

The UN Secretariat faces many challenges. The MDG 'Call for Action' summit took place on 25 September 2008 and in the same month there was also a review of the global counter-terrorism strategy. Major initiatives are currently underway on disarmament, energy, global health and agriculture. Climate change is a major theme for 2009.

Finally, several Commonwealth leaders have taken initiatives or made speeches that identify global issues. For example, in his speech at the John F. Kennedy Presidential Library in Boston, USA, on 18 April 2008, the UK Prime Minister, Gordon Brown, talked of:

… new global challenges that our growing interdependence brings: their scale, their diversity and the speed with which they have emerged:

- the globalisation of the economy;

- the threat of climate change;

- the long struggle against international terrorism;

- the need to protect millions from violence and conflict; and

- to face up to the international consequences of poverty and inequality.

Challenges that all point in one direction – to the urgent necessity for global co-operation. For none of them – from economy to environment – can be solved without us finding new ways of working more closely together.

Gordon Brown made specific proposals, for example, for a UN crisis recovery fund and a role for the World Bank on the environment. He summarised his proposals as follows:

> So a new World Bank; a new International Monetary Fund; a reformed and renewed United Nations mandated and resourced that is greater than the sum of its parts; strong regional organisations from the European Union to the African Union able to bring to a troubled world the humanitarian aid, peacekeeping and the support for stability and reconstruction that has been absent for too long – all built around a new global society founded on revitalised international rules and institutions, and grounded in the great values we share in common.

Underlying many of these proposals and interventions is a pragmatic commitment to multilateralism, in which better co-ordination and collective action are achieved by some pooling of decision-making. Pragmatic multilateralism recognises the costs of engagement, but also the (sometimes hard-won) benefits. Agreeing a commitment to pragmatic multilateralism would provide a valuable principle in adjudicating some current issues, such as the future aid architecture.

However, agreeing a specific list of priorities is not an easy issue. As the report of the UN Secretary-General's High-level Panel on Threats, Challenges and Change observed:

> We must not underestimate the difficulty of reaching a new consensus about the meaning and responsibilities of collective security. Many will regard one or more of the threats we identify as not really being a threat to international peace and security. Some believe that HIV/AIDS is a horrible disease, but not a security threat. Or that terrorism is a threat to some States, but not all. Or that civil wars in Africa are humanitarian tragedy, but surely not a problem for international security. Or that poverty is a problem of development, not security.
>
> Differences of power, wealth and geography do determine what we perceive as the gravest threats to our survival and well-being. Differences of focus lead us to dismiss what others perceive as the gravest of all threats to their survival. Inequitable responses to threats further fuel division. Many people believe that what passes for collective security today is simply a system for protecting the rich and powerful. Such perceptions pose a fundamental challenge to building collective security today. Stated baldly, without mutual recognition of threats there can be no collective security. Self-help will rule, mistrust will predominate and co-operation for long-term mutual gain will elude us.   pp. 11–12

The Commonwealth may have a particular perspective on some of these issues, given its shared values, its global reach and its mix of large and small states. For example, there may be a specific interest in some regions in fragile states. However, UN reform needs a comprehensive and global perspective.

International collective action

It is not axiomatic that global problems require global solutions, nor that highly structured global institutions are needed. For example, the actions of one country can create global externalities which measures in that country can tackle. Large-scale heroin production in Afghanistan may be an example of this; it can perhaps be tackled by the government of that country, with international help. Similarly, some global problems can be dealt with by multiple independent or very lightly co-ordinated interventions. For example, the Lagos Plan of Action, adopted by the OAU in 1980, identified slow agricultural growth as a regional problem in Africa, constraining food security and poverty reduction, and called on each country, independently, to aim for a 4 per cent growth rate.

Furthermore, collective action can be of different kinds. Rischard (2002) usefully distinguishes between actions affecting the global commons, those needing a global regulatory approach and those that simply need large-scale commitments.

In more detail, it is possible to think of truly representative international collective action as a seven-step ladder of progressively greater complexity:

1. Information collection and dissemination

2. Technical co-ordination and standard setting

3. Jointly undertaken research on cross-cutting issues

4. Consensus building, advocacy and target setting

5. The preparation and negotiation of international treaties or conventions

6. Co-ordination of action among agencies, both national and international

7. Direct action (developmental, humanitarian and peace-keeping)

Figure 2.3 gives some examples of collective action under these headings. Note that some fit within a UN framework and others do not. For example, the internet is regulated independently; the G8 has taken the lead on some aspects of international development; and the Paris Declaration is a product of the Organisation of Economic Co-operation and Development's Development Assistance Committee (OECD/DAC), not of the UN. There is an increasing tendency to set up multi-stakeholder groups or new initiatives involving the private sector: for example, the World Economic Forum has established the Business Alliance against Chronic Hunger and the Global Education Initiative.

Figure 2.3. Examples of collective action

Information collection and dissemination	IMF International Financial Statistics FAO Crop Outlook International Energy Agency
Technical co-ordination and standard setting	FAO Codex Alimentarius Internet Architecture Board Basle Agreement on Bank Regulation
Jointly undertaken research on cross-cutting issues	Consultative Group on International Agricultural Research
Consensus building, advocacy, and target setting	World Commission on Dams Millennium Declaration and millennium development goals
The preparation and negotiation of international treaties or conventions	Law of the Sea Montreal Protocol on the Ozone Llayer Nuclear Non-Proliferation Treaty WTO
Co-ordination of action among national and international agencies and the private sector	Paris Declaration on Aid Effectiveness
Direct action (development, humanitarian and peace-keeping)	UN Development Programme (UNDP) World Food Programme (WFP) Peace-keeping forces

It becomes relevant, then, to ask what kind of collective action is necessary to solve different transnational problems and how it should be organised. Is it appropriate to seek single, unified organisations or to allow, or even encourage, a network approach? There are views on both sides. For example, some argue for a highly integrated UN, which would match the World Bank: others celebrate diversity and differentiation. In the last analysis, form should follow function – effectiveness is the test of global governance arrangements.

In this connection, it is worth making the point that collective action of any kind can be difficult and time-consuming, as has been illustrated by the painful progress towards a Doha trade round and a post-Kyoto climate change deal. In an article in *Global Governance Journal* in 2005, I observed from a review of the literature on collective action that:

> … co-operation requires a combination of an enabling social environment and a rational exercise of ruthless self-interest: a mutually reinforcing mix of culture and calculus. But the great problem with multilateral co-operation is that that specific mix is often missing.

In the search for solutions, I was led to an eight-step programme for more successful collective action:

- Keep the core group small;

- Embed trust-building measures from the beginning;

- Use the same core group for as many issues as possible;

- Encourage 'network closure' by making it awkward or embarrassing for those who refuse to co-operate (e.g. by mobilising public opinion);

- Choose the right issues;

- Think about positive incentives;

- Increase the costs of defection;

- Establish institutions to manage interactions.

There are other factors. For example, a sense of crisis can drive change more quickly.

Experience of UN reform shows that careful preparation and dialogue contribute greatly to consensus building. The preparation of the Financing for Development meeting held at Monterrey, Mexico in 2002 illustrates the potential of careful diplomacy.

Priorities for the UN

The logic of the discussion is to identify the highest priority transnational issues, specify the type of collective action required and then decide which of these should be taken to the UN and which can be dealt with outside, for example in regional groupings such as the European Union and African Union or subregional groupings; in special purpose vehicles such as the North Atlantic Treaty Organisation (NATO); in OECD/DAC; or in public-private initiatives such as the bodies which manage the internet.

What principles might guide the decision? As an intergovernmental organisation, the UN may be the most suitable forum for collective action which requires or benefits from:

- Engagement by nation states

- Universality

- Political legitimacy

- Formal accountability

- Interlinking of political, economic, social and normative frameworks

An assessment of UN capacity

It is important to recognise the good the UN does, as in the various manifestations of collective action summarised above. In many ways, the infrastructure of internationalism

ticks away successfully and more or less out of sight. The Law of the Sea, the Montreal Protocol, the Non-Proliferation Treaty, the Universal Declaration on Human Rights are all accepted building blocks of a functioning global society. In addition, the UN is a very large provider of financial assistance and humanitarian aid, providing approximately $15 billion a year, or about 15 per cent of the total. It is an important forum for conflict resolution and a key resource for peace-keeping: there are more than 100,000 soldiers wearing blue berets in the world today.

At the same time, no-one doubts the fragility of the system, especially now that it is faced with new challenges. Kofi Annan observed in 2003:

> … the system is not working as it should … We need to take a hard look at our institutions themselves … They may need radical reform.[1]

The High-level Panel on Threats, Challenges and Change made the following observation on the weaknesses in the UN system:

> Throughout the work of the High-level Panel on Threats, Challenges and Change, we have looked for institutional weaknesses in current responses to threats. The following stand as the most urgently in need of remedy:
>
> - The General Assembly has lost vitality and often fails to focus effectively on the most compelling issues of the day.
>
> - The Security Council will need to be more proactive in the future. The Security Council needs greater credibility, legitimacy and representation to do all that we demand of it.
>
> - There is a major institutional gap in addressing countries under stress and countries emerging from conflict. Such countries often suffer from attention, policy guidance and resource deficits.
>
> - The Security Council has not made the most of the potential advantages of working with regional and sub regional organisations.
>
> - There must be new institutional arrangements to address the economic and social threats to international security.
>
> - The Commission on Human Rights suffers from a legitimacy deficit that casts doubts on the overall reputation of the United Nations.
>
> - There is a need for a more professional and better organised Secretariat that is much more capable of concerted action.   p. 14

The High-level Panel on System-wide Coherence stated:

> There are many reasons why the UN has become fragmented and weak: from a lack of buy-in and mixed messages from member states between capitals and representa-

tives in various bodies, to a proliferation of agencies, mandates and offices, creating duplication and dulling the focus on outcomes, with moribund entities never discontinued. Even when mandates intersect UN entities tend to operate alone with little synergy and co-ordination between them. The UN system now encompasses 17 specialised agencies and related organisations,14 funds and programmes, 17 departments and offices of the UN Secretariat, 5 regional commissions, 5 research and training institutes and a plethora of regional and country level structures. The loss of cohesion prevents the UN from being more than the sum of its parts.

- At the country level, operational incoherence between UN funds, programmes and agencies is most evident. More than one-third of UN country teams include 10 or more UN agencies on the ground at any one time. Several teams include 20 or more. This has led to incoherent programme interventions and excessive administrative costs. It also burdens the capacity of developing countries to deal with multiple agencies. Of 60 countries analysed by the Panel, 17 country teams had an annual budget of less than US$2 million per agency. Nor does the normative and analytical expertise of non-resident agencies sufficiently support UN country team efforts. Without authoritative leadership by the UN Resident Co-ordinator, and system-wide ownership of the Resident Co-ordinator system, incentives for better co-ordination remain limited.

- Signs of fragmentation are also apparent at the regional level. Regional offices of different UN agencies are scattered in different locations, and definitions of regions can differ from one agency to another. In some regions strong regional and sub-regional institutions either exist or are rapidly evolving while others have strayed from their original mandates. This calls for a review of the UN's regional roles and settings, including the Regional Commissions, to address regional needs, avoid duplication and overlapping functions and seek a coherent regional institutional landscape.

- More synergy is also needed at the global level. In some sectors, such as water and energy, more than 20 UN agencies are active and compete for limited resources without a clear collaborative framework. More than 30 UN agencies and programmes have a stake in environmental management. On specific issues, such as internally displaced people, several agencies have a legitimate interest, but none has a clear lead. Merging UN agencies does not always lead to better outcomes. But we believe there must be a significant streamlining of UN agencies so that the UN can 'deliver as one', reduce duplication and significantly reduce the burdens it currently places on recipient and donor governments, without diluting the performance and expertise of individual organisations.

- Inadequate and unpredictable funding of the system also contributes to fragmentation, undermining the multilateral character of the UN. The exponential growth of extra-budgetary (non-core) versus core resources has encouraged supply-driven rather than demand-driven approaches to assistance, undermining the principle of country ownership. Lack of donor co-ordination and competition for non-core resources among UN agencies squander significant time and effort on fundraising,

undermining the UN's ability to make long-term strategic decisions that would deliver more effective results. Nor does the UN have a common system for its overall development funding or for measuring results transparently and systematically.

<div align="right">pp. 9–10</div>

The funding issue is worth particular mention. A recent comprehensive review of the financing for operational activities of the UN shows that the total spend is now about US$15 billion (2005 data), with the UNDP, WFP and United Nations Children's Fund (UNICEF) accounting for 61 per cent of the total. The trend away from core funding continues, however, with over half of all funding now being non-core, for example through trust funds. For three large agencies for which long-term data are available, the UNDP, United Nations Population Fund (UNFPA) and UNICEF, the share of core funding has fallen over 15 years from 80 per cent to under 30 per cent.

Agendas for change

There is a long history of reform proposals for the UN, including qualified majority voting in the General Assembly, the creation of an economic security council, more open appointment procedures and changes to the funding basis of UN agencies, funds and programmes.

The High-level Panel on Threats, Challenges and Change failed to reach agreement on a way forward for Security Council reform, but produced 101 recommendations, covering all aspects of their remit. A summary of these is given in Annex 2.1. Recommendations 70–101 deal with 'A more effective UN for the twenty-first century', covering changes to ECOSOC, the Human Rights Commission and the regional organisations, as well as proposing a peace-building commission.

The 'One UN' panel also made a large number of recommendations, including:

- The establishment of 'One UN' at country level, with one leader, one programme, one budget and, where appropriate, one office;

- The establishment of a UN sustainable development board to oversee the 'One UN' country programmes;

- The appointment of a UN development co-ordinator with responsibility for the performance and accountability of UN development activities;

- The appointment of an independent task force to further eliminate duplication within the UN system and consolidate UN entities where necessary;

- The establishment of an MDG funding mechanism to provide multi-year funding for the 'One UN' country programmes;

- Multi-year core funding for UN organisations committed to and demonstrating reform;

- A common UN evaluation system, to be established by 2008;

- A set of measures to enhance the UN's leading role in humanitarian disasters and emergencies;

- An independent assessment of international environmental governance;

- Upgrading of the United Nations Environment Programme (UNEP);

- The establishment of a dynamic UN entity focused on gender equality and women's empowerment; and

- New formal agreements on the respective roles and relations of the UN, the World Bank and the IMF.

On 'One UN' at country level, the Panel specifically recommended the setting up of five pilots by 2007 and, subject to satisfactory review, 20 programmes by 2009, 40 by 2010 and universal roll-out by 2012 to all other appropriate programmes.

It remains an open question whether this is an adequate reform agenda. For example, recent contributions have emphasised the need to rethink the relationship between development and humanitarian programmes, especially in fragile states and post-conflict situations, and also to give greater consideration to the relationship between the headquarters and field activities of UN agencies. There are also specific reform initiatives of great importance to the system, like the repositioning of the World Food Programme to reduce its reliance on food aid or the implementation of an independent external evaluation of the Food and Agriculture Organization (FAO).

For Commonwealth Heads of Government, it is also necessary to undertake a more detailed review of UN capacity to deliver the specific priorities they agree.

Progress in achieving change

It is probably fair to say that progress on the current UN reform agenda is uneven.

An important set of measures was agreed at the UN world summit in 2005, notably the creation of the Peacebuilding Commission (PBC) and the reform of the human rights apparatus. The summit was also significant for agreeing the 'responsibility to protect', originally proposed in 2001 by the International Commission on Intervention and State Sovereignty established by the Government of Canada (and much discussed in the context of the cyclone crisis in Burma).

The setting up of the PBC was especially important. There have been two recent reviews of its operations, a study by Action Aid, CAFOD and CARE International (2007) and a study commissioned by the Government of Denmark (2008). The second report is summarised in Annex 2.2. It is broadly favourable to the work of the Commission, concluding:

> We found positive signs and concrete examples to indicate that the PBC is beginning to find its niche and demonstrate its value-added, particularly . . . creating linkages between political/security and financial/development actors, and maintaining long-

term attention. In both Burundi and Sierra Leone, the existence of a body that connected the UN missions, a broad grouping of member states including key donors and troop contributors, the international financial institutions, and the national authorities, provided a tool through which to resolve critical challenges and help keep both countries on the path to sustainable peace. Performance on co-ordination issues has been more mixed, and on early financing, is as yet untested … An assessment of cautious optimism is widely shared among PBC members, alongside a recognition of the need to streamline still cumbersome procedures and resolve or surmount tensions about the relationship between the PBC and the principal UN organs. Members are also cognisant of a need to work to reverse early negative impressions formed in capitals and among UN departments and agencies during the procedure-heavy first phase of the PBC's life.

> International Centre on International Cooperation and International Peace Institute, 2008, p. 2[2]

There has been no similar independent review of the 'One UN' programme, but the main area of progress has been in setting up initial pilots at country level. There are eight of these, in Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, Uruguay and Vietnam. The pilots have been viewed as generally successful, with administrative savings being channelled back into development programming. It is important that the pilot countries themselves have been enthusiastic. Other countries, for example Malawi, are keen to join.

The President of the UN General Assembly has appointed the ambassadors of Ireland and Tanzania to oversee progress. They have focused especially on three issues, governance, funding and gender, while emphasising that their informal consultations are not intended as a substitute for an evaluation of the pilots, which is due in 2009. Meanwhile, some valuable new areas of work have emerged, for example relating to the involvement of agency headquarters.

The consultations have revealed important positions, and sometimes differences, which lie at the heart of any discussion of UN reform. For example, there is repeated emphasis on:

• The importance of ownership by developing countries and the need to avoid conditionality;

• The issue of funding gaps, and especially the need for core funding of UN agencies and programmes, preferably on an assessment basis;

• The need to respect diversity of country situations and avoid 'one size fits all' solutions;

• The value of a results-based framework; and

• Caution on some of the proposals of the High-level Panel, especially on a sustainable development board and integrated funding.

Other aspects of 'One UN' include the creation of the Chief Executives Board (replac-

ing the Administrative Committee on Coordination) and a number of initiatives on information about funding, evaluation, harmonisation of business practices, etc. The creation in September 2007 of an MDG steering group bringing together the UN, the World Bank and the IMF is also important.

The last triennial comprehensive policy review of the operational activities of the UN development system was submitted to ECOSOC in May 2007. It focused particularly on the predictability of funding, the coherence and capacity of the UN development system, and evaluation. The summary states:

> … the bedrock principles of operational activities of the UN system derive from their universal, voluntary and grant nature as well as their neutrality and multilateralism. Operational activities are therefore strongly anchored in the normative mandates and roles established by the UN system.[3]

In addition to these initiatives, the UN has established a development co-operation forum, as an expression of an enhanced role for ECOSOC. This was launched in July 2007 and met formally on 30 June–1 July 2008.

Independently, there is continued progress on reform of the humanitarian system, including the gradual bedding down of the Central Emergency Response Fund, the introduction of the cluster system and work on the 'good humanitarian donorship' agenda.

In terms of the future, the UN Secretary-General has identified the development arena as important for reform. It is likely that there will be step by step progress towards a better overview of the country pilots. There is no specific timetable, but it is expected that the pace of change will accelerate in 2009.

Accelerating reform

The pace at which change takes place is really the nub of the issue. There is already quite a substantial reform agenda on the table, but progress is slow. Anecdotally, reasons for this include:

- A lack of trust between the G77 and the rich countries and fear by the G77 that attempts to introduce new doctrine (for example, responsibility to protect) or work towards greater coherence threaten their sovereignty;

- Too many issues being linked together so that, for example, progress on 'One UN' is linked to the outcome of the Doha Round;

- Paradoxically, in some cases the opposite problem arises, for example the G77's nervousness about human rights issues being brought up outside the remit of the Human Rights Commission;

- A 'chicken and egg' problem, where donor countries are unwilling to tackle core financing issues until efficiency improves, but efficiency remains seriously constrained by poor funding arrangements;

- The lack of authority of the Secretary-General, in the sense that specialised agencies are governed by their own boards or councils;

- Lack of coherence by UN members in actions taken at the UN in New York and on the boards and councils of specialised agencies;

- In some cases (e.g. Security Council reform), difficulty in adjudicating between the claims of different developing countries.

Can Commonwealth Heads of Government help to overcome these barriers?

What else should be on the agenda?

Another way of asking this is to question whether Commonwealth priorities can be moved up the 'to do' list. In particular, are Commonwealth Heads of Government satisfied with the relatively small-scale, piecemeal and slow changes currently underway? Do they think it is possible to take a large-scale initiative which lifts the current agenda to a new level?

One example is to consider the role of the UN in the emerging aid architecture and to do so with a long-term perspective. Aid is not increasing as fast as promised at the G8 meeting at Gleneagles, and it looks rather unlikely that it will do so, although pressure will be maintained through the MDG Call to Action. Figure 2.4 shows the latest OECD/DAC figures, and commitments are summarised in Annex 2.3.

Figure 2.4. DAC members' net ODA, 1990–2006, and DAC Secretariat simulations of net ODA to 2007 and 2010

StatLink 🔗 *http://dx.doi.org/10.1787/174616570317*
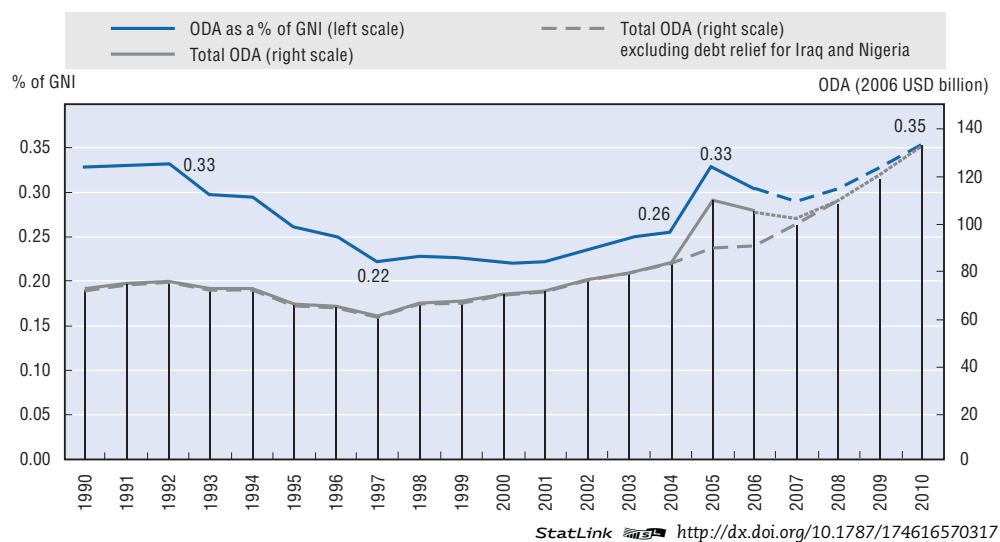
Nevertheless, if aid does reach US$130 billion, and if the UN retains its current share of about 15 per cent, then a three-year budget would be equivalent to about $60 billion and a five-year budget to $100 billion. A commitment to greater multilateralism in the aid system would raise the volume substantially. It should be recorded that ODI surveys on aid architecture demonstrate strong attachment to the UN in developing countries, with the UN identified as a preferred partner for additional disbursements.

Would a conversation about how to programme additional aid money more effectively be a catalyst for movement on reform issues?

Implementation issues and next steps

The phenomenon of rapid globalisation is making the need for coherent understanding and action even more pressing and responses to this within the Commonwealth would be of wider interest. The International Labour Organisation Commission report, *A Fair Globalisation*, rightly asserts that 'globalisation is making multilateralism both indispensable and inevitable'.

The first step is for Commonwealth Heads of Government to agree their own principles and priorities for the role of the UN in the future.

The second step is to agree a short- to medium-term action programme, which is manageable given the timetables of current UN reform processes, working within current constraints, but also, importantly, finding ways to lift the constraints. What are the quick wins or 'down-payment' initiatives? What is more difficult?

The third step is to agree a timeline and implementation plan, stretching over at least 18 months, in order to give time for consensus building within the Commonwealth and more widely. An 'advocacy road-map' for the Commonwealth would be especially useful, including activities which make use of fora like the finance ministers meeting and which link to wider proposals, such as a possible Bretton Woods II.

The final step is to make arrangements to manage this process.

In consultations relating to this project, the Commonwealth Secretary-General has emphasised the compatibility between the global objectives that both the UN and the Commonwealth should be striving to achieve and the need for enlightened multilateralism to overcome diverse and contested perspectives to deliver a shared understanding. The conviction is gaining ground that responses to today's global challenges can only be achieved by collective debate and action in order to achieve satisfactory and sustainable outcomes. We are striving towards a higher order in organising human society which is democratic in spirit, equitable in its outcomes, embracing all its constituents and yielding a collective benefit. This just order must accommodate the interests and needs of its smallest and most vulnerable members. Concerted and prudent engagement in attempts to work towards shared goals in numerous and diverse fields is therefore no longer an option but an urgent necessity.

The Commonwealth has demonstrated this unity of belief, purpose and action to an impressive degree in a variety of fields, often overlapping with the agenda of the UN.

The wealth of experience accumulated by the Commonwealth and its success could allow it to operate as a valued and constructive counsellor and partner in the deliberations and activities of the appropriate UN agencies. The Commonwealth works in a wide range of fields, such as governance and the rule of law, and in more specific areas such as gender, youth, finance, environment, trade education and health. It is the view of the Commonwealth Secretary-General that a comprehensive evaluation should be undertaken to establish the points of commonality and areas for institutional interaction between the Commonwealth and the UN relevant agencies, in order to develop a more formalised approach. This will also serve the desirable purpose of highlighting to a wider audience the accomplishments of the Commonwealth in areas being pursued by the UN. The Secretary-General believes these measure could include annual communications to the UN Secretary-General and the heads of a range of UN agencies and programmes. This will positively supplement the shared objective of the international community of moving towards system-wide coherence.

Both developed and developing countries agree that as the one intergovernmental organisation with nearly universal representation from the spectrum of nation states, the UN is indispensable and should be strengthened. Increasing efficiency, transparency and effectiveness are also goals that are shared by the UN and the Commonwealth. Both agree that improved processes will make the UN stronger. However, member states from the South believe that coherence should not become a rationalisation for placing less emphasis on development. Furthermore, it should not undermine the established role of the UN General Assembly and ECOSOC in providing coherence to the work of the Bretton Woods institutions; lead to the weakening of regional economic commissions and the UN Conference on Trade and Development (UNCTAD); facilitate the move away from assessed to voluntary funding; or lead to the creation of a skewed agenda that underplays the priorities of the developing world. In a post-cold war globalising world, opportunities for reaching collective understanding about a shared direction have increased and prospects for making headway on enlightened multilateralism may in fact be brightening. The North–South divide may today be more bridgeable, given the prospects for convergence. This will require the development of shared political will, agreement on ends and means, and the generation of resources to address the collective challenge of, for example, achieving the MDGs and underwriting the global environment programme. In this creation of shared ground, the Commonwealth is a cross-cutting template of the global community as a whole, and has proven strength and a key role to play. It should seek ways to exercise this positive influence.

Annex 2.1

Summary of Recommendations of the UN High-level Panel on Threats, Challenges and Change[*]

Note: The number in parentheses after each summarised recommendation refers to the paragraph in the main report that contains the complete text of the recommendation.

PART TWO

Collective security and the challenge of prevention

Poverty, infectious disease and environmental degradation

1. All States must recommit themselves to the goals of eradicating poverty, achieving sustained economic growth and promoting sustainable development. (59)
2. The many donor countries which currently fall short of the United Nations 0.7 per cent of gross national product (GNP) for official development assistance (ODA) should establish a timetable for reaching it. (60)
3. World Trade Organization (WTO) members should strive to conclude the Doha development round of multilateral trade negotiations at the latest in 2006. (62)
4. Lender governments and the international financial institutions should provide highly indebted poor countries with greater debt relief, longer rescheduling and improved access to global markets. (63)
5. Although international resources devoted to meeting the challenge of HIV/AIDS have increased from about US$250 million in 1996 to about $2.8 billion in 2002, more than $10 billion annually is needed to stem the pandemic. (64)
6. Leaders of countries affected by HIV/AIDS need to mobilize resources, commit funds and engage civil society and the private sector in disease-control efforts. (65)
7. The Security Council, working closely with UNAIDS, should host a second special session on HIV/AIDS as a threat to international peace and security, to explore the future effects of HIV/AIDS on States and societies, generate research on the problem and identify critical steps towards a long-term strategy for diminishing the threat. (67)
8. International donors, in partnership with national authorities and local civil society organizations, should undertake a major new global initiative to rebuild local and national public health systems throughout the developing world. (68)
9. Members of the World Health Assembly should provide greater resources to the World Health Organization (WHO) Global Outbreak Alert and Response Network to increase its capacity to cope with potential disease outbreaks. (69)
10. States should provide incentives for the further development of renewable energy

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[*]UN General Assembly, 2 December 2004, High-level Panel report on Threats, Challenges and Change, www.un.org/secureworld

sources and begin to phase out environmentally harmful subsidies, especially for fossil fuel use and development. (71)

11. We urge Member States to reflect on the gap between the promise of the Kyoto Protocol and its performance, re-engage on the problem of global warming and begin new negotiations to produce a new long-term strategy for reducing global warming beyond the period covered by the Protocol (2012). (72)

Conflict between and within States

12. The Security Council should stand ready to use the authority it has under the Rome Statute to refer cases of suspected war crimes and crimes against humanity to the International Criminal Court. (90)

13. The United Nations should work with national authorities, international financial institutions, civil society organizations and the private sector to develop norms governing the management of natural resources for countries emerging from or at risk of conflict. (92)

14. The United Nations should build on the experience of regional organizations in developing frameworks for minority rights and the protection of democratically elected Governments from unconstitutional overthrow. (94)

15. Member States should expedite and conclude negotiations on legally binding agreements on the marking and tracing, as well as the brokering and transfer, of small arms and light weapons. (96)

16. All Member States should report completely and accurately on all elements of the United Nations Register of Conventional Arms, and the Secretary-General should be asked to report annually to the General Assembly and Security Council on any inadequacies in the reporting. (97)

17. A training and briefing facility should be established for new or potential special representatives of the Secretary-General and other United Nations mediators. (101)

18. The Department of Political Affairs should be given additional resources and should be restructured to provide more consistent and professional mediation support. (102)

19. While the details of such a restructuring should be left to the Secretary-General, it should take into account the need for the United Nations to have:

    (a) A field-oriented, dedicated mediation support capacity, comprised of a small team of professionals with relevant direct experience and expertise, available to all United Nations mediators;

    (b) Competence on thematic issues that recur in peace negotiations, such as the sequencing of implementation steps, the design of monitoring arrangements, the sequencing of transitional arrangements and the design of national reconciliation mechanisms;

    (c) Greater interaction with national mediators, regional organizations and non-governmental organizations involved in conflict resolution;

(d) Greater consultation with and involvement in peace processes of important voices from civil society, especially those of women, who are often neglected during negotiations. (103)

20. National leaders and parties to conflict should make constructive use of the option of preventive deployment of peacekeepers. (104)

Nuclear, radiological, chemical and biological weapons

21. The nuclear-weapon States must take several steps to restart disarmament:
    (a) They must honour their commitments under Article VI of the Treaty on the Non-Proliferation of Nuclear Weapons to move towards disarmament and be ready to undertake specific measures in fulfilment of those commitments;
    (b) They should reaffirm their previous commitments not to use nuclear weapons against non-nuclear-weapon States. (120)

22. The United States and the Russian Federation, other nuclear-weapon States and States not party to the Treaty on the Non-Proliferation of Nuclear Weapons should commit to practical measures to reduce the risk of accidental nuclear war, including, where appropriate, a progressive schedule for de-alerting their strategic nuclear weapons. (121)

23. The Security Council should explicitly pledge to take collective action in response to a nuclear attack or the threat of such attack on a non-nuclear weapon State. (122)

24. Negotiations to resolve regional conflicts should include confidence-building measures and steps towards disarmament. (123)

25. States not party to the Treaty on the Non-Proliferation of Nuclear Weapons should pledge a commitment to non-proliferation and disarmament, demonstrating their commitment by ratifying the Comprehensive Nuclear-Test-Ban Treaty and supporting negotiations for a fissile material cut-off treaty, both of which are open to nuclear-weapon and non-nuclear-weapon States alike. We recommend that peace efforts in the Middle East and South Asia launch nuclear disarmament talks that could lead to the establishment of nuclear-weapon-free zones in those regions similar to those established for Latin America and the Caribbean, Africa, the South Pacific and South-East Asia. (124)

26. All chemical-weapon States should expedite the scheduled destruction of all existing chemical weapons stockpiles by the agreed target date of 2012. (125)

27. States parties to the Biological and Toxin Weapons Convention should without delay return to negotiations for a credible verification protocol, inviting the active participation of the biotechnology industry. (126)

28. The Board of Governors of the International Atomic Energy Agency (IAEA) should recognize the Model Additional Protocol as today's standard for IAEA safeguards, and the Security Council should be prepared to act in cases of serious concern over non-compliance with non-proliferation and safeguards standards. (129)

29. Negotiations should be engaged without delay and carried forward to an early conclusion on an arrangement, based on the existing provisions of Articles III and IX of the IAEA statute, which would enable IAEA to act as a guarantor for the supply of fissile material to civilian nuclear users. (130)

30. While that arrangement is being negotiated, States should, without surrendering the right under the Treaty on the Non-Proliferation of Nuclear Weapons to construct uranium enrichment and reprocessing facilities, voluntarily institute a time-limited moratorium on the construction of any further such facilities, with a commitment to the moratorium matched by a guarantee of the supply of fissile materials by the current suppliers at market rates. (131)

31. All States should be encouraged to join the voluntary Proliferation Security Initiative. (132)

32. A State's notice of withdrawal from the Treaty on the Non-Proliferation of Nuclear Weapons should prompt immediate verification of its compliance with the Treaty, if necessary mandated by the Security Council. The IAEA Board of Governors should resolve that, in the event of violations, all assistance provided by IAEA should be withdrawn. (134)

33. The proposed timeline for the Global Threat Reduction Initiative to convert highly enriched uranium reactors and reduce HEU stockpiles should be halved from 10 to five years. (135)

34. States parties to the Biological and Toxin Weapons Convention should negotiate a new bio-security protocol to classify dangerous biological agents and establish binding international standards for the export of such agents. (137)

35. The Conference on Disarmament should move without further delay to negotiate a verifiable fissile material cut-off treaty that, on a designated schedule, ends the production of highly enriched uranium for non-weapon as well as weapons purposes. (138)

36. The Directors-General of IAEA and the Organization for the Prohibition of Chemical Weapons (OPCW) should be invited by the Security Council to report to it twice-yearly on the status of safeguards and verification processes, as well as on any serious concerns they have which might fall short of an actual breach of the Treaty on the Non-Proliferation of Nuclear Weapons and the Chemical Weapons Convention. (140)

37. The Security Council should consult with the WHO Director-General to establish the necessary procedures for working together in the event of a suspicious or overwhelming outbreak of infectious disease. (144)

Terrorism

38. The United Nations, with the Secretary-General taking a leading role, should promote a comprehensive strategy against terrorism, including:
    (a) Dissuasion, working to reverse the causes or facilitators of terrorism, including

through promoting social and political rights, the rule of law and democratic reform; working to end occupations and address major political grievances; combating organized crime; reducing poverty and unemployment; and stopping State collapse;

(b) Efforts to counter extremism and intolerance, including through education and fostering public debate;

(c) Development of better instruments for global counter-terrorism cooperation, all within a legal framework that is respectful of civil liberties and human rights, including in the areas of law enforcement; intelligence-sharing, where possible; denial and interdiction, when required; and financial controls;

(d) Building State capacity to prevent terrorist recruitment and operations;

(e) Control of dangerous materials and public health defence. (148)

39. Member States that have not yet done so should actively consider signing and ratifying all 12 international conventions against terrorism, and should adopt the eight Special Recommendations on Terrorist Financing issued by the Organization for Economic Cooperation and Development (OECD)-supported Financial Action Task Force on Money-Laundering and the measures recommended in its various best practices papers. (150)

40. The Al-Qaida and Taliban Sanctions Committee should institute a process for reviewing the cases of individuals and institutions claiming to have been wrongly placed or retained on its watch lists. (152)

41. The Security Council, after consultation with affected States, should extend the authority of the Counter-Terrorism Executive Directorate to act as a clearing house for State-to-State provision of military, police and border control assistance for the development of domestic counter-terrorism capacities. (154)

42. To help Member States comply with their counter-terrorism obligations, the United Nations should establish a capacity-building trust fund under the Counter-Terrorism Executive Directorate. (155)

43. The Security Council should devise a schedule of predetermined sanctions for State non-compliance with the Council's counter-terrorism resolutions. (156)

44. The General Assembly should rapidly complete negotiations on a comprehensive convention on terrorism, incorporating a definition of terrorism with the following elements:

(a) Recognition, in the preamble, that State use of force against civilians is regulated by the Geneva Conventions and other instruments, and, if of sufficient scale, constitutes a war crime by the persons concerned or a crime against humanity;

(b) Restatement that acts under the 12 preceding anti-terrorism conventions are terrorism, and a declaration that they are a crime under international law; and restatement that terrorism in time of armed conflict is prohibited by the Geneva Conventions and Protocols;

(c) Reference to the definitions contained in the 1999 International Convention

for the Suppression of the Financing of Terrorism and Security Council resolution 1566 (2004);

(d) Description of terrorism as 'any action, in addition to actions already specified by the existing conventions on aspects of terrorism, the Geneva Conventions and Security Council resolution 1566 (2004), that is intended to cause death or serious bodily harm to civilians or non-combatants, when the purpose of such an act, by its nature or context, is to intimidate a population, or to compel a Government or an international organization to do or to abstain from doing any act'. (163–164)

Transnational organized crime

45. Member States that have not signed, ratified or resourced the 2000 United Nations Convention against Transnational Organized Crime and its three Protocols, and the 2003 United Nations Convention against Corruption should do so, and all Member States should support the United Nations Office on Drugs and Crime in its work in this area. (172)

46. Member States should establish a central authority to facilitate the exchange of evidence among national judicial authorities, mutual legal assistance among prosecutorial authorities and the implementation of extradition requests. (173)

47. A comprehensive international convention on money-laundering that addresses the issues of bank secrecy and the development of financial havens needs to be negotiated, and endorsed by the General Assembly. (174)

48. Member States should sign and ratify the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, and parties to the Protocol should take all necessary steps to effectively implement it. (175)

49. The United Nations should establish a robust capacity-building mechanism for rule-of-law assistance. (177)

The role of sanctions

50. The Security Council must ensure that sanctions are effectively implemented and enforced:

(a) When the Security Council imposes a sanctions regime – including arms embargoes – it should routinely establish monitoring mechanisms and provide them with the necessary authority and capacity to carry out high-quality, in-depth investigations. Adequate budgetary provisions must be made to implement those mechanisms;

(b) Security Council sanctions committees should be mandated to develop improved guidelines and reporting procedures to assist States in sanctions implementation, and to improve procedures for maintaining accurate lists of individuals and entities subject to targeted sanctions;

(c) The Secretary-General should appoint a senior official with sufficient supporting resources to enable the Secretary-General to supply the Security Council with analysis of the best way to target sanctions and to assist in coordinating their implementation. This official would also assist compliance efforts; identify technical assistance needs and coordinate such assistance; and make recommendations on any adjustments necessary to enhance the effectiveness of sanctions;

(d) Donors should devote more resources to strengthening the legal, administrative, and policing and border-control capacity of Member States to implement sanctions. Capacity-building measures should include efforts to improve air-traffic interdiction in zones of conflict;

(e) The Security Council should, in instances of verified, chronic violations, impose secondary sanctions against those involved in sanctions-busting;

(f) The Secretary-General, in consultation with the Security Council, should ensure that an appropriate auditing mechanism is in place to oversee sanctions administration. (180)

51. Sanctions committees should improve procedures for providing humanitarian exemptions and routinely conduct assessments of the humanitarian impact of sanctions. The Security Council should continue to strive to mitigate the humanitarian consequences of sanctions. (181)

52. Where sanctions involve lists of individuals or entities, sanctions committees should establish procedures to review the cases of those claiming to have been incorrectly placed or retained on such lists. (182)

PART THREE

Collective security and the use of force

Using force: rules and guidelines

53. Article 51 of the Charter of the United Nations should be neither rewritten nor reinterpreted, either to extend its long-established scope (so as to allow preventive measures to non-imminent threats) or to restrict it (so as to allow its application only to actual attacks). (192)

54. The Security Council is fully empowered under Chapter VII of the Charter of the United Nations to address the full range of security threats with which States are concerned. The task is not to find alternatives to the Security Council as a source of authority but to make the Council work better than it has. (198)

55. The Panel endorses the emerging norm that there is a collective international responsibility to protect, exercisable by the Security Council authorizing military intervention as a last resort, in the event of genocide and other large-scale killing, ethnic cleansing or serious violations of humanitarian law which sovereign governments have proved powerless or unwilling to prevent. (203)

56. In considering whether to authorize or endorse the use of military force, the Security Council should always address – whatever other considerations it may take into account – at least the following five basic criteria of legitimacy:

    (a) *Seriousness of threat.* Is the threatened harm to State or human security of a kind, and sufficiently clear and serious, to justify *prima facie* the use of military force? In the case of internal threats, does it involve genocide and other large-scale killing, ethnic cleansing or serious violations of international humanitarian law, actual or imminently apprehended?

    (b) *Proper purpose.* Is it clear that the primary purpose of the proposed military action is to halt or avert the threat in question, whatever other purposes or motives may be involved?

    (c) *Last resort.* Has every non-military option for meeting the threat in question been explored, with reasonable grounds for believing that other measures will not succeed?

    (d) *Proportional means.* Are the scale, duration and intensity of the proposed military action the minimum necessary to meet the threat in question?

    (e) *Balance of consequences.* Is there a reasonable chance of the military action being successful in meeting the threat in question, with the consequences of action not likely to be worse than the consequences of inaction? (207)

57. The above guidelines for authorizing the use of force should be embodied in declaratory resolutions of the Security Council and General Assembly. (208)

Peace enforcement and peacekeeping capability

58. The developed States should do more to transform their existing force capacities into suitable contingents for peace operations. (216)

59. Member States should strongly support the efforts of the Department of Peacekeeping Operations of the United Nations Secretariat, building on the important work of the Panel on United Nations Peace Operations (see A/55/305-S/2000/809), to improve its use of strategic deployment stockpiles, standby arrangements, trust funds and other mechanisms in order to meet the tighter deadlines necessary for effective deployment. (218)

60. States with advanced military capacities should establish standby high readiness, self-sufficient battalions at up to brigade level that can reinforce United Nations missions, and should place them at the disposal of the United Nations. (219)

61. The Secretary-General should recommend and the Security Council should authorize troop strengths for peacekeeping missions that are sufficient to deter and repel hostile factions. (222)

62. The United Nations should have a small corps of senior police officers and managers (50–100 personnel) who could undertake mission assessments and organize the start-up of police components of peace operations, and the General Assembly should authorize this capacity. (223)

Post-conflict peacebuilding

63. Special representatives of the Secretary-General should have the authority and guidance to work with relevant parties to establish robust donor-coordinating mechanisms, as well as the resources to perform coordination functions effectively, including ensuring that the sequencing of United Nations assessments and activities is consistent with government priorities. (226)
64. The Security Council should mandate and the General Assembly should authorize funding for disarmament and demobilization programmes from assessed budgets for United Nations peacekeeping operations. (227)
65 A standing fund for peacebuilding should be established at the level of at least $250 million that can be used to finance the recurrent expenditures of a nascent government, as well as critical agency programmes in the areas of rehabilitation and reintegration. (228)

Protecting civilians

66. All combatants must abide by the Geneva Conventions. All Member States should sign, ratify and act on all treaties relating to the protection of civilians, such as the Genocide Convention, the Geneva Conventions, the Rome Statute of the International Criminal Court and all refugee conventions. (233)
67. The Security Council should fully implement resolution 1265 (1999) on the protection of civilians in armed conflict. (237)
68. The Security Council, United Nations agencies and Member States should fully implement resolution 1325 (2000) on women, peace and security. (238)
69. Member States should support and fully fund the proposed Directorate of Security and accord high priority to assisting the Secretary-General in implementing a new staff security system in 2005. (239)

PART FOUR

A more effective United Nations for the twenty-first century

The General Assembly

70. Members of the General Assembly should use the opportunity provided by the Millennium Review summit in 2005 to forge a new consensus on broader and more effective collective security. (240)
71. Member States should renew efforts to enable the General Assembly to perform its function as the main deliberative organ of the United Nations. This requires a better conceptualization and shortening of the agenda, which should reflect the contemporary challenges facing the international community. Smaller, more tightly focused committees could help to sharpen and improve resolutions that are brought to the whole Assembly. (242)

72. Following the recommendation of the report of the Panel of Eminent Persons on United Nations–Civil Society Relations (see A/58/817), the General Assembly should establish a better mechanism to enable systematic engagement with civil society organizations. (243)

The Security Council

73. Reforms of the Security Council should meet the following principles:
    (a) They should, in honouring Article 23 of the Charter of the United Nations, increase the involvement in decision-making of those who contribute most to the United Nations financially, militarily and diplomatically – specifically in terms of contributions to United Nations assessed budgets, participation in mandated peace operations, contributions to the voluntary activities of the United Nations in the areas of security and development, and diplomatic activities in support of United Nations objectives and mandates. Among developed countries, achieving or making substantial progress towards the internationally agreed level of 0.7 per cent of GNP for ODA should be considered an important criterion of contribution;
    (b) They should bring into the decision-making process countries more representative of the broader membership, especially of the developing world;
    (c) They should not impair the effectiveness of the Security Council;
    (d) They should increase the democratic and accountable nature of the body. (249)

74. A decision on the enlargement of the Council, satisfying these criteria, is now a necessity. The presentation of two clearly defined alternatives, of the kind described below as models A and B, should help to clarify – and perhaps bring to resolution – a debate which has made little progress in the last 12 years. (250)

75. Models A and B both involve a distribution of seats as between four major regional areas, which we identify, respectively, as 'Africa', 'Asia and Pacific', 'Europe' and 'Americas'. We see these descriptions as helpful in making and implementing judgements about the composition of the Security Council, but make no recommendation about changing the composition of the current regional groups for general electoral and other United Nations purposes. Some members of the Panel, in particular our Latin American colleagues, expressed a preference for basing any distribution of seats on the current regional groups. (251)

76. Model A provides for six new permanent seats, with no veto being created, and three new two-year term non-permanent seats, divided among the major regional areas. Model B provides for no new permanent seats, but creates a new category of eight four-year renewable-term seats and one new two-year non-permanent (and non-renewable) seat, divided among the major regional areas. (252–253)

77. In both models, having regard to Article 23 of the Charter, a method of encouraging Member States to contribute more to international peace and security would be

for the General Assembly, taking into account established practices of regional con-
sultation, to elect Security Council members by giving preference for permanent or
longer-term seats to those States that are among the top three financial contribu-
tors in their relevant regional area to the regular budget, or the top three voluntary
contributors from their regional area, or the top three troop contributors from their
regional area to United Nations peacekeeping missions. (254)

78. There should be a review of the composition of the Security Council in 2020,
including, in this context, a review of the contribution (as defined in paragraph 249
of the main report) of permanent and non-permanent members from the point of
view of the Council's effectiveness in taking collective action to prevent and
remove new and old threats to international peace and security. (255)

79. The Panel recommends that under any reform proposal, there should be no expan-
sion of the veto. (256)

80. A system of 'indicative voting' should be introduced, whereby members of the Security
Council could call for a public indication of positions on a proposed action. (257)

81. Processes to improve transparency and accountability in the Security Council
should be incorporated and formalized in its rules of procedure. (258)

A Peacebuilding Commission

82. The Security Council, acting under Article 29 of the Charter of the United Nations
and after consultation with the Economic and Social Council, should establish a
Peacebuilding Commission. (263)

83. The core functions of the Peacebuilding Commission should be to identify coun-
tries that are under stress and risk sliding towards State collapse; to organize, in
partnership with the national Government, proactive assistance in preventing that
process from developing further; to assist in the planning for transitions between
conflict and post-conflict peacebuilding; and in particular to marshal and sustain
the efforts of the international community in post-conflict peacebuilding over
whatever period may be necessary. (264)

84. While the precise composition, procedures and reporting lines of the Peacebuilding
Commission will need to be established, they should take account of the following
guidelines:
   (a) The Peacebuilding Commission should be reasonably small;
   (b) It should meet in different configurations, to consider both general policy
        issues and country-by-country strategies;
   (c) It should be chaired for at least one year and perhaps longer by a member
        approved by the Security Council;
   (d) In addition to representation from the Security Council, it should include rep-
        resentation from the Economic and Social Council;
   (e) National representatives of the country under consideration should be invited
        to attend;

(f) The Managing Director of the International Monetary Fund, the President of the World Bank and, when appropriate, heads of regional development banks should be represented at its meetings by appropriate senior officials;

(g) Representatives of the principal donor countries and, when appropriate, the principal troop contributors should be invited to participate in its deliberations;

(h) Representatives of regional and subregional organizations should be invited to participate in its deliberations when such organizations are actively involved in the country in question. (265)

85. A Peacebuilding Support Office should be established in the Secretariat to give the Peacebuilding Commission appropriate Secretariat support and to ensure that the Secretary-General is able to integrate system-wide peacebuilding policies and strategies, develop best practices and provide cohesive support for field operations. (266)

Regional organizations

86. In relation to regional organizations:
(a) Authorization from the Security Council should in all cases be sought for regional peace operations;

(b) Consultation and cooperation between the United Nations and regional organizations should be expanded and could be formalized in an agreement, covering such issues as meetings of the heads of the organizations, more frequent exchange of information and early warning, co-training of civilian and military personnel, and exchange of personnel within peace operations;

(c) In the case of African regional and subregional capacities, donor countries should commit to a 10-year process of sustained capacity-building support, within the African Union strategic framework;

(d) Regional organizations that have a capacity for conflict prevention or peace-keeping should place such capacities in the framework of the United Nations Standby Arrangements System;

(e) Member States should agree to allow the United Nations to provide equipment support from United Nations-owned sources to regional operations, as needed;

(f) The rules for the United Nations peacekeeping budget should be amended to give the United Nations the option on a case-by-case basis to finance regional operations authorized by the Security Council with assessed contributions. (272)

The Economic and Social Council

87. The Economic and Social Council should provide normative and analytical leader-ship in a time of much debate about the causes of, and interconnections between, the many threats we face. To that end, the Economic and Social Council should estab-lish a Committee on the Social and Economic Aspects of Security Threats. (276)

88. The Economic and Social Council should provide an arena in which States measure their commitments to achieving key development objectives in an open and transparent manner. (277)

89. The Economic and Social Council should provide a regular venue for engaging the development community at the highest level, in effect transforming itself into a 'development cooperation forum'. To that end:
    (a) A new approach should be adopted within the Economic and Social Council agenda, replacing its current focus on administrative issues and programme coordination with a more focused agenda built around the major themes contained in the Millennium Declaration;
    (b) A small executive committee, comprising members from each regional group, should be created in order to provide orientation and direction to the work of the Economic and Social Council and its interaction with principal organs, agencies and programmes;
    (c) The annual meetings between the Economic and Social Council and the Bretton Woods institutions should be used to encourage collective action in support of the Millennium Development Goals and the Monterrey Consensus;
    (d) The Economic and Social Council, with inputs from its secretariat and the United Nations Development Group, should aim to provide guidance on development cooperation to the governing boards of the United Nations funds, programmes and agencies;
    (e) The Economic and Social Council should provide strong support to the efforts of the Secretary-General and the United Nations Development Group to strengthen the coherence of United Nations action at the field level and its coordination with the Bretton Woods institutions and bilateral donors. (278)

The Commission on Human Rights

90. Membership of the Commission on Human Rights should be made universal. (285)
91. All members of the Commission on Human Rights should designate prominent and experienced human rights figures as the heads of their delegations. (286)
92. The Commission on Human Rights should be supported in its work by an advisory council or panel. (287)
93. The United Nations High Commissioner for Human Rights should be called upon to prepare an annual report on the situation of human rights worldwide. (288)
94. The Security Council and the Peacebuilding Commission should request the High Commissioner for Human Rights to report to them regularly on the implementation of all human rights-related provisions of Security Council resolutions, thus enabling focused, effective monitoring of those provisions. (289)

The Secretariat

95. To assist the Secretary-General, an additional Deputy Secretary-General position should be created, responsible for peace and security. (293)

96. The Secretary-General should be provided with the resources he requires to do his job properly and the authority to manage his staff and other resources as he deems best. To meet the needs identified in the present report, the Panel recommends that:
    (a) Member States recommit themselves to Articles 100 and 101 of the Charter of the United Nations;
    (b) Member States review the relationship between the General Assembly and the Secretariat with the aim of substantially increasing the flexibility provided to the Secretary- General in the management of his staff, subject always to his accountability to the Assembly;
    (c) The Secretary-General's reform proposals of 1997 and 2002 related to human resources should now, without further delay, be fully implemented;
    (d) There should be a one-time review and replacement of personnel, including through early retire ment, to ensure that the Secretariat is staffed with the right people to undertake the tasks at hand, including for mediation and peacebuilding support, and for the office of the Deputy Secretary-General for peace and security. Member States should provide funding for this replacement as a cost-effective long-term investment;
    (e) The Secretary-General should immediately be provided with 60 posts – less than 1 per cent of the total Secretariat capacity – for the purpose of establishing all the increased Secretariat capacity proposed in the present report. (296)

The Charter of the United Nations

97. In addition to any amendment of Article 23 of the Charter of the United Nations required by proposed reform of the Security Council, the Panel suggests the following modest changes to the Charter:
98. Articles 53 and 107 (references to enemy States) are outdated and should be revised. (298)
99. Chapter XIII (The Trusteeship Council) should be deleted. (299)
100. Article 47 (The Military Staff Committee) should be deleted, as should all references to the Committee in Articles 26, 45 and 46. (300)
101. All Member States should rededicate themselves to the purposes and principles of the Charter and to applying them in a purposeful way, matching political will with the necessary resources. Only dedicated leadership within and between States will generate effective collective security for the twenty-first century and forge a future that is both sustainable and secure. (302)

Annex 2.2
The Peacebuilding Commission

Executive Summary

Following the completion of its year as a member of the Peacebuilding Commission, and against the backdrop of Denmark's extensive role along with Tanzania in negotiating the establishment of the PBC, the Permanent Mission of Denmark to the UN commissioned the CIC/IPI Joint Program on Peacebuilding as Statebuilding to undertake a strategic review of the body's performance. The purpose of this document is to take stock and to look forward. The PBC is a young body still finding its feet. We use as a framework for assessment the notion that three years is a credible timespan within which a new inter-governmental body should be fully functional. Thus, this report serves as a stocktaking, assessing progress to date by the PBC and making suggestions about how to continue to enhance its impact. To this end we interviewed senior officials of all PBC member countries, as well as UN and other stakeholders in New York, Burundi, and Sierra Leone.[4]

Rationale for the PBC: Four problems

The Peacebuilding Commission was proposed by the High-level Panel on Threats, Challenges and Change and was endorsed by the Secretary-General's *In Larger Freedom* report. The High-level Panel found that the UN had a vital and irreplaceable role in peacebuilding, with unique legitimacy and comparative advantages that could not be replicated elsewhere. However, it expressed concern that:

1. Although UN Security Council (UNSC) mandated operations had been expanded into peacebuilding issues as broadly conceived, the UNSC did not have adequate relationships with the international financial institutions (IFIs) through which to effectively steer the relevant political-financial linkages necessary for effective post-conflict recovery.

2. There was inadequate coordination among UN agencies and departments, in part because of lack of coherence among donors, whose separate strategies drive and enable separate agency action.

3. There was a lack of timely and adequate financing for the critical issue of the start-up or restoration of government institutions in post-conflict contexts, especially for the rule of law.

4. There was a lack of medium-term political attention to countries emerging from conflict.

Following endorsement by member states in the 2005 *World Summit Outcome Document*, the PBC was established as an intergovernmental advisory body by corresponding resolutions of the General Assembly and the Security Council. These resolutions mandated the PBC to:

a. Bring together all relevant actors to marshal resources and to advise on and propose integrated strategies for post-conflict peacebuilding and recovery;

b. Focus attention on the reconstruction and institution-building efforts necessary for recovery from conflict and to support the development of integrated strategies in order to lay the foundation for sustainable development;

c. Provide recommendations and information to improve the coordination of all relevant actors within and outside the United Nations, to develop best practices, to help to ensure predictable financing for early recovery activities, and to extend the period of attention given by the international community to post-conflict recovery.

How has the PBC performed?

We found positive signs and concrete examples to indicate that the PBC is beginning to find its niche and demonstrate its value-added, particularly on problems (1) and (4) identified above – creating linkages between political/security and financial/development actors, and maintaining long-term attention. In both Burundi and Sierra Leone, the existence of a body that connected the UN missions, a broad grouping of member states including key donors and troop contributors, the international financial institutions, and the national authorities, provided a tool through which to resolve critical challenges and help keep both countries on the path to sustainable peace. Performance on coordination issues has been more mixed, and on early financing, is as yet untested. Predictably for a new intergovernmental body, the PBC got off to a slow start. In its first year, the Commission was beset by procedural obstacles, resulting in delays, frustration, and confusion in the field and at headquarters. For the first nine months, procedure trumped performance. At the end of its first year, members and outside observers alike were expressing skepticism that the PBC could fulfil its mandate effectively or efficiently. However, since late summer 2007, the PBC has had a demonstrably positive impact in Burundi and Sierra Leone on events on the ground, the critical criterion for measurement. Indeed, that performance has been sufficient to demonstrate the merit and potential contribution of the PBC. An assessment of cautious optimism is widely shared among PBC members, alongside a recognition of the need to streamline still cumbersome procedures and resolve or surmount tensions about the relationship between the PBC and the principal UN organs. Members are also cognizant of a need to work to reverse early negative impressions formed in capitals and among UN departments and agencies during the procedure-heavy first phase of the PBC's life. A more detailed review of PBC performance can be broken down against the problems it was proposed to solve, and its mandated tasks.

Strategy and the linkage between political and financial aspects

A central purpose behind the founding of the PBC was to develop better linkages between political and financial aspects of post-conflict recovery – or to build security-

development links, to use terminology more familiar at the UN. In the PBC's first two cases, Burundi and Sierra Leone, the principal means by which it strove to fulfill this function was through the articulation of integrated peacebuilding strategies. Early discussions about the merits of such an approach were drawn out, and the process for elaborating the strategies laborious – an issue addressed further below. The approach to developing a strategic framework was different in each case and the experience mixed. However, through the dialogue it fostered among the relevant stakeholders, the PBC has demonstrated its value as a platform for addressing the important linkages between the political/security and economic/financial aspects of peace consolidation. Moreover, the process – and the simple fact of the relevant actors participating together in the process and in the body – created opportunities to resolve tensions between the financial and political aspects of peacebuilding in each country, or to build synergies between them. Two episodes had particular impact on members' attitudes, and highlight the unique advantages of the PBC in bringing the key actors together at headquarters.

The first of these was the PBC's response when the IMF signaled its intent to delay completion of its Sixth Review in Burundi. In-country actors including senior personnel of the UN mission saw this as potentially destabilising to the country and the peace process. The potential crisis was defused in substantial part through active work by the PBC – especially the Chair of the Burundi Country-Specific Meeting – to create political space for dialogue between the government and the IMF, signaling the strong imperative for the government to resolve key governance issues and for economic actors to consider the impact an economic crisis would have on the political and security situation. That work took place both at headquarters and in the field, and directly linked political decision-making at headquarters to field realities. In Sierra Leone, similarly, the recent incorporation of energy as a priority in the strategic framework highlights an important principle: specifically, that economic risk can be as significant a threat to peace as security or political risks. In this case the PBC fostered negotiation among the relevant stakeholders to garner political support for the inclusion of energy – normally considered a medium-to-long-term development concern – in a framework for peace consolidation. Both cases reinforce the essential point that political and financial aspects of recovery need to reinforce each other. Institutionally, this means that the UN and the IFIs must work together to drive coherent strategy for recovery, and the PBC is contributing to that objective.

- To consolidate the PBC's critical function in establishing these linkages, the modalities for interaction with the World Bank and the IMF need to be streamlined, partly in the field in the interaction with E/SRSGs, but also at the policy level. Informal dialogue between the PBC's Organisational Committee and the IFIs could help ensure that each body is adequately informed of the others' policies and functions. This would require a willingness on the part of the PBC to invite the IFIs to have sustained and substantive participation in the Organisational Committee.

Sustained attention

The PBC's contributions in Burundi and Sierra Leone can also be attributed to the attention brought to bear by the PBC at a point well after that which would normally receive sustained focus from the UNSC. As noted by the High-level Panel, political attention to countries emerging from conflict tends to wane after the withdrawal of international peacekeeping forces but before national institutions are fully consolidated, amplifying risks of conflict relapse. While it is encouraging that the PBC has successfully maintained this kind of attention on Burundi and Sierra Leone for the past 18 months, it is critical that international attention not wane from these two countries as the PBC's work evolves. It is likely that the country-specific configurations need not meet as intensively as they did during the development of the strategic frameworks; but ensuring implementation of commitments made within those frameworks will require more than just episodic spot-checking. The Burundi and Sierra Leone Country-Specific Meetings will have to meet at regular intervals to monitor progress (see below), drive course correction, and sustain pressure on the international community and the government to live up to their commitments. The recent adoption of the monitoring mechanism in Burundi provides an important path forward in that case. It should be noted, however, that this is not the first time that the UN has adopted strategic monitoring mechanisms – it did so, for example, in Afghanistan in the late 1990s. It is, however, the first time a monitoring mechanism has been adopted that has the buy-in of the government, opposition and local civil society groups, the in-country donors, and the full membership of the PBC – a far more powerful tool. Effective use of the monitoring mechanism by the PBC as well as by the Secretary-General and his representatives to sustain pressure on the government, the political parties, the donors, regional actors, and others will be essential to the longer-term impact of the PBC's work.

It is also worth emphasising that the extent to which the window of opportunity offered by PBC attention can be leveraged to deliver peace dividends depends fundamentally on the will of national actors to take responsibility for peace consolidation in their country. No matter how much funding and strategic coordination is brought to bear by the international community, peacebuilding success hinges on national responsibility.

Coherence and UN coordination

The PBC's performance on coherence and UN coordination has been rather more mixed. The process of developing strategic frameworks has, over time, delivered some positive improvements on coherence – or the prospects for it – on the ground, but at substantial cost in time spent. That the process was cumbersome at headquarters is notable but less significant than the fact that it was cumbersome also for the national government and for the UN. Part of the challenge lies in the multiple centres of deliberation and decision-making involved in the PBC's work. Key stakeholders that are active at the country level, in New York, and from their own capitals have not always engaged with a coherent voice.

- The PBC will need to streamline its work, a task that is likely to be made easier by the experience gained and instruments developed over the past 18 months and with additional advance preparation from a now fully staffed Peacebuilding Support Office (PBSO).

- Critically, this must involve far fewer meetings of the country-specific mechanisms to allow for (a) more substantial preparation, and (b) more consistent, higher-level participation by PBC members.

- PBC members must recognize that their constructive engagement is crucial at all levels, which will demand greater coherence in each member's approach between field, capital, and New York representation.

In the cases of Burundi and Sierra Leone, the existence of an internationally agreed framework creates a powerful tool for coordination.

- It is now the job of the Secretary-General and his Special/Executive Representatives to drive coordination around the approved frameworks. The PBC should empower the PBSO to play that role vis-à-vis the UN system (see below).

- Financial contributors to Burundi and Sierra Leone will also have to ensure that their funding decisions reinforce the frameworks. The Secretary-General should use the PBSO's capacity for monitoring to track resource flows, and should not be shy to point out when donors are falling short of their commitments or undermining the agreed strategy – a task better done at headquarters than in the field, where E/SRSGs will have to tread more carefully in their relationships with key donors.

Notably, the establishment of the PBC and PBSO has not yet led to renewed efforts to ensure effective coordination within the UN against agreed strategy (see below).

Mobilising resources and early financing for (re)building institutions

As the PBC engages in a dialogue on strategic priorities with the countries on its agenda, it is also essential to examine how those priorities are currently resourced and whether there are any shortfalls. The recently approved Monitoring and Tracking Mechanism for Burundi is a good start, and one that will require active follow-up. However, without a realistic mapping of current resource flows and activities, it will be very difficult for the PBC to ensure that existing and new resources are channelled effectively to support the government's efforts to consolidate peace. To support its resource mobilisation mandate, the PBC needs a clear picture of assistance from the outset to determine whether and how support should be modified and new resources channelled.

- There is a potential role for the PBSO – working with the national government in each country, the World Bank, UNDP, DPKO, OCHA, and others – to provide the PBC an overall map of resource flows to the countries on the PBC's agenda, highlighting gaps and overlaps.

The PBF: In interviews with PBC members, we encountered two sets of views in relation to resource mobilisation and the role of the Peacebuilding Fund (PBF) that are not just at odds with one another but also – as we see it – with the mandate of the PBC and the PBF. First, some members, mostly non-donors, believed that the PBF should operate more closely under the direction of the PBC. Second, others, mostly donors, viewed the PBF as the key resource mobilisation function of the PBC. In contrast to these views, we see, first, the importance of the Secretary-General retaining flexibility in the use of the PBF to meet critical needs that typically go unfulfilled in post-conflict contexts – speed and flexibility are of the essence, and so far not characteristics of the PBC. The PBF is intended to fund very urgent, targeted, and discrete interventions, some of which would otherwise go unfunded because they arise in areas that do not attract traditional development assistance; this was well illustrated by the use of the PBF to fund time-critical activities in the lead-up to the Sierra Leone elections.

- The small, targeted and short-term PBF funds should be reserved for immediate, critical priorities.

- It should also be stressed that the PBC's resource mobilisation mandate extends far beyond the PBF: it should harness existing international efforts and bring additional resources to bear over a sustained period of time with a specific focus on (re)building state institutions that will be able to sustain the hard-won gains of peace consolidation.

Related is the new focus by PBF donors on whether the Fund's expenditure is consistent with OECD/DAC criteria. While we understand donors' concerns in this regard, and take note of the PBSO's estimate that ca. 80% of PBF-funded activities would likely meet DAC criteria, we believe that donors should be cautious lest they hamstring the functioning of the PBF – which would obviate the point of its establishment. This of course is just one part of the wider problem of the mismatch between internationally available financing and actual post-conflict requirements.

Early financing: International resources need to be channelled into the business of building state institutions from the very earliest days of post-conflict engagement. It is impossible to assess the PBC's potential role in this area because the first countries on its agenda were well past the early phase of recovery. The PBF has been used to help on these issues in non-PBC cases, but the sums involved are minimal – essentially seed funding. As donors – notably the UK – begin to explore possible new modalities for early recovery financing, the issue of the connection to the PBF will be an important concern.

The PBC in context: relationship to other bodies

During the period in review, the question of the role of the Organisational Committee (OC) has been clouded by its use as a proxy in the ongoing battle over the balance of power between the Security Council and the General Assembly. This is an issue that has recently colored much UN debate, though, of late, temperatures have cooled somewhat.

In this regard, it is worth noting that the establishment of the PBC does not and cannot alter the responsibilities of Charter bodies. It is the responsibility of those bodies to make effective use of PBC advice – not the other way around.

On the other hand, one of the striking facts of the PBC's deliberations, both in the OC and the Country-Specific Meetings (CSMs), is that divisions over its role have cut across traditional 'north–south' divides (an increasingly archaic depiction of political divisions at the UN). Of particular note is the extent to which several African members of the PBC have articulated a conception of the PBC's role and agenda that is similar to that of several OECD countries. While the core business of the PBC is to support the achievement of results on the ground, many members do believe that the OC has an important role to play in resolving outstanding procedural issues, navigating the PBC's relationship with other UN organs, and addressing strategic issues that will arise across cases and will need to be resolved at a broad policy level.

- The PBC's Organisational Committee could usefully address strategic issues such as (a) improving the responsiveness of aid instruments to the special needs and capacities of post-conflict contexts, and (b) promoting coordinated support for peacebuilding in the countries on its agenda through PBC members' participation in other UN and multilateral bodies.

- To ensure that performance trumps procedure rather than the reverse, the PBC should retain flexibility in its relationship and communications with the Security Council, GA, and ECOSOC. The approach taken by the Burundi CSM of negotiating conclusions and recommendations following the Chair's mission in early September and sending the final document to all three organs was recognized by many members as a good model.

Looking forward

Selection of new cases

A common understanding is evolving regarding the PBC's potential contribution in countries in different phases of their transition. The selection of the next cases for the PBC's agenda will heavily shape the body's ability to consolidate its impact, streamline its procedures, and highlight its unique contribution. Going forward, the PBC should consider engaging in cases where the Security Council is beginning to contemplate a handover or draw-down. The PBC's early success in bringing security, political, and development considerations into a common framework would be a valuable asset in helping to plan for such transitions. By engaging in such cases, the PBC would leverage the expertise of troop contributors, regional actors, and other non-donors in the CSMs. It would also usefully clarify to countries considering seeking PBC support that placement on the PBC agenda does not necessarily mean removal from that of the Security Council – currently a point of some confusion internationally. Such cases need not necessarily involve full CSM processes of the type developed for Burundi and Sierra

Leone; far more streamlined processes would not only suffice, they would likely have more impact.

- The Commission should be flexible in its approach to new cases, while retaining the possibility of evolution in its engagement as a country's needs change. In addition to 'full' CSMs, along the lines of the Burundi and Sierra Leone configurations, the PBC could consider 'exploratory' or 'advance planning' working groups or similar, lighter alternative formats.

- Adoption of a 'tiered' or 'differentiated' agenda would be helpful for enhancing PBC effectiveness and efficiency, as well as for ensuring that the PBC can broaden its scope to engage new countries seeking attention and support – which is important for both equity and political reasons.

A debate that will soon confront the PBC is whether (or when) to take on 'large' cases. So far, the three cases on the PBC's agenda are small both in size of the country and in international financial commitments. PBC members have been understandably concerned to first demonstrate value-added in smaller cases before taking on larger challenges. However, critical needs are looming, and the PBC will soon have to confront a choice between keeping its case-load small but risking being seen as irrelevant in the face of peacebuilding reversals in larger, high-profile cases, or tackling those cases head on.

The role of the Secretary-General and the PBSO

During its first year of operation, there was a sense among PBC members of a lack of direction from the PBSO – a view we see as uncharitable, given that the PBSO was barely staffed during much of the year, having neither budgets nor promised secondments. With the approval of the interim budget, and with decisions of the SG's Policy Committee establishing a central strategy role for the PBSO, the Office now has the requisite tools to perform its intended functions. Even without adequate staffing, the PBSO did provide important and substantive backstopping to the chairs of the country-specific mechanisms, a function greatly appreciated by those chairs. Interviews with other UN stakeholders make clear what PBSO will itself acknowledge, that it has not yet established a clear pattern of working with DPKO, UNDP, the World Bank, and other critical actors in helping to shape strategy, or in monitoring implementation. This is in part a function of other departments' understandable confusion over the PBSO's role, a confusion exacerbated by the fact of timing (i.e. the establishment of the PBSO just prior to a transition between Secretary-Generals). In this regard, the World Bank's recognition of the Integrated Peacebuilding Strategy process as a framework within which it can develop its post-conflict needs assessment and plans is an important step forward that should be actively consolidated. Lack of progress on coordination issues is also a function of limited engagement to date by the Secretary-General. The PBC and the PBSO are instruments that the SG can use to drive coherent strategy across the Organization. To date, however, there has been little involvement by the SG, a fact

widely noted by members. In the period ahead, certainly, the SG can do more to ensure that the strategies emerging from the PBC, rooted as they are in intergovernmental decision, are taken fully into account by all parts of the UN system. Although there are important constraints on the PBSO in the form of some members' views that it should focus on providing secretariat support to the PBC itself, we nevertheless see scope for the PBSO to be used more energetically by the Secretary-General to help drive strategic coordination. This might most effectively be achieved through greater interaction between the PBSO and the Policy Committee on overall strategy, as well as through substantive engagement between the PBSO and expanded regional departments of DPA, if those are authorized by the membership.

- PBSO should leverage its unique position – inside the SG's office, with available links to the Policy Committee, and attached to a member state body with broad composition – to develop its capacities to (a) encourage coherent strategy, and (b) monitor the implementation of PBC-agreed strategy and overall resource flows. This will require clearer understanding among the relevant parties that the PBSO's functionality lies in its ability to bring together all parts of the system and a recognition from the PBSO that this involves building on existing capacities.

Other gaps: rapid civilian response

In undertaking the problem assessment that led to the proposals for the PBC, hindsight suggests that the High-level Panel underestimated a critical factor: the lack of ready deployable civilians in such critical functions as strategic planning, advisory support in the rule of law for early peacebuilding response. This is an area requiring new efforts. The creation of the Rule of Law and Police Institutions pillar at DPKO and the establishment of a 'surge' capacity in UNDP/BCPR are both steps in the right direction, but further efforts will be required to ensure that the UN can rely on an early, predictable supply of high-quality and appropriate talent from north and south to fulfill vital civilian peacebuilding tasks in the earliest phases of engagement. The Government of Denmark has commissioned CIC to undertake a detailed background study on rapid deployment of civilians and to develop an action plan for addressing the problem. Other governments have highlighted the problem as well; most recently, the UK government called for a stand-by reserve of civilians.

Conclusion

The PBC is a work in progress, but one that so far has proved the potential for its contribution. Continued focus on its performance by all stakeholders will be necessary if it is to (a) consolidate its positive impact on cases undertaken to date, and (b) extend its reach to new cases. In selecting new cases, the PBC should be cognizant of its potential to solidify its role as the central international meeting ground of political/security and financial/development actors. More broadly, three things will be critical in the coming 18 months to consolidate the PBC's turn-around and enhance its impact: the

election of strong, dedicated chairs; commitment by PBC members to fulfill commitments made in Burundi and Sierra Leone, and soon in Guinea-Bissau; and commitment from the SG (with the PBSO) to drive coordinated implementation of the strategies adopted by the PBC.

Notes

1   Transcript of press conference by Kofi Annan, UN, New York, 8 September 2003, http://www.unis.unvienna. org/unis/pressrels/2003/sgsm8855.html
2   See http://www.ipacademy.org/asset/file/305/PBCsrev08.pdf
3   UN General Assembly, Triennial Comprehensive Review of Operational Activities of the United Nations Development System: Conclusions and Recommendations, Report of the Secretary General, Document A/62/253, p. 4, August 2007.
4   *Taking Stock, Looking Forward: A Strategic Review of the Peacebuilding Commission*, NYU-Center on International Cooperation and the International Peace Institute, April 2008, www.cic.nyu.edu/peacebuilding/docs/taking stocklookingforward.pdf

Annex 2.3

Current Official Development Assistance and Future Projections

	2006			2010			
	Net ODA (2006 US$ m)	ODA/GNI (%)	Assumptions	Net ODA (2006 US$ m)	ODA/GNI (%)	Real change in ODA compared with 2006	
						2006 US$ m	(%)
Austria	1498	0.47	0.51% in 2010	1796	0.51	297	20
Belgium	1978	0.50	0.7% in 2010	3025	0.70	1047	53
Denmark	2236	0.80	Minimum 0.8%	2423	0.80	187	8
Finland	834	0.40	0.51% in 2010	1183	0.51	348	42
France[a]	10601	0.47	0.42% in 2007 and 0.7% in 2015	12519	0.51	1919	18
Germany	10435	0.36	0.51% in 2010	16355	0.51	5920	57
Greece	424	0.17	0.51% in 2010	1402	0.51	978	231
Ireland	1022	0.54	0.6% in 2010 and 0.7% in 2012	1294	0.60	273	27
Italy	3641	0.20	0.51% in 2010	10163	0.51	6522	179
Luxembourg	291	0.89	1% in 2009	376	1.00	85	29
Netherlands	5452	0.81	Minimum 0.8%	5962	0.80	510	9
Portugal	396	0.21	0.51% in 2010	1031	0.51	635	160
Spain[a,b]	3814	0.32	0.5% in 2008 and 0.7% in 2012	7920	0.59	4107	108
Sweden	3955	1.02	1%	4331	1.00	376	10
United Kingdom[a,b]	12459	0.51	0.37% in 2007–08, 0.56% in 2010 and 0.7% in 2013	14856	0.56	2397	19
DAC EU members, total	59035	0.43		84636	0.57	25600	43
Australia[c]	2123	0.30	See note c	2913	0.36	790	37
Canada[d]	3684	0.29	See note d	4162	0.30	478	13
Japan[e]	11187	0.25	See note e	10092	0.21	–1095	–10
New Zealand[f]	6 259	0.27	See note f	344	0.33	85	33
Norway	2954	0.89	1% over 2006–09	3661	1.00	707	24

Current Official Development Assistance and Future Projections (continued)

	2006			2010			
	Net ODA (2006 US$ m)	ODA/GNI (%)	Assumptions	Net ODA (2006 US$ m)	ODA/GNI (%)	Real change in ODA compared with 2006 (2006 US$ m)	(%)
Switzerland[g]	1646	0.39	See note g	1828	0.40	181	11
USA[h]	23532	0.18	See note h	24705	0.17	1173	5
DAC members, total	104421	0.31		132341	0.35	27920	27

[a] ODA/GNI ratios interpolated between 2007 and/or 2008 and the year to be attained.

[b] Spain is aiming for a minimum of 0.5 per cent by 2008, with the intention then to aim for 0.7 per cent by 2010 and 0.7 per cent by 2013.

[c] Australia expects to continue increasing its ODA. Funding has been set aside in Australia's budget to allow it to increase its ODA to about Aus$4.3 billion by 2010–11, equivalent to 0.3 per cent ODA/GNI. Australia intends to reach an ODA/GNI target of 0.5 per cent by 2015–16. The figure here is discounted by 2.5 per cent per annum for inflation.

[d] Canada intends to double its 2001 International Assistance Envelope level by 2010 in nominal terms. The Canadian authorities estimate ODA will be Can$5.1 billion in 2010. The ODA figure shown here is adjusted for 2 per cent annual inflation and converted to US dollars at the 2006 exchange rate.

[e] Japan intends to increase its ODA by US$10 billion in aggregate over the five years 2005–09 compared to 2004. The Secretariat's estimate assumes US$1.17 billion extra in 2010, compared to 2004, no adjustment being made for inflation.

[f] New Zealand has announced commitments of 0.30 per cent in 2007–08 and 2008–09, 0.32 per cent in 2009–10 and 0.35 per cent in 2010–11 on a fiscal year basis. This is translated into a commitment of 0.33 per cent in 2010 on a calendar year basis.

[g] The current financial projections assume that 0.4 per cent will be reached by 2010.

[h] The USA does not issue or approve forecasts on projected ODA. The amount shown here is purely a Commonwealth Secretariat estimate. It is based on 2004 ODA plus US$5 billion nominal per annum to cover the Gleneagles G8 commitments on increased aid to Africa, Millennium Challenge Account and initiatives on HIV/AIDS, malaria and humanitarian aid.

http://dx.doi.org/10.1787/176272037617

3

The Reform of International Environmental Governance: An Agenda for the Commonwealth

W Bradnee Chambers

Summary

International environmental governance (IEG) has evolved into a complex web of organisations, treaties, funds and liaison mechanisms. The urgency and scale of today's environmental issues have outgrown the current system. There is a divergence between the global environmental challenges we face and the ability of existing institutions to address them.

IEG reform is imperative if there are to be adequate and effective responses to global pollution and natural resource management challenges. The problem is not just environmental. It is closely linked to development, particularly for poor countries that rely heavily on their natural resource base for their livelihoods. Though poor countries contribute the least to global environmental change, they are disproportionately affected by environmental degradation. Small developing nations face the highest entry and transactions costs to operate within the system, but have the least resources. This puts them at very high risk of becoming disempowered and disenfranchised.[1]

Several issues are at the core of current IEG problems. The random development of more than 500 multilateral environmental agreements (MEAs) has created complexity and fragmentation in the system; this results in inefficient use of financial resources, inconsistency in the international legal system, and failure to capture functional synergies and address critical issues that cut across the narrower jurisdictions of the agreements. In addition, the United Nations Environment Programme, the central agency dealing with the environment, is weak and ineffectual. It lacks the authority or political power to serve as the anchor for international environmental efforts and exerts little influence over the MEAs. It is deficient in providing coherent and authoritative scientific advice to decision-makers and conducting policy reviews. It is constrained by a narrow mandate that does not sufficiently address development issues that are affected by the environment and it has a limited and unpredictable budget.

Several options for IEG reform were proposed in preparation for the 63rd session of the UN General Assembly. These fall into two main categories: upgrading the functions of UNEP into a UN environment organisation or establishing a new centralised, more authoritative and better-endowed international environmental organisation. In negotiations on this question, the uniqueness of the Commonwealth's membership may enable it to address key reforms that could create a more effective system for its members and the global community at large.

Seven key components form the basis of an IEG reform agenda for the Commonwealth:

1. The creation of a new UN organisation for the environment, based on UNEP. The organisation would address the coherence of environmental development policies and provide an effective means for responding to sustainable development concerns.

2. At the heart of the new organisation would be finance mechanisms and funds that would provide means of implementation, operationalise the link between development and environment and reduce procedural and administrative funding burdens.

3. The new organisation should be based on agreed core principles to ensure consistency of international environmental law between separate regimes and processes, and greater compliance with and enforcement of international law.

4. A permanent science–policy interface would provide a substantive basis for decision-making and provide the cross-cutting science to address multiple MEAs and science for policy needs.

5. The organisation could have a subsidiary body or 'co-ordination council' that would be organised according to MEA cluster areas and key environmental/development issues to ensure that the actions of the organisation remain development friendly. The council could be both a subsidiary of the new organisation and be linked to the UN General Assembly, thus giving it a political authority, hierarchy and legal clarity that would enable it to co-ordinate MEAs and policy in other domains when required.

6. The operational principles of the organisation would cater especially for the developing states whose environments are most severely threatened, with special provision for fragile small and island states.

7. The organisation would be empowered to operate or oversee mechanisms for the transfer of environmental technologies or systems to developing countries on acceptable terms to ensure rapid capacity building. The global priority should be accelerated reduction in environmentally harmful practices through access to the means to address them, rather than a debate on obligations divorced from access to the instrumentalities for achieving them.

One of the main reasons why some MEAs have been so successful is that governments have been willing to endow their Conferences of the Parties with essential powers. The question remains whether governments would be as willing to grant as much authority to a UN environment organisation as they have to specialised MEAs. The legitimacy of the suggested options will depend on how well the development concerns of developing countries are incorporated into proposals for IEG reform.

Introduction

The current calls for IEG reform may seem at first sight to be a pedantic debate over hierarchies, assigning blame and reflecting a general misunderstanding. However, a closer look at the nature of global environmental problems and the inherent short-comings of the existing structure in responding to global pollution and natural resource management challenges reveals strong arguments for a restructuring of the international environmental regime. The problem is not just environmental, but is closely linked to development. Without adequate environmental conditions, social and economic development achievements will ultimately be undermined.

Global governance is the only means through which we can respond to the scale and complexity of environmental challenges and the evolving context within which they have to be addressed. Though some issues can be solved at the national level, many environmental problems, like pollution and overexploitation of shared resources, have international implications and require collective action. No state is immune to the effects of global environmental change and all states require effective governance to mitigate and adapt to it.

Many problems have been recognised with the current IEG system: it is too large and too complex; it is chronically underfunded, but uses its resources inefficiently; it has expanded in an *ad hoc* fashion; it lacks co-ordination and policy coherence. There is often duplication within the system and it ignores interlinkages. Sometimes different organisations within the system work at cross purposes to each other. Options do exist, however, that could effectively address these problems, but they entail major reform. This paper presents some reform options for Commonwealth member states to take up as a potential agenda for negotiations at the 63rd session of the UN General Assembly.

Challenges in international environmental governance

The current limitations of international environmental governance are centred on four main issues:

1. Lack of co-ordination among the multilateral environmental agreements;

2. The weaknesses of the United Nations Environment Programme, the premier institution dealing with environmental issues;

3. Lack of financial co-ordination;

4. An operational division between environmental and developmental issues.

Complexity and fragmentation among MEAs

The MEAs provide the main policy guidance on global environmental issues. They have been integral to establishing standards, policies and guidelines for the stewardship of the global environment. However, the increasing number of treaties (500 plus) has led to a

proliferation of MEA secretariats, and related entities and institutions responsible for their administration and co-ordination. This has resulted in overlapping efforts and fragmentation, with different forums dealing with different pieces of the global environmental agenda.[2] The proliferation and incoherence of MEAs has certain advantages (e.g. division of labour and specialisation), but in general the situation leads to inefficiencies that result in the following shortcomings.

Inefficient use of financial resources: From a fundraising perspective, the decentralised system for MEAs may be effective in generating impressive levels of funding, but from a cost priority point of view it makes less sense. For example, combined MEA funding (including secretariats and implementation funds) amounts to approximately US$445 million – much more than the central budget of the World Trade Organization ($180 million) or the International Labour Organization ($255 million). The money spent on hosting multiple secretariats, meetings, procurements and administrations could be better used for environmental activities on the ground, implementing the agreements, capacity building and adapting to the challenges of ecosystem change.

Inconsistency in the international legal system: Multiple MEA processes and decision-making bodies have increased the discrepancies between international rules and interpretations. Principles such as common but differentiated responsibility and the precautionary principle are referred to in many MEAs, but are defined in different ways. The principles are therefore open to varying interpretations; this ultimately weakens their application in international and national law.

Functional inefficiencies: The burden of participation in the IEG process, and particularly in the MEAs, is enormous. A simpler integrated system would better serve the needs of many small developing countries, and allow them to participate in and benefit from the system more fully.

Failure to address interlinkages: The most important factor in this proliferation is the way in which the compartmentalisation of MEAs has left major grey zones between the conventions, which are not addressed effectively. The 'interlinkages' problem is considered a no-man's land that lies between the treaties, an area where there is less money and no legally binding obligation to create co-operation.

Weakness of UNEP

The current IEG system is centred on UNEP. It is generally agreed that the agency is fragmented, weak and ineffective in setting the agenda for global environmental governance. Moreover, the landscape and context of environmental governance has changed considerably since 1972, when UNEP was created. Some of its shortcomings can be attributed to managerial issues and bureaucracy, but other aspects are deeper and more structural.

Political authority is perhaps the most significant of UNEP's challenges. For a variety

of reasons, member states lack the political will to endow UNEP with the legal authority, status and political power necessary to co-ordinate and set policy and standards on international environmental issues.

This has also led to a lack of authority over the MEAs. Since the inception of UNEP, several hundred MEAs have been negotiated and in effect they have become the policy leaders and implementers in their respective areas. This leaves very little space for UNEP, as the MEAs have remained autonomous and outside UNEP's domain in terms of co-ordination and control. UNEP has no legal or political authority over the MEAs and whenever a reform is considered that would improve coherence and co-ordination with the MEAs, a caveat is attached to the effect that 'attention should be paid to the autonomy of MEAs and their respective treaty-based governing bodies such as the Conferences or Meetings of Parties.'[3]

Other major areas of UNEP deficiency include its lack of ability to provide coherent and authoritative scientific advice to decision-makers and those conducting policy reviews. It is constrained by a narrow mandate, small budgets and limited support.

Financial co-ordination

The dispersion of the existing financial mechanisms – spread across the Global Environmental Facility (GEF), UNDP, World Bank and separate funds such as the Montreal Protocol Finance Mechanism – is one of the major weaknesses of the current IEG system. Lack of financial co-ordination, geographic fragmentation and duplication of activities result in higher operational costs and inefficient use of resources. As mentioned above, the current IEG system is extremely costly, as each MEA has its own secretariat and Conference of the Parties, which often leads to the establishment of sub-working groups and high travel costs, increased reporting burdens and the financing of experts to draft reports.

With greater coherence in the system of governance and financing, a great deal more could be achieved with the existing resources. For the IEG system as a whole to be effective, it needs to find ways to create better links to other global policy areas and to mainstream environmental considerations into decisions on economic and security issues.

Operational division between environmental and development issues

Though UNEP has sustainable development in its remit, it does not co-ordinate its activities with other international organisations, such as the World Bank, IMF and WTO. At present, many of the important decisions affecting environmental governance are taken outside the complex system of international treaties and organisations that make up the IEG system and are made instead in areas such as trade, investment and international development. Institutions such as the WTO, UNDP and World Bank have begun to pay much more attention to the environment and sustainable development than in the past. For example, in 2000 the World Bank had an active portfolio of more than US$5 billion in environmental projects and the UNDP's portfolio was over $1.2 billion.

These organisations play an important role in global environmental governance. The World Bank in particular has a significant impact through its development activities and through its own environmental strategy. The Bank has attempted to integrate or mainstream environmental concerns into all its development work. However, the Bank's own analysis of its attempts to mainstream environmental considerations states that the environment 'is too often viewed as a luxury that can wait rather than a central part of the development objectives'.[4]

The IMF has made even less progress toward opening its lending process to outside review and environmental considerations, and the WTO is more or less closed. Decisions that govern production, trade and investment often pay inadequate attention to protecting the environment and human needs. Most development is not yet sustainable and the environment is seen as an add-on rather than the essential foundation of all human well-being and economic production.[5]

The UK Prime Minister, Gordon Brown, argued in a recent speech:

> … [t]here is an urgent need for financing of environmentally sustainable development. So while we strengthen the World Bank's focus on poverty reduction, its capacity and global reach should make it also a bank for the environment.

He went on to suggest that the IMF should focus on 'surveillance' of the global financial system in order to avert crises and not just resolve them.[6]

Current reform processes and country positions

Over the last decade, a number of calls have been made for reform of the international environmental governance system (see Annex 3.1). A heated debate has emerged on the need for and potential direction of IEG reform so that it can keep pace with its own rapid evolution.[7] The major divergence in views is whether effective reforms can take place within the present institutional framework, by upgrading the functions of UNEP, or whether the establishment of a more authoritative and better endowed international environmental organisation is needed. Within these two camps, several options have emerged, including:

1. Upgrading UNEP into a United Nations environment organisation;

2. Creating a new organisation equal to others such as the World Health Organization, ILO and WTO;

3. Creating an 'institutional roof' covering different environmental institutions, with a legal personality that covers all UN institutions and MEAs with environmental functions (this includes a proposal to cluster MEAs);

4. Promoting public policy networks and further developing a network of environmental actors.

Country positions on IEG reform[8]

In response to the report of the High-level Panel on System-wide Coherence,[9] *Delivering as One*,[10] the UN General Assembly presented an options paper in June 2007 based on informal contributions from member states. It included an overview of the Assembly's consultation process, beginning with the September 2005 world summit, and a description of the current IEG system as it is viewed by delegations together with their assessments of its current weaknesses, including the view – reportedly shared by all delegations – that the system lacks the capacity to meet current challenges. It also included seven 'building blocks' for a strengthened UN framework and set out the aims of some delegations for broader institutional transformation, including the creation of a UN environment organisation.

A number of states responded to the options paper, including Pakistan (on behalf of the G77, which now has 130 members), USA, Australia, Japan, Russian Federation, New Zealand, Mexico, China, Republic of Korea, Iran, Portugal (on behalf of the EU and several other countries), Indonesia, Egypt, Malaysia, India and France. There are four main positions, listed in ascending order of support:

Preserve the status quo: Countries that see no need for significant overhaul of the IEG system and do not support the creation of a new 'supranational' environmental organisation or the restructuring of UNEP into such an agency. The USA, in particular, appears to prefer an issues-based approach to environmental governance, which is facilitated by the current system of MEAs, focusing on key issues such as ozone or biodiversity. Many MEAs do not set specific targets or timetables, nor do they contain strong measures with regards to implementation and compliance.

A 'stepwise' approach: Countries that believe that some of the challenges can be met with small steps, but also support formal negotiations on the broader transformation of IEG. This position is supported by Japan.

Upgrade UNEP: Countries that would like to see broader transformation of UNEP. This position is generally supported by the G77 and China (though these countries have yet to reach a consensus). They are still seeking clarification on the form that the restructuring will take and how it relates to the seven 'building blocks' outlined in the options paper. China also favours strengthening the role of the Global Ministerial Empowerment Fellowship (GMEF) in guiding policy development and enhancing the role of the GEF. China, India and Nigeria also advocate integrating IEG into the broader sustainable development framework and making capacity building in developing countries an IEG priority. Small island developing states are particularly concerned about the impact of climate change and have expressed support for a wider and stronger mandate for UNEP in order to help countries fight climate change and achieve sustainable development.

A new UN environment organisation (UNEO): Countries that support more ambitious reform efforts, including upgrading UNEP into a UN environment organisation, which would be a UN specialised agency. This main proponent of this position is France,

supported by 27 EU countries and 23 others.[11] The EU fully endorses the IEG process, supporting negotiations on the 'building blocks', which describe specific and short-term possibilities to strengthen IEG, as well as on the broader transformation of the IEG system. Brazil supports the creation of an 'umbrella body' on IEG but has not yet consolidated its position.

Options for a Commonwealth agenda on IEG reform

There have been enough reviews of international environmental governance. The problems are well known – it is the solutions that will take deep political commitment. Tinkering with the current IEG model will only lead to more layers of bureaucracy and fragmentation, and with it to diminishing returns on the system's ability to protect the environment and deliver on the development agenda. At the same time, embarking on reform too quickly could cause irreparable damage to the innovations and progress that have been made over the last three and a half decades. Among the positions on the table there is scope for brokering compromise while not racing to a 'consensus product', which would mean the weakest possible governance.

The Commonwealth is a good testing ground for working out a compromise, as its members are also members of negotiating coalitions where positions have already been agreed or are currently being developed. The Commonwealth has a key EU member (the UK), as well as developing nation and small island state members which make up a significant proportion of the countries in the G77. It also includes influential G77 countries, such as India, Nigeria and South Africa. Emerging economies such as Malaysia and Singapore have played very influential roles in other negotiating forums, for example the WTO. Canada, New Zealand and Australia are often viewed as brokers in relation to OECD countries and the USA. Many of the possible compromises are in the interests of Commonwealth members, so the Commonwealth may be in a strategic position to forge a compromise between the developing countries and the EU. The need to bring in the USA could be a 'show stopper', but a dialogue among the USA, Canada, Australia and the UK might lead to US agreement either to endorse the reforms described below or at least not to block them.

Compromise: A UNEO with development at its core

Rationale: There is a need to establish an authoritative organisation with a strong political base and a clear status vis-à-vis other organisations, which will bring salience to and operationalise environmental-development imperatives.

Benefits: Coherence on environmental problems as they relate to development and an effective means for responding to them.

Proposal: The starting point is that there is broad general support for the creation of a new environmental organisation. As stated above, more then 30 countries support the creation of a UNEO and the G77, led by China, India, Nigeria and Brazil, have either

supported the idea or are not directly opposed to it, as long as a development agenda is placed at the centre of the organisation. In the past one of the major stumbling blocks to the proposal to set up a UNEO has been the developing countries' suspicion that there was a hidden agenda to move UNEP from Nairobi to Paris, Bonn or Geneva. The EU has firmly quashed this idea and has clearly stated that any UNEO would be built upon the existing UNEP secretariat and that the headquarters of the new organisation would be in Nairobi.

The second concern of many developing countries is that they would like to see the development and environment agendas more closely linked. They have expressed support and confidence in the GMEF as a body that subscribes to this view. Their principal concern, however, is that the IEG debate does not detract from this issue.

The position of the G77, including China, seems to offer an avenue for reaching a compromise under which the UNEP would be upgraded to an organisation, but would not necessarily become a UNEO. It might be possible to agree on an organisation built around the need to protect the environment and foster development (or sustainability), instead of one that is just concerned with environmental protection. This could be the key point of compromise for the creation of a new organisation – one with sustainability at its centre and with the GMEF as its principal governing body. Such a solution would have implications for existing institutions such as the Commission on Sustainable Development (CSD), which could be dissolved and the mandate for sustainable development given to the new organisation.

Political difficulty: High to medium – the need to turn UNEP into an organisation is readily recognised by developing and developed countries alike. The political difficulty lies mainly in overcoming entrenched support for redundant institutions like the CSD and developing a new structure that addresses the problems of the environment and development without disturbing innovations and mechanisms that have worked. If the establishment of a new organisation can be agreed, the following options for reform will become less difficult.

Finance mechanism as a key to the new organisation

Rationale: It is important to ensure that there is not an unstable funding base, low levels of funding for the development side of environmental issues, and fragmented and burdensome funding procedures.

Benefits: An adequate finance mechanism will provide the means of implementation, operationalise the link between development and environment, reduce procedural and administrative burdens for funding, mobilise private sector funding, create markets for reducing environment externalities and improve the value of ecosystem services.

Proposal: A key entry point to bring in the developing countries and reinforce the perception that the new organisation is committed to both the environment and development would be to ensure that the UNEO is armed with financial and market mecha-

nisms for promoting development through capacity building and access to technologies. Such an organisation could be founded on the successes that have come from promoting technology and development through mechanisms such as carbon markets and the clean development mechanism (CDM). These instruments have become key implementation mechanisms for the Climate Change Convention and their success has far outweighed the older instruments used to enforce MEAs prior to the Kyoto Protocol.

A further move to integrate the GEF into the new organisation and create a strong partnership with the World Bank and UNDP (which currently outspend all the environment activities combined) would offer an added incentive. Historically, developing countries have had much greater confidence in organisations such as UNEP and the GMEF than in the GEF, which has had a long battle to access funding, or the World Bank, which has imposed high levels of conditionality.

Political difficulty: Medium – the main challenge is to define the rules, standards and institutions for the market mechanisms and ensure that there are fewer procedural barriers to entry by developing nations. The focus on market mechanisms may require specific targets (e.g. the MDGs) and this could require a second look at international goals and objectives. Funding will require a strong financial commitment from developed nations.

Principles-based organisation

Rationale: There is a need to codify and strengthen international environmental law.

Benefits: Consistency of international environmental law between separate regimes and processes, greater compliance, and enforcement and effectiveness of the law.

Proposal: A selling point to influential developing countries outside the Commonwealth such as Brazil would be to base the new organisation upon a set of core principles. In the same way that the principles of non-discrimination, most-favoured-nation and national treatment guide the work of the WTO, or the elimination of discrimination in the workplace and freedom of association guide the work of the ILO, core environmental principles would guide the new organisation. Principles that have been built up over the last three and half decades of environmental development, such as common but differentiated responsibility, 'polluter pays', the precautionary approach and sustainable development could be at the core of the new organisation.

Political difficulty: Medium to low – most of the main principles of international environmental law are well known and many are enshrined in customary law. Providing an umbrella just reinforces them. This option could be a major incentive for Brazil, which has proposed an umbrella organisation based on principles, to enter into a deal involving some of the other options presented here. The main barrier would be the difficulty of agreeing on a hierarchy of principles. For example, 'common but differentiated responsibility' has been a major source of disagreement between developing and developed countries.

Permanent base for a science-policy interface

Rationale: There is a need for sound science for policymaking, for a holistic approach to scientific advice, including development and environment interlinkages, and for a policy and MEA implementation review, as well as a need to address the proliferation of multiple science assessments and to identify emerging issues and threats.

Benefits:

- Cross-cutting science to address multiple MEAs;

- Science oriented to policy needs;

- Independent science base with a permanent authorising environment;

- Increase in the influence and authority of a new organisation on environmental and developmental issues.

Proposal: This proposal has not been adequately reinforced in the formalisation of country positions and would be new ground for which Commonwealth members would have to argue in the negotiations. Environmental policymaking has been likened to the art of making the right decisions based on an insufficient understanding of the underlying problems. Given the tremendous complexities of the environmental challenges, effective IEG must rely on scientific information both about the problems we face and options for coping with them. However, if it is to be credible and legitimate, the new organisation cannot control the science. Science must remain separate from political persuasion but linked to policy. While the new organisation would not provide scientific assessments itself, its governing body would be the 'authorising environment' that would ensure that these assessments are salient and linked to the policy questions asked by its members.

Political difficulty: Medium to low – many lessons have already been learned from scientific bodies such as the Intergovernmental Panel on Climate Change (IPCC) and integrated assessments such as the Millennium (Ecosystem) Assessment. The main challenge is to set up an authorising environment for multiple MEAs and ensure the independence of science, while keeping it relevant to questions of policy. Processes such as the Intergovernmental Science Policy Platform on Biodiversity and Ecosystem Services (IPBES), formerly the International Mechanism of Scientific Expertise on Biodiversity (IMOSEB), have already created fertile ground for furthering this reform. The key now is to link it with the current IEG reform agenda.

Creation of a co-ordination council

Rationale: The current hierarchy of IEG decision-making is incoherent, leading to fragmentation, inefficiencies and overlap. There is a need for better co-ordination with MEAs and development organisations such as the UNDP and World Bank.

Benefits:

- Clear foundation for co-ordination, providing legal clarity, political authority and leadership;

- Reduction of costs;

- Addresses interlinkages between MEAs;

- Improved implementation.

Proposal: Piecemeal reform of the IEG system has resulted in compromises and sticking plaster solutions developed in the absence of a political consensus on major IEG restructuring that has accompanied institutional proliferation. Such institutions include the Environmental Management Group, the Liaison Group for Biodiversity Related Conventions and the Liaison Group for the Rio Conventions. These are toothless information-sharing mechanisms and their function could be better served by co-ordination at more strategic levels of decision-making. Furthermore, they only partially cover the areas where co-ordination is required.

In place of these mechanisms a co-ordination council could be created under the new sustainability organisation, with a membership composed of a representative group of countries, rather than secretariats. The council would be both a member-driven body of the new organisation and a subsidiary organ of the UN General Assembly, and would report directly to the Assembly. This would ensure that it has legal authority and status, and a solid power base from which to promote co-operation among the MEAs. In order to address the diverse issues covered by the MEAs, the council could have committees based on MEA clusters such as marine issues, land, biodiversity, atmosphere and chemicals. The idea would be to create broad categories in which co-ordination committees could maximise the benefit of working together.

Clustering MEA secretariats has been an issue that has gained some political traction in past rounds of discussions on IEG reform. On face value, it continues to attract support, but the devil is in the detail. There are many small MEAs and conventions that have not been implemented or that have been superseded by newer MEAs; integration makes a great deal of sense from the point of view of financial savings and coherence. For example, the conventions on chemicals and hazardous wastes, and some of the biodiversity-related and conservation conventions are often cited. On the other hand, there are important conventions such the United Nations Framework Convention on Climate Change (UNFCCC) that are already working well and would be very hard to cluster. However, instigating real co-ordination among conventions such as the UNFCCC and others has been very difficult; the UNFCCC currently has no legal responsibility to co-operate with UNEP and it very much views itself as independent. The clarity of the co-ordinating role described above would ensure both that conventions such as the UNFCCC continue to have a role and that critical areas where climate change interacts with other major MEAs and conventions are properly addressed.

Political difficulty: High to low – membership of the MEAs roughly overlaps, but there may be instances where it is not totally congruent and this may cause technical problems and resistance. It will be argued that co-ordination mechanisms already exist in the current IEG system and replacing bodies such as the EMG and liaison groups may be difficult. Meeting the argument that ECOSOC has never delivered effective co-ordination among the current IEG institutions will be key to this reform, and thus to the proposal for the creation of a co-ordination council that has direct access to the UN General Assembly.

Conclusion

There are many forms that IEG reform could take. This paper has set out the principal challenges and suggested some areas for potential agreement and how to move the debate forward. In the past, Commonwealth countries have been major leaders in putting forward IEG initiatives. In 1992, on the eve of the Rio Summit, Sir Geoffrey Palmer, the former Prime Minister of New Zealand, called for the establishment of a specialised UN agency for the environment called the International Environmental Organisation.[12] In 1997, on the eve of the Rio+5 Special Session of the UN General Assembly, South Africa's then Deputy President, Thabo Mbeki, and Singapore's Prime Minister, Goh Chok Tong, collaborated on a Declaration for a Global Initiative on Sustainable Development that included the creation of an new umbrella organisation with UNEP as a major pillar.[13] In 2000, Canada's Environment Minister, David Anderson, chaired the UNEP IEG discussions that led to the Cartagena Package. In 2006, in a speech at Georgetown University, UK Prime Minister Tony Blair declared there was a need for a UNEO 'commensurate with the importance the issue [environment] now has on the international agenda'.[14] Commonwealth members are not strangers to this issue and have in the past taken the initiative on driving reform, but reform takes political will and vision. A step-by-step process will work only if the steps are planned carefully, without conditionality. They must be bold steps towards real change.

One of the main reasons why some MEAs have succeeded is that governments have wanted them to and have therefore been willing to endow their Conferences of the Parties with essential powers. However, the question remains as to whether governments would be as willing to grant as much authority to UNEP as they have to specific and specialised MEAs. The practicality of the suggested options will depend on how well the development concerns of developing countries are incorporated into proposals for IEG reform. The Commonwealth is a unique partnership and could become a major catalyst for brokering or leading an agreement on IEG. Its biggest challenge is to avoid a political consensus around the lowest common denominator in the search for a way forward that serves the diversity of its membership.

The Commonwealth must also remain true to its time-honoured commitment to the interests of small and vulnerable states (particularly small island states in the context of environment) in terms of the priorities it sets. The data that are now becoming avail-

able demonstrate the urgency of this issue. More generally, the core pragmatic outcome will have to ensure mechanisms through which environment-related technologies and systems can be speedily and competitively accessed by developing countries, apart from the burden of responsibility shouldered by the developed countries. Political commitment must go hand in hand with practical commitments to contain the projected threat. These improvements need not wait for the outcome of the debate on organisation. The Commonwealth could take the lead in consulting on, and proposing initiatives for, wider global consideration in this pivotal area of current deficit.

Annex 3.1

Recent Developments in International Environmental Governance Reform

Over the last decade, a number of calls have been made for reform of the international environmental governance system.[15] The main current initiatives are:

- Informal consultations in the UN General Assembly, co-chaired by Mexican Ambassador Enrique Berruga and Swiss Ambassador Peter Maurer, to capture the views of member states on the major questions of the UN's environmental governance infrastructure;

- The High-level Panel on System-wide Coherence established by the former UN Secretary-General Kofi Annan, which made recommendations on environmental governance in its report, *Delivering as One*;

- A third parallel process taking place outside the UN system, involving approximately 50 governments known as the 'group of friends of UNEO', who are canvassing support for a UN environment organisation.

- Discussions in UNEP's Governing Council Global Ministerial Environment Forum (GC/GMEF). A key issue on the table at the 10th special session of the GC/GMEF, held in Monaco, 20–22 February 2008 was approval of UNEP's new medium-term strategy for 2010–2013.[16]

Evolution of the IEG reform process

Year   Reform

1997   UN Secretary-General Kofi Annan launched a UN-wide reform initiative. The Nairobi Declaration on the Role and Mandate of UNEP restated UNEP's role as the leading authority in the field of the environment. The Declaration was adopted by the UNEP Governing Council and endorsed by the UN General Assembly in an attempt to revive UNEP and re-establish its authority.

The UN Task Force on Environment and Human Settlements was appointed by Kofi Annan to focus on inter-agency linkages and the revitalisation of UNEP. The Task Force's recommendations were adopted by the General Assembly, leading to the creation of two new co-ordinating bodies: the Environmental Management Group and the Global Ministerial Environment Forum.

1999   The Inter-agency Environment Management Group was established as a mechanism for providing UNEP with an effective and strong co-ordinating role within the UN system.

2000   The Malmo Declaration was adopted by the GMEF. It requested that the World Summit on Sustainable Development review the requirements for an enhanced institutional structure for global economic governance, including how to

strengthen UNEP and broaden its financial base and how to better incorporate non-state actors into the global environment governance system.

2000–2002   The Cartagena Process was initiated to assess options for reforming global environmental governance. The 21st session of the UNEP GC/GMEF convened the open-ended intergovernmental group of ministers or their representatives on international environmental governance to assess the options for strengthening UNEP, improving the effectiveness of MEAs and improving international policymaking coherence. The report from the process was transmitted to the CSD and the World Summit on Sustainable Development.

2002   The Johannesburg Plan of Implementation, adopted by the World Summit on Sustainable Development, called for the full implementation of the Cartagena decision.

The eighth special session of the UNEP GC/GMEF met in Jeju, Republic of Korea to discuss progress on the Cartagena decision.

2003   French President Jacques Chirac called for the creation of a United Nations Environmental Organisation (UNEO) at the UN General Assembly. In response, an informal working group was set up to facilitate dialogue among governments on the reform of UNEP.

2004   The Bali Strategic Plan for Technical Support and Capacity-building was adopted by the UNEP GC/GMEF, outlining proposals for improving the capacity of developing countries and economies in transition to implement MEAs.

2005   The UN world summit called for the strengthening of co-ordination within the IEG framework and for the integration of environmental activities at an operational level into the broader sustainable development framework. Informal consultations began in the UN General Assembly.

2006   The High-level Panel on System-wide Coherence in the Areas of Humanitarian Assistance, the Environment and Development was created after the 2005 world summit. The Panel delivered its report, *Delivering as One*, in November 2006. Two co-chairs (the ambassadors of Mexico and Switzerland) were appointed to conduct an informal consultative process on institutional frameworks for environmental activities.

2007   The co-chairs delivered an options paper based, but were requested by the UN Secretary-General to continue their consultations

The UNEP GC/GMEF met in Monaco, and there was frank and open discussion of key country positions on IEG reform. The chair of the UNEP GC observed that there was a growing convergence of ideas about reform. Countries began refining their positions in preparation for negotiations at the 63rd session of

the UN Assembly. In May 2008 a closed-door meeting on IEG was hosted by Costa Rica in New York, attended by representatives of 30 countries. The issue of linking the environment and development more strongly in one organisation was discussed. A draft General Assembly resolution on IEG proposed by the co-chairs is currently circulating informally among governments.

Notes

1   Summary Record of the Seventh Meeting of the Commonwealth Consultative Group on Environment, 7 February 2001, United Nations, Nairobi, http://www.thecommonwealth.org/shared_asp_files/uploaded files/%7BFF741F64-7220-4EA2-AE17-5CA65C5AB659%7D_7%20summary%20record.pdf, 15

2   According the United Nations Joint Inspection Unit report, *Management of Environmental Governance within the United Nations System*, Geneva, 2007, JIU/REP/2007/XX, there are more than 500 international treaties and other environment-related agreements. It is estimated that 70 per cent of these are regional in scope and that 60 per cent were agreed since the formation of UNEP in 1972.

3   See, for example, the EU's first reaction to the co-chairs' options paper, 'United Nations Informal Consultative Process on the Institutional Framework for the UN's Environmental Activities', 4 October 2007, New York, http://www.europa-eu-un.org/articles/en/article_7452_en.htm

4   World Bank, 2001. 'OED Review of the Bank's Performance on the Environment', Sector and Thematic Evaluation Group Operations Evaluation Department, Washington DC, 5 July 2001, p. 23. Available at http://wbln0018.worldbank.org/oed/oedevent.nsf/0/77e5ad90ef06cf3c85256a7d006fb06f/$FILE/OED_environment_review.pdf. Accessed on 9 May 2008.

5   UNDP, UNEP, World Bank and World Resources Institute, 2003. *The World Resources Report 2002–2004: Decisions for the Earth: Balance, Voice, and Power*. Available at http://www.energyandenvironment.undp.org/undp/index.cfm?module=Library&page=Document&DocumentID=5066. Accessed on 9 May 2008.

6   See statement issued by UK Prime Minister's office, 'PM calls for world institutions shake-up', 21 January 2008. http://www.number-10.gov.uk/output/Page14319.asp

7   Ibid.

8   Compiled from the Centre for UN Reform Education website, 'Additional Views from Member States on Options Paper to Strengthen International Environmental Governance', http://www.centerforunreform.org/node/289); Lydia Swart, 2007. 'Consultations at UNGA on Environmental Activities Reach Critical Stage', 30 January 2007, http://www.centerforunreform.org/node/236

9   The UN High-level Panel on United Nations System-wide Coherence in the Areas of Development, Humanitarian Assistance and the Environment, co-chaired by Luisa Dias Diogo, Prime Minister of Mozambique, Jens Stoltenberg, Prime Minister of Norway and Shaukat Aziz, Prime Minister of Pakistan, which reported in November 2006.

10 United Nations, 2006. *Delivering as One*, report of the High-level Panel on United Nations System-wide Coherence, http://www.un.org/events/panel/resources/pdfs/HLP-SWC-FinalReport.pdf. Also available as document number A/61/583 at http://documents.un.org/

11 As of April 2007.

12 G Palmer, 1992. 'New Ways to Make International Environmental Law', *American Journal of International Law* 96: 259.

13 Maurice Strong, in an interview with Geoffrey Lean, 1997, 'Remaking Industrial Civilization', *Our Planet* 9(1): 9.

14 Speech by UK Prime Minister Tony Blair, 26 May 2006. Available at http://www.number10.gov.uk/output/Page9549.asp

15 A Najam, P Mihaela and T Nadaa (lead authors), International Institute for Sustainable Development (content partner), Cutler J Cleveland (topic editor), 2007. 'Global Environmental Governance: A Primer on the GEG Reform Debate', in *Encyclopedia of Earth*, Environmental Information Coalition, National Council for Science and the Environment, Washington DC. First published in the *Encyclopedia of Earth*, 5 April 2007; last revised 14 May 2007; accessed 25 April 2008.

16 IISD, 2008. 'Summary of the tenth special session of the UNEP Governing Council/Global Ministerial Environment Forum', *Earth Negotiations Bulletin* 16 (66), Monday, 25 February 2008. http://www.iisd.ca/vol16/enb1666e.html

4

A Commonwealth Initiative to Support Reform of the IMF and the World Bank

Ngaire Woods

This paper outlines why reform of the IMF and the World Bank has become especially urgent, looks at what is missing from the discussion and makes proposals on how the Commonwealth can contribute to the current debate.

The urgency of reform: why now?

Both the IMF and the World Bank are undergoing reform. On 28 April 2008 the IMF's Board of Governors adopted 'far-reaching reforms' of the institution's governance structures. Two things are at stake: the organisation's 'credibility and legitimacy' needs rebuilding;[1] and as emerging economies have turned away from the IMF, its income has plummeted, leaving it with an estimated shortfall of US$400 million a year by 2010 and forcing it to lay off 300–400 of its 2,600 staff members.

For the World Bank the crisis is less imminent, but pressures are building. 'Concrete options' for reform have been demanded by the government ministers who oversee the Bank (the Development Committee), who considered the issue in October 2008. The World Bank is calling for 'a process that is inclusive and consultative among shareholders' and delivers rapid results.

Critics argue that the reforms that are being undertaken are nowhere near far-reaching enough, and that they amount to little more than tinkering at the edges. Scholars at the Brookings Institution have argued that the proposed package of reforms falls 'far short of the goals of the exercise'. Insiders, on the other hand, say the reforms are the beginning of a dynamic process of change.[2]

The Commonwealth is well situated to help shape this process. It has long been concerned with the Bretton Woods institutions.[3] It is uniquely placed to represent a wide range of stakeholders, not just because it has members on every continent, but also because of its status and habits as a listening institution.

The stakes are high. Governments all over the world have underscored their hope that the IMF and the World Bank will ensure that appropriate collective action is taken on global financial stability, climate change, food security and the achievement of the millennium development goals, including those on health and education. The current financial crisis demonstrates the need for global action, which the IMF could be uniquely placed to undertake. In development finance there has never been a stronger case for greater multilateral co-operation. As more money and agencies become involved, the World Bank has a unique role as a multilateral forum for negotiations among donors, as

well as a facilitator of broader co-operation by providing modalities for collaborative development assistance, providing information, reducing the transactions costs of aid and ensuring a better allocation of development finance across countries and sectors.

In many ways the IMF and the World Bank are well placed to deliver on global priorities. They sit at the heart of international economic co-operation with a capacity to lend, set standards, offer policy advice and host negotiations among most countries in the world. They have expert staff, good quality data and long experience of policy in dozens of countries.

What is missing from the IMF and the World Bank as they are currently structured is adequate 'buy-in' from all their members. If either agency is to be effective as a forum for global negotiations or global action, it must inspire political confidence and engagement of countries whose co-operation is vital if the issues listed above are to be addressed. The institutions must be seen as a *neutral meeting ground* within which key governments can meet and negotiate. Each institution must be *perceived and trusted as an impartial arbiter or advisor*.

The problem for the IMF and the World Bank is that their governance structures are locked into the past. IMF governance reflects a world in which the USA was the largest creditor and financial stability depended upon decisions made by the USA or G7. Today, the USA is the world's largest debtor and financial stability depends as much on decisions made in Beijing and Dubai as in Washington. The World Bank's governance was created to mobilise capital from Wall Street and on-lend it to developing countries. Today, global development finance is increasingly accessed directly from private sources and from emerging economies such as China, the Gulf States, India and Brazil. Yet both institutions still have their headquarters in Washington DC and US influence is maintained through both formal rules and informal practices.

A further problem is that neither of the institutions has developed as a forum for serious multilateral co-operation. Instead, they have been used mainly to foist change on developing countries. In the words of former IMF Chief Economist Raghuram Rajan: 'some of the largest industrialised countries see themselves as more sovereign than others, and their politicians brook no interference in their own domestic policies, while being fully prepared to use multilateral agencies to intervene in the domestic politics of others'.[4] The institutions' governance structures have made it too easy for industrialised countries to urge others to reform without committing themselves to any of the self-restraining or regulatory actions which are required if the global action mentioned above is to occur.

The current process of reform within the IMF and debate about reform within the World Bank is taking place mainly among their most powerful shareholders and those they have seen fit to include through special individual deals. There is a structural problem with this. Seriously under-represented emerging economies have little incentive to push for reform within formal structures which are tilted against them. The result is that instead of engaging, most are looking for alternatives or taking up special offers in an opportunistic way. They are not formally disengaging, but in practice they are letting the institutions slip to the margins of their policymaking.

Listening beyond Washington DC

The voice of emerging countries has for a long time been curiously absent from the debate about how to reform the Bretton Woods institutions. They have not advanced proposals about restructuring – they have too little confidence that such efforts would be repaid. But they do have views on what they need from international co-operation. More importantly, they have views about what kind of institution would command the confidence of other countries.

Views outside Washington DC have been probed and scoped out in various forums. The Global Economic Governance programme has co-hosted four regional consultations with finance officials in Asia, the Middle East, Africa and Central Asia, and collaborated in a meeting of Latin American officials and commentators. These consultations have been focused on the future of the IMF, but have sometimes included discussion about the World Bank. In each consultation, senior finance officials have discussed their needs from global monetary co-operation and the role the international institutions could play. A parallel process was sponsored by the Friedrich Ebert Foundation, whose reports are incorporated in the points made below in relation to the three regions which directly involve Commonwealth countries.

In Asia, the IMF faces a deep crisis of relevance and criticism of its legacy.[5] The politest view of the IMF's record during the East Asian financial crisis is summed up in the following comment: 'we discovered that the fire brigade was too far away'. Subsequently, some Asian countries have self-insured, stockpiling their own reserves and setting up their own swap arrangements (in the Chiang Mai Initiative), which they are rapidly multilateralising, and developing regional information sharing and standard setting. For these countries, IMF assistance in the future would be politically out of the question and IMF technical or policy advice is deemed 'not relevant'. Countries say: 'they do not have the expertise to advise us'. For these countries, the one use for the IMF in the region is as an indirect arbiter of regional swap arrangements (good standing with the IMF is required to access some of the sums available). The World Bank also plays only a minor role within the region. It is criticised for delivering loans that are of poor quality, with a high proportion of costly technical assistance. Many Asian countries now have access to multiple sources of development financing; indeed, some are now donors in their own right.

Several Asian countries now have alternatives to their previous reliance on the IMF and the World Bank. These countries have become systemically important – they should be included in global dialogue on monetary co-operation, financial stability and development assistance. This poses a significant challenge to the reform process underway in Washington DC. Ask Asian countries in what kind of multilateral institution their governments would have confidence and the answers take you to the foundations of the Bretton Woods settlement. Particularly important are the assurance mechanisms necessary to engage a disaffected and non-needy country or group of countries in closer and deeper global co-operation.

In the Middle East, the legacy is very different from that in Asia. The countries of the region also differ among themselves.[6] There are at least three different groups of stakeholders in an area where regional co-operation is patchy and fragmented. In countries with a security crisis – such as Lebanon and the area controlled by the Palestinian Authority – the role of the IMF and the World Bank as impartial and non-political analysts and information-providers has been greatly valued. It is conceivable that once they have been reconfigured the institutions might in the future play a similar role in Iraq. In contrast, a second group of countries, for example Egypt and Jordan, have borrowed in a more traditional way from the IMF and the World Bank – and here there is criticism of the inflexibility and perceived economic interests embedded in the conditionalities attached to Fund and Bank lending in the region. For these countries, the most necessary reform of the institutions concerns their responsiveness. Finally, a third group of stakeholders are non-borrowing creditor countries such as Saudi Arabia and the Gulf States, which are concerned about the governance of the institutions and ensuring that as providers of reserves and development finance their role is formally recognised through adjustments to quota and governance. These countries are significant stakeholders in the global financial system and provide substantial development assistance. For these reasons it is vital to consider what the IMF and the World Bank would look like if these countries were to be more fully engaged.

For countries in the Middle East, the reform of the IMF and the World Bank is important. Creditor countries in the region have their own monetary insurance and development assistance programmes. Even though they have not consolidated regional arrangements in the way that the Asian countries have done, their engagement in the multilaterals cannot be taken for granted. Fundamental governance reform is therefore vital. Borrowing countries in the region value the advisory role of the IMF and the World Bank, but the institutions' programmes need to be far more responsive to the needs of borrowers.

In Africa, there is great anger about the inflexibility of the institutions in spite of the new rhetoric about ownership and streamlined conditionality.[7] Officials express deep frustration with IMF and World Bank inflexibility and prescriptiveness. As one finance minister put it in May 2008:

> … we share the same goals as the IMF but when our situation changes, such as when fuel prices increased last year, and as a government we need to respond to that change, the IMF told us that we could not vary what we have agreed in our programme with them until the next IMF mission comes into town some months later. To our people this makes it look as though the government is unresponsive and incompetent.

Traditionally, African borrowing countries had few choices. However, this is changing. Debt relief and investment by Chinese and other new providers are creating wider choices. Hence, Ghana has become the first African long-term IMF borrower to 'break free' of the institution, as the Ghanaian government sees it.

The key issue for the IMF and the World Bank is how they can become more responsive to *all* members, including African countries, through reforming their governance and the operations and management (which are shaped by governance) of individual country programmes. Most African countries need external assistance. Several now have the possibility of loans and investment from new donors. If the IMF is to play an advisory role, it will need to radically refashion the way in which it engages with governments in the region.[8] The World Bank, meanwhile, has a vital role to play not only as a provider of development finance, but as an institution with the capacity to assist countries in co-operating in development finance – a critical role amidst a proliferation of new stake-holders, including both private investors and aid donors.

In sum, the IMF and the World Bank should be uniquely placed to promote co-operation among governments to ensure global financial stability and partnership in providing development assistance. In practice, serious reform is required to equip them to do this. Where countries are able, they are turning away from the multilateral agencies.

What needs to be done?

Reinvigorating the IMF and the World Bank to make globalisation more inclusive requires rebuilding the multilateral character of each institution. *Emerging economies need to have confidence in the institutions if they are to fully engage.* For this, they will need assurance that the institutions belong as much to them as to other countries. At present, they see the institutions as instruments of US or G7 economic interests and values. Equally important, *poorer developing countries need institutions that are responsive to elected governments.* In spite of longstanding promises to enhance ownership, put governments in the driving seat, and reduce and streamline conditionality, the experience of African negotiators remains, depressingly, the same as it was ten years ago.

It is possible to win the confidence of emerging economies. When the Bretton Woods institutions were created, confidence was created through their governance. In 1944, the original structure of the IMF and the World Bank ensured the engagement of the USA and Wall Street. Since the USA was then the world's largest creditor, as well as the world's largest potential purchaser of World Bank bonds, this confidence was crucial. It was delivered through a system of formal and informal controls.

Specific measures were used to ensure 'buy-in' and engagement to win the confidence of key members, particularly a USA anxious to avoid entanglements. That experience has important lessons for how each agency could be adapted to today's circumstances. The assurance mechanisms in the design of the institutions included control over the headships (and chair of the board) of each organisation; an informal say in the appointments of senior management; weighted voting; a small technocratic board on which the USA had the power of veto over key decisions; and headquarters in Washington DC.

Equally, it is possible to make the institutions more responsive to poorer countries, for example through more robust accountability aimed at results on the ground and through decentralisation, rather than the mitigation of risk in Washington DC.

The heads of both organisations – and who appoints them and holds them to account during their tenure – are crucial. Until now the Managing Director of the IMF has been appointed by a small group of European countries in consultation with the USA, and the President of the World Bank has been named by the USA.[9] The heads chair the boards and hold senior management and staff to account, promoting, hiring and firing, and setting directions for each organisation. Their actions are ostensibly supervised by an executive board which is ill-equipped to hold management to account. The result is that the countries who appoint the Managing Director and President skew the accountability of the whole organisation towards themselves. For the wider membership this element of governance underscores the extent to which the IMF and the World Bank are transatlantic, rather than global, organisations. Small moves have been made within the IMF to make the appointment of its Managing Director more meritocratic and transparent. As yet, no such moves have been made by the World Bank.

In each institution decisions are made in ways that provide little incentive for many countries to engage. The rationale is out of date. The formula which allocated to the USA enough votes to give it a power of veto no longer ensures that key stakeholders can participate. On the contrary, it is an obstacle to participation. Missing in both organisations has been an inclusive and trusted process for changing the allocation of votes and the way decisions are made. Put simply, what is now required is for a properly representative group of members, with legitimacy across the full membership, to rewrite not just the voting formula but the decision-making rules of each institution.[10] A change in the Articles of Agreement to effect this would require the agreement of three-fifths of all members having 85 per cent of the total voting power (article XXVIII) and be subject to the provision that no change in a member's quota shall be made without its consent (article III, Section 2(d)).

The location of the institutions is a crucial element in determining whether or not they are perceived to be truly multilateral. The Articles of Agreement require that 'the principal office of the Fund/Bank shall be located in the territory of the member having the largest quota/greatest number of shares'. Each institution may also establish 'agencies or branch offices … in the territories of other members'.[11] Although it has been proposed that the boards should be non-resident – an idea with many merits in attempting to promote high-level international co-operation – the location of the agencies is a real block to this. The resident executive boards, which represent (however imperfectly) the full membership, are the thin line between the perception of the IMF and the World Bank as international agencies, rather than as US institutions. That said, location is a core element of the 'assurance' mechanisms mentioned above. Changing location so as to headquarter either institution in a country which was not the principal shareholder would require a change in the Articles of Agreement.

In practice, some authority in each institution is already shifting away from Washington DC. For example, Asian countries have already begun to develop regional monetary arrangements. Their reliance on the IMF as external disciplinarian is less direct than that of other regions. They retain control over their reserves, but delegate an

agency of restraint function to the IMF. To this extent, the IMF has legitimacy in the region. The challenge now is to define devolutions of authority which suit different regions and groups of countries, so that devolution enhances the legitimacy of the institution, and its responsiveness and effectiveness.

Decentralisation has been the Bank's approach to making itself more responsive to members. In some cases it has devolved significant authority to its country offices, bringing its development lending and advisory work closer to country priorities. In several cases this has proved to be a very successful strategy. Building on this, the Bank's package of governance elements could be better configured to earn the trust of members whose co-operation it requires, as well as to invigorate it as a forum for co-operation on development assistance.

A Commonwealth strategy: three reform agendas

The countries of the Commonwealth – both large and small – have important interests at stake in reinvigorating the IMF and the World Bank. Effective multilateral institutions are crucial in a changing global economy. As power shifts to emerging economies, their commitment to interstate dialogue and negotiations and to co-operation will be key to resolving issues that include financial stability, development assistance, food security and climate change.

The transformation required in the institutions is one which would lead them to be perceived by members as:

- A neutral forum within which member countries can seriously discuss multilateral co-operation and action;

- Impartial arbiters of internationally agreed standards or codes;

- Unbiased advisers and providers of information.

How might the Commonwealth contribute to the current debate?

- One option is to support the modest reforms which are ongoing within the IMF and that could be extended to the World Bank;

- A second option is to take the current reform debate beyond the institutions themselves, using informal and other formal institutions to ensure a more inclusive debate;

- A third option is to host or support the hosting of a new Bretton Woods-style conference to re-engage countries in multilateral processes.

Scenario 1: The current reform agenda

Commonwealth governments could opt to do nothing more than continue to support the process already underway. These reforms include the resolution adopted by the IMF Board in 2007 opening the selection process for the head of the organisation to all can-

didates on an equal basis without regard to nationality. (This resolution was followed by the selection of yet another European to the post.) More recently, three additional measures have been approved. First, voting power in the IMF has always had an element of universality, with a small number of 'basic votes' equally distributed among all countries. The number of basic votes is to be increased slightly to about 5.5 per cent of the total. Second, the votes apportioned according to economic size and openness are also being altered slightly: the quotas of China, Republic of Korea, Mexico and Turkey have already been increased and a second round of *ad hoc* changes has been approved.[12] Third, an additional two alternate directors will support the two executive directors who represent 44 African countries in the IMF (with a total of 4.4 per cent of votes). The IMF board is also being urged to use its existing powers to recommend further realignments in quotas and votes every five years.

The positive view of these reforms is that they are the beginning of a process of change. The commitment to deepening the five-year reviews of quotas and votes points in this direction. These changes are already underway. They do not require further determined action by governments, other than gently to nudge the process along. That said, there are serious risks in this scenario.

The World Bank is more or less untouched by the current governance reforms. Put another way, the pressures which have pushed IMF governors and management to respond to demands for change have been inadequate in bringing about changes in the World Bank, whose governance structure reflects that of the IMF because of historical accident.[13]

If no change occurs in the World Bank's governance, this could have grave consequences for the Bank's ability to discharge its present and future responsibilities. The Bank is being asked to take a lead on climate change. Yet at present it is also expected to find new and more responsive ways to work with large emerging economies – who are its fee-paying clients. Without substantial new resources and a new multilateral authority that will set out principles for co-operation on climate change, the Bank's work will soon be full of contradictions.

Dilemmas are already emerging for the World Bank Group. Will the Bank turn down loan requests from powerful emerging economies if they are not climate friendly? The recent support by the International Finance Corporation for the Tata Mundra coal project in Gujarat state in India suggests that it will not. For the Bank to apply stringent new climate change standards to its loans will simply make them unattractive to key clients in the absence of additional resources and much greater credibility as a neutral and impartial setter of international standards.

Similarly, if the Bank is to promote multilateral co-operation on aid, it must engage in a new way with the so-called 'new donors', which include China, the Gulf States and Venezuela. For this reason also the Bank needs governance reform.

Within the IMF, incremental reform may fail to adequately address the urgency of the pressures the IMF is under. In the words of its new Managing Director, the IMF not only faces massive budget cuts this year, but it must reinvigorate both its 'relevance and legit-

imacy'. Incremental reform risks consigning the IMF to terminal irrelevance before the reform process bears fruit. Its ongoing relevance will depend upon whether members empower it to promote further multilateral co-operation, and provide emergency lending and advice.

In respect of the IMF, there is a risk that the current reforms will do very little to ensure that it is perceived by key members as a neutral forum within which they can seriously discuss multilateral co-operation and action to ensure financial stability or stable exchange rates. The reforms may not be enough to persuade countries that the IMF can act as an impartial fire brigade, close enough to member countries to ensure that the short-term provision of liquidity is rapid and effective, or as a neutral adviser and provider of information on economic policy. Moves to open up the selection of the Managing Director have not yet won credibility. The quota, vote and representation reforms in no way meet the needs and reflections of officials in Asia, Africa and the Middle East. There may well be a structural problem with expecting internal incremental change to produce results.

The push for significant reform in both the IMF and the World Bank is unlikely to come from emerging economies such as China, Republic of Korea, Brazil, Mexico, Argentina and Turkey, who have *de facto* left the IMF and are much less reliant on the World Bank. Nor is pressure likely to come from developing countries who rely on the institutions for funding, but who see 'exit' as their best option for change. It is also unlikely that the present major shareholders of the institutions will push in a coherent way for reforms which dilute their own relative power, even if individual members are examining various options. For these reasons, other avenues for reforming the IMF and the World Bank need to be considered.

Scenario 2: Pushing reform through the G20 and expanded institutions

An alternative scenario would be to extend the reform debate beyond the IMF and the World Bank to a more inclusive and consultative forum than the formal structures of the organisations permit. Many propose, for example, that discussion of reform should take place in the G8 or some expanded version of that forum.

Undoubtedly it is useful to expand discussions about the governance and mandate of the financial institutions. Ideally, small groups permit more frank and creative dialogue, opening up a wider range of win-sets to participants. But would this approach really engage those countries who have an incentive to simply go their own way? Is there any evidence that countries outside the G7 trust such processes?

An expanded G7 grouping has been tried. In the wake of the 1997 East Asian crisis, a G20 finance ministers group was set up explicitly to examine the international financial architecture. On one view, the results of that exercise were a success: the G20 spearheaded discussions which led to the reforms described in scenario 1 above. However, some analysts have noted that although the G20 successfully fostered exchanges among some ministers, in its early years the communiqués resulting from G20 discussions seldom

went much further than those of the G7.[14] For many emerging and developing countries, the G20 is perceived as lacking legitimate authority, in large part because it deprives so many countries of formal rights of representation and has little accountability.

The problem with existing forums is that none command sufficient confidence or have the right balance of authority and legitimacy to transform the Bretton Woods institutions. There is a strong case for a fresh way forward.

Scenario 3: A new Bretton Woods-style conference

If the key to transforming the possibilities of multilateralism is to fully engage important new stakeholders at the heart of multilateral initiatives, then perhaps the exercise needs to be built from the ground up. Key stakeholders must agree an institutional design that gives them assurance about *the neutrality of the forum*, *its impartiality* and *lack of bias in advice and information*. This requires more than tinkering. For all members to believe that the institutions have these attributes, there must be high degrees of representation, participation and accountability.

An obvious successful precedent is the post-war conferences that built and reinforced multilateralism. A new international conference could be called. Its location would have crucial symbolic importance, signalling from the start the intention of the exercise to build a new and more global multilateralism.

A global conference would permit changes to the institutions' Articles of Agreement. Such amendments require a majority of all members as well as a majority of votes. A conference would permit agreement to be sought not just from powerful countries, but from the majority of members.

How could such a negotiation be made effective and participatory? One route would be to structure the conference into: (i) agenda setting, in which all affected countries would have an input and where transparency would be crucial; and (ii) negotiations on the specific design of the institutions, involving key stakeholders (countries without whose co-operation implementation would be impossible), with representation and oversight from regional and collective organisations of smaller members.

The Commonwealth could contribute much to this fresh approach: advising and bringing to bear its knowledge and research; representing those of its members who might otherwise lose out, in particular small states; and overseeing and monitoring the conference on their behalf. Last, but not least, a new conference could learn from the legitimacy the Commonwealth enjoys among its members; their trust in its neutrality, impartiality and lack of bias suggests that the institutional design and structure of the Commonwealth may well have elements relevant to a new multilateralism.

A checklist for Commonwealth governments

Members of the Commonwealth and the wider global community need multilateral institutions that are effective in promoting co-operation and global action to ensure a more inclusive globalisation. Specifically, many have made it clear that they are looking

to Heads of Government to reform the Bretton Woods institutions so that they:

- Prevent the destruction of assets by turbulence in financial markets caused by flaws in preventive surveillance and regulation;

- Address climate change by generating and effectively delivering the additional resources needed to import technology, equipment and systems related to the protection of the environment;

- Strengthen lending instruments in developing country financial institutions to promote the entrepreneurship and small and medium-sized enterprises crucial for employment generation and innovation;

- Write off all 'odious debt' to free resources to maintain momentum in reform, debt restructuring and attracting fresh sources of finance;

- Create more comprehensive instruments to cushion small and vulnerable states against natural disasters which inflict disproportionate damage on these fragile economies, through different windows of catastrophe insurance, rapidly dispersing grants and soft loans;

- Create financial facilities to cushion small and vulnerable states against extreme rises in energy, fertiliser and food prices.

If the IMF and the World Bank are to deliver on these aspirations, they need the full engagement of major emerging countries, and they must become more responsive to their smaller, most needy members. Heads of Government need to plan steps to transform the institutions so that they are seen to be genuinely multilateral, as opposed to being owned and operated by the G7.

This is a major task. It requires institutional reforms relating to location, representation, shareholding, voice and transparency. It requires clearer incentives for the institutions to support governments, rather to prescribe to them: supporting stable governments to build and deliver their own national strategies for inclusive development, good governance, and democratic processes and institutions. It requires incentives for the institutions to act with speed and flexibility during democratic transitions and in countries that are emerging from conflict. Nothing short of an international conference to build a new multilateralism is likely to succeed in this.

Notes

1   'Transcript of a Conference Call by Senior IMF Officials on Board of Governors Vote Quota and Voice', Washington DC, Tuesday 29 April 2008, www.imf.org/external/np/tr/2008/tr080429a.htm

2   Agustin Carstens, 'Give the IMF's Dynamic New Quota Deal its Due', *Financial Times*, 15 April 2008.

3   Including through the Commonwealth Finance Ministers group which regularly examines and reports on the roles of the IMF and World Bank.

4   Raghuram G. Rajan, 2008. 'The Future of the IMF and the World Bank', *American Economic Review* (forthcoming).

5   A meeting of finance officials and commentators from Asia was hosted by the Global Economic Governance Programme, the Centre on East Asian Integration at Beijing University and the Institute of World Economics and Politics at the Chinese Academy of Social Sciences, at Beijing University, 19 September 2007. Further views were expressed by the Indonesian Finance Minister H.E. Dr Sri Mulyani Indrawati at the GEG programme, University College, Oxford, Tuesday 15 January 2008. The Friedrich Ebert Foundation and the Lee Kuan Yew School of Public Policy also hosted a meeting on 'Asian Perspectives on the future role of the IMF' in Singapore, 18 January 2008. See report at http://library.fes.de/pdf-files/iez/global/05169.pdf.

6   A meeting of finance officials and commentators from Arab countries was hosted by the GEG programme and the Centre for International Governance Innovation (CIGI) in Amman, 10 March 2008. Earlier, the Egyptian Finance Minister addressed the GEG programme at a meeting in Oxford, Friday 16 June 2006.

7   A meeting of finance officials and commentators from African countries was hosted by the GEG programme, Debt Relief International and the New Rules Coalition for Global Finance in Maputo, Mozambique, on 15 May 2008. Earlier, the Finance Ministers of South Africa and Nigeria addressed the GEG programme in Oxford on this issue. African health ministers also reflected on their experience of World Bank loans at a GEG programme meeting hosted at Ditchley, UK, 12–13 May 2008. An exchange of views among commentators and civil society groups took place in Tshwane, South Africa, 5–7 November 2008, hosted by the Institute for Global Dialogue and the Friedrich Ebert Stiftung.

8   See *The IMF and Aid to Sub-Saharan Africa*, report of the Independent Evaluation Office of the IMF, Washington DC, 2007.

9   An implicit part of the same deal has been influence over appointments to senior management positions.

10 This includes the creation of an incentive to powerful vote-holders to consult other countries. Already in both the IMF and the World Bank a double majority is required to alter the Articles of Agreement, as well as to expel a member or deny it benefits. This means that it is not only the votes of powerful countries that matter (an amendment can only be passed with 85 per cent the votes), but that there has to be wider agreement so as to achieve the consent of three-fifths of member countries. Other international organisations also use double-majority voting (e.g. the EU Council of Ministers and the Global Environment Facility). A double majority voting rule would require powerful countries to build wider alliances so as to gain agreement not just among big vote holders but from a large number of countries. One obvious issue on which a double majority requirement should be applied is the election of the institution heads.

11 IMF Article XIII, IBRD Article 5, section 9.

12 These measures were part of the package agreed at the Spring 2008 annual meeting of the IMF. The underlying formula is being slightly altered so that GDP is valued using a blend of market exchange rates and purchasing power parity rates.

13 The negotiators at Bretton Woods simply ran out of time to plan a separate governance structure for the International Bank for Reconstruction and Development.

14 See Leonardo Martinez, 2007. 'The G20 after Eight Years: How Effective a Vehicle for Developing Country Influence?', Brookings Global Development and Economy Working Paper 12.

Appendix

Marlborough House Statement on the Reform of International Institutions

1. Commonwealth Heads of Government, representing one third of humanity and more than one quarter of the world's sovereign governments, collectively expressed the concern of our 53 member states at Kampala in November 2007 that the current architecture of international institutions no longer responds adequately to the challenges of the twenty-first century.

2. Since then, the world has witnessed continued financial turbulence, and record levels of prices for food and fuel. These challenges have further illustrated the fundamental weaknesses of a number of today's international organisations that are charged with promoting economic stability and sustainable development. Such institutions do not have adequate capacity, governance structures or in-built responsiveness either to anticipate or to address global needs in a timely fashion. In some cases, such as energy and the environment, there is an absence of institutions with the mandate to deal globally with these issues of global public policy.

3. We have therefore met as a representative Group of Commonwealth leaders[1] to identify underlying principles and the actions that should be taken, as a global priority, to achieve reform of international institutions and lead to new institutions where necessary.

4. We recognise that sovereign states must have the capacity and freedom to determine national goals and implement national policies and strategies. Equally, we recognise that many national goals cannot be achieved without international collaboration and support.

5. Global crises require truly global and universal responses. The inadequacy of the current responses calls into question whether incremental and *ad hoc* approaches to reform will create a new generation of international institutions fit for today's world.

6. The institutions that were established in the mid-twentieth century enjoyed strong political agreement at the time on the ends to be achieved by them and the means of doing so, underpinned by a commitment to multilateralism. That commitment is now at risk. The majority of independent sovereign states today are politically subordinate and inadequately represented in these institutions. It is unacceptable, and indeed weakens these institutions, that the greater part of the world community of states participates and benefits less than fully in them.

7. Well designed international institutions have a fundamental role to support all countries to meet their economic, political, humanitarian and security challenges. Through collective co-operation, embodied in international institutions, the global community will foster the conditions for a fully inclusive and equitable global society.

The commitment of the world's major powers to multilateralism and its underlying values remains central to any successful settlement on a new architecture of international institutions in this century.

8. As members of the Commonwealth, we recognise the strength of multilateral co-operation founded on consensus amongst countries with diverse backgrounds, interests and cultures. We believe that reform and construction of new international institutions should be built on the following guiding principles:

   • Institutions must enjoy the legitimacy not only of their member states but also of the wider international community in order to command confidence and commitment.

   • It is essential that all countries have equal voice and fair representation.

   • A voice for all countries is only valuable if it is listened to and is reflected in decision-making. It is essential that institutions are responsive, with the interests of all members, especially the smallest and poorest, being taken into account.

   • The activities and governance of institutions must be flexible, responding to new challenges, national priorities and the specific circumstances of member states, and changing global realities.

   • Institutions must have clear responsibilities and the conduct of their business must be transparent and accountable to the entire membership and the wider public.

   • It is essential that they be effective and capable of addressing today's global challenges.

9. We are committed to reform that creates an effective multilateral system, and that supports a more democratic global society with greater equity and fairness. The new generation of international organisations should reflect a new co-operative spirit.

10. We welcome the reform processes and debates under way in many international institutions. The United Nations has a unique role and legitimacy, and we acknowledge the reforms that are occurring to strengthen the coherence of the United Nations system and the efficacy of its development and humanitarian activities in particular. It is imperative that the UN's 'Delivering as One' initiative is further implemented with urgency. It is also vital that the UN continues to develop a global framework of rules and collective action in an inclusive and democratic way.

    We intend to accelerate UN reforms and their effective implementation, as a matter of urgency, through lobbying and advocacy in the UN itself as well as other international fora.

11. We also acknowledge the discussions and welcome actions taken to date to reform the International Monetary Fund. However, these and proposed reforms of other

international financial institutions including the World Bank, must now be addressed further with greater ambition. These institutions as well as their policies and instruments should be redefined so that they serve the needs of all members and the broader global community.

> **We intend to pursue the redefining of the purposes and governance of the Bretton Woods institutions, including working towards a Commonwealth consensus and wider international support for an international conference to achieve these goals.**

12. The effective management of the global environment is one of the most pressing international priorities of our generation. The impacts of environmental degradation are most starkly felt in the smallest, poorest and most environmentally vulnerable countries. A new system of environmental governance must be fully integrated with development priorities and concerns, and be responsive to the needs of these countries. In addition, a financing mechanism needs to be developed that underpins the linkage between development and the environment, and notably supports investment in long term sources of energy and environmental efficiency.

13. A comprehensive system of international governance is essential, and collaboration is necessary to meet current and projected environmental challenges. Commonwealth leaders have already acknowledged that the Commonwealth is uniquely placed to play a leading role in light of its diversity and unqualified support for work through the United Nations Framework Convention on Climate Change. It is imperative that we collaborate now to build high levels of Commonwealth consensus on positions in the UNFCCC negotiations, in order to achieve early results and the strongest possible foundation on which to build the requisite global governance structure. Commonwealth positions should be built around our shared view that the outcomes of the UNFCCC negotiations should address all aspects of the environment including climate change, energy balance, and the impact on global human development within the context of sustainable development.

> **We intend to pursue the possibility of an international conference to achieve improved global environmental governance, including the possibility of a new international organisation or reform of existing arrangements, again working on the basis of a Commonwealth consensus and wider international support.**

14. The Commonwealth is committed to advancing a programme of reform of international institutions. The existing crises in finance, food, and fuel demand no less. We acknowledge that high quality reform will not be achieved unless all those with a stake in future global governance have their voices heard. We are conscious that the conferences that we propose to pursue will require careful preparation and wide consultation to achieve the essential universal acceptability.

15. The Commonwealth will work closely with the institutions concerned. To that end, we will work with the wider Commonwealth community, including at an extra-

ordinary meeting of Commonwealth Heads of Government on 24 September 2008. We have given guidance to the Commonwealth Secretary-General to develop an Action Plan on Reform of International Institutions. We will use the full extent of Commonwealth networks, including our civil society and professional associations.

We intend, individually and collectively, to carry forward our reform agenda to relevant international fora. We will seek to enlarge the breadth of international commitment to our Commonwealth reform agenda, and call on others to join us in this endeavour.

Marlborough House
10 June 2008

Note

[1]President Bharrat Jagdeo (Guyana), Prime Minister Navinchandra Ramgoolam (Mauritius), President Maumoon Abdul Gayoom (Maldives), President Mahinda Rajapaksa (Sri Lanka), Prime Minister Feleti Sevele (Tonga), Prime Minister Patrick Manning (Trinidad and Tobago), President Yoweri Museveni (Uganda), Prime Minister Gordon Brown (United Kingdom), President Jakaya Kikwete (United Republic of Tanzania), Vice President Alhaji Aliu Mahama (Ghana), Deputy Prime Minister Najib bin Tun Razak (Malaysia).

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Why have the least developed countries, and other poorer countries, failed to grow as fast as other economies during the recent period of globalisation?

Professor Srinivasan explores the broad links between growth in income, globalisation, and poverty reduction. He argues that past domestic and international policies have failed to serve the interests of the poorest countries, and suggests that the current array of international institutions, in their unreformed state, are ill-suited to bring about the changes required.

Finally he makes recommendations on needed reforms to the institutions that manage the global economic system.

Reforming the Global Financial Architecture
Montek S Ahluwalia
Commonwealth Economic Paper Number 41, 2000

A report prepared for the 1999 Commonwealth Finance Ministers Meeting, discussing the reform of international financial architecture. It argues that contemporary crises are very different from traditional balance of payments problems, and that developing countries are especially vulnerable. Six areas of discussion have been identified, some well known, others involving new initiatives. The report also identifies issues in the area of crisis resolution. It looks at the role of the Fund; incentives for the private sector; measures to deal with imprudent creditors and the design of adjustment programmes. It concludes by proposing a new governance structure.

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Edited by Ivan Mbirimi
2007

After the Hong Kong meetings in December 2005, what are the key trade and development issues that face developing countries in the closing stages of the Doha Round? Leading economic analysts, including Nobel laureate Joseph E Stiglitz, examine the detailed issues that developing country negotiators must understand. As always, the devil lies in the detail, and it is at the detailed level that the costs and benefits of trade agreements will be determined. Essential reading for policy-makers, government officials, scholars and students interested in the making and conduct of international trade negotiations and policy.

Published in South Asia by Academic Foundation.

In today's world, responses to global challenges can only be achieved by collective debate and action. A coordinated response is required to achieve satisfactory and sustainable outcomes, however, international institutions are no longer placed to support an adequate response to these challenges: they are structurally outdated and in urgent need of reform.

This timely and relevant book examines three sets of major international institutions: the UN, the World Bank and IMF, and institutions concerned with international environmental governance. The authors, all experts in international policy, argue that current global concerns have outgrown the existing system and an effective response requires serious multilateral co-operation. International institutions must become more efficient and inclusive of emerging economies and smaller states in order to become relevant and effective.

Reform of international institutions is essential for future economic stability and sustainable development. There must be bold steps towards real change. By highlighting the issues and offering recommendations for next steps this book aims to push debate in order to accelerate reform.

Commonwealth Secretariat