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Introduction

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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 as 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.