ESSAYS ON A 21ST CENTURY MULTILATERALISM THAT WORKS FOR ALL
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# Contents

## Overview
Brahima S. Coulibaly and Kemal Derviş

### 1. Multilateralism and dynamic divergence in the global economy
Eswar Prasad and Vera Songwe

### 2. Global Governance: Balancing power and equitable representation
Kemal Derviş and José Antonio Ocampo

### 3. Regional cooperation: A necessary complement to global multilateralism
Brahima S. Coulibaly and Elizabeth Sidiropoulos

### 4. Multilateralism and climate change: Providing a global public good and following an ethical imperative
Amar Bhattacharya and Kemal Derviş

### 5. From vertical funds to purpose-driven funds: A new approach to multilateralism
Homi Kharas, John W. McArthur, and Dennis Snower

### 6. Liberal democratic values and the future of multilateral cooperation
Kemal Derviş and Nathalie Tocci

### 7. Multilateralism, liberal values, and the Global South
Amrita Narlikar

## Contributors

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Overview

Brahima S. Coulibaly and Kemal Derviş

Introduction

There is no general agreement on what shape the “world order” will take in the years and decades ahead. What is certain, however, is that humanity will have to deal with huge and in many ways unprecedented transformations and challenges, such as the digitalization of economies and societies, climate change and mitigation, pandemic preparedness, extreme income and wealth concentration, and new types of “weapons” associated with dual-use technologies.

There are great opportunities for improved well-being associated with many of these challenges. Digitalization and artificial intelligence (AI) could result in tremendous increases in productivity, and the green transformation necessitated by climate change could constitute the greatest economic, social, and business opportunity since the industrial revolution. However, failure to adequately address some of these challenges, notably climate change, could lead to immense economic and social damage; it could add to the existing pressures caused by mass migration resulting from the imbalance between geographic concentrations of populations and economic opportunities. Furthermore, digitalization could exacerbate inequalities and lead to mass surveillance of societies led by autocrats. In turn, some of the “weapons” that may be developed with new technologies could lead to a scale of destruction of the planet tantamount to nuclear weapons. The U.N. Secretary-General António Guterres starts his new agenda-setting report by stating “humanity faces a stark and urgent choice: a breakdown or a breakthrough.” Multilateral cooperation is therefore needed more than ever to both fully realize the potential benefits of these shifting trends and minimize the dangers that accompany them.

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The Global Economy and Development Program at the Brookings Institution conducted a global “experts” survey on multilateralism in the Spring of 2021 as part of a project on the future of global governance. The topics addressed in this compilation of essays do not attempt to cover all challenges faced by multilateralism, but they reflect issues considered most important by the survey respondents, as well as the authors of these essays. Together, they address some of the most pressing questions and needs for international cooperation in the years ahead.

A brief look at history and common themes in the essays

A first attempt at formal multilateralism supported by an international organization was made after World War I with the creation of the League of Nations. For the first time, an international civil service was created in the Secretariat of the League, with civil servants reporting to the management of the League as opposed to individual governments. Despite the failure of the U.S. Senate to ratify the Treaty establishing the League and U.S. not becoming a member, the activities of the League in the interwar period contributed to international cooperation. One notable example is its work on health challenges, which was greatly supported by The Rockefeller Foundation—an early example of public-private partnership. Separately from the League, the International Labor Organization (ILO) was created in 1919, with a tri-partite representation of governments, employers, and workers in its governance.

There is often a lack of clarity in the use of the term “multilateralism.” Most often it refers to international cooperation supported by an international organization with a “constitution.” We call this “formal” multilateralism such as that of the League and the ILO. But multilateral cooperation can of course take place more informally, such as in the case of the G-20, which has neither a constitution nor a secretariat and recalls the “Concert of Nations” of the 19th century and functioned through periodic conferences between the major powers.

The League failed miserably in its mission of keeping the peace and preventing the rise of an aggressive autocracy, and a totalitarian ideology in Hitler’s Germany led to a second utterly devastating world war.

The second and this time much more comprehensive and ambitious launch of formal multilateralism came with the creation of the United Nations (U.N.) after the global disaster of World War II. The U.N. was created as an organization based on the “sovereign equality” of all nation-states with the objective of protecting peace and security, fostering economic and social progress, and promoting “greater freedom.” But the establishment of the

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7. See the U.N. Charter, Article 2.1.
U.N. Security Council (UNSC) with veto power of each of the five permanent members, the “P5,” contradicted the notion of sovereign equality of nations from the beginning. As a result, the big issue facing multilateralism is how to best “weight” nations since each country presents a widely differing context in terms of populations, national incomes, and capabilities—or more profoundly, should all countries be represented equally given their diverse backgrounds?

Another major “foundational” issue relates to the notion of universal human aspirations. The Universal Declaration of Human Rights (UDHR) complemented and added to the U.N. Charter in offering a comprehensive description of universal human aspirations. With reference to Isaiah Berlin’s “Two Concepts of Liberty,” one can distinguish the universal aspiration to freedom from want and poverty, and the universal aspiration for freedom from oppression and protection of human rights. The multilateral system—with the U.N. at its center and launched after World War II—explicitly aimed at providing both types of “liberty.”

These foundational issues are still present in the third decade of the 21st century, and the essays refer to them either directly or indirectly. They are present in three common and interlinked themes emerging from the essays.

A first theme is the changing and complex geo-economic and geo-political structure of the world and its implications for global, regional, and other forms of governance. The Global South broadly perceives many aspects of the multilateral system as not reflecting the substantial increase in the shares of the emerging and developing countries in global population, GDP, and other indicators of their “weight,” and as a consequence, not responding adequately to their needs. The ongoing huge inequities in access to COVID vaccines between the advanced countries and much of the developing world is a stark example of the failure of the international system to provide for the needs of the poorer countries.

A second theme is the increasing role of and need for multi-level and multi-channel cooperation, or polylateralism, and the respective role of regional, global, public, and private actors in this cooperation. The question arises: To what extent can polylateralism substitute—rather than complement—cooperation between nation-states?

A third theme is the role of “values” in global governance. How can the tension between cooperation to provide GPGs and solve global problems that require the participation of countries with different political regimes, including autocracies, and cooperation to promote political freedoms and human rights be managed? How do actors in the Global South evaluate this tension, which is often presented as a singular view of the Global North?

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A changing geo-economic, demographic, and geo-political structure of the world and implications for global governance

The East-West rivalry was a dominant feature of the post-World War II global order. The Soviet Union, endowed with its veto power in the UNSC, was an active member of the U.N. but it and its allies did not join the Bretton Woods Institutions (BWIs), leading to a “dual” structure of the multilateral system: A global part around the U.N. and many of the related institutions and a second part around the BWIs and the General Agreement on Tariffs and Trade (GATT), excluding the Eastern bloc. The countries of Asia, Africa, and Latin America, many emerging from colonial domination, did join both the global and the “western” institutions. This dual structure changed dramatically with the collapse of the Soviet Bloc in 1990, along with major economic and political shifts over the last three decades. Today, the BWIs are global institutions, and the WTO has almost global membership.

The multilateral governance structure must satisfy and reconcile two interlinked requirements: It has to reflect the shifting economic weights and capabilities of nations, while also reflecting these countries’ evolving needs. Keeping these two objectives in mind, it is useful to look at the major changes in shares of GDP and population over the past three decades as summarized by Prasad and Songwe in their essay.

The share of the advanced countries in global GDP at market prices has declined from about 84 percent in 1990 to about 65 percent in 2020, and their share in world population has declined from about 19 percent to less than 15 percent in the same period. Developing countries experienced rapid population growth, accompanied for many by rapid growth in income per capita, but for many others, growth in per capita income was very slow.

Over the last three decades, the spectacular rise of China stands out with its share of world GDP (at market prices) growing from a miniscule 1.3 percent in 1990 to about 18 percent in 2020. In PPP prices, China is already the largest economy in the world. GDP at market prices is a better measure than GDP at PPP prices as a broad measure for economic “power” and “capability,” while GDP at PPP prices is a better (but far from perfect) measure of the standard of living.10 Because the higher PPP measure in developing countries indirectly reflects populations, these countries have argued for a larger share of the PPP component in the composite measure of GDP used by the BWIs in the formula that serves as a guideline for countries’ voting shares. Having population explicitly as one of the variables determining voting shares, as we have proposed elsewhere,11 would be a cleaner way of recognizing its importance. If GDP at market prices reflects economic “capability,” population size and GDP per capita at PPP prices are broad measures of “need.”

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10. For a summary of the problems with PPP measures see Jayati Ghosh PS December 2021.
The current voting weights at the BWIs are unreasonable. As described by Derviş and Ocampo (page 20), four small European countries with a world share of GDP of only 2.5 percent (and a population of only 42.25 million, a minuscule share of only about 0.54 percent of the world population) have a voting share of about 5 percent compared to China’s share of a little more than 6 percent. Derviş and Ocampo also note that the absence of population share in the formula leads to all of sub-Saharan Africa having less than 4 percent voting shares while accounting for close to 15 percent of world population. India, with 17.5 percent of world population, has only a 2.75 percent voting share. These contrasts will become even sharper in the coming decades with higher population growth, particularly in Africa.

Another indicator of need relates to climate change. As explained in Bhattacharya and Derviş (page 40), the need for new investments in power and other infrastructure in developing countries is huge. If the world wants to achieve the “close to 1.5 degrees °C” limit on global warming, these investments have to be mostly “green.” While new technology would allow these green investments to be profitable even at relatively low carbon prices in the long-run, up front, they require large financial resources which most of these countries (except China) cannot mobilize by themselves. This is another example where the multilateral system must better incorporate measures of need in its governance structure.

The difficulties the IMF is having in convincing its board to support ways to channel substantial portions of the large new Special Drawing Rights (SDR) allocation of $650 billion to helping developing countries to finance the “green transformation” is a good indicator of this general problem. To overcome this challenge, Coulibaly and Prasad suggested the creation of a new global liquidity insurance mechanism that would systematically expand the financial safety net to encompass a larger share of the world’s population. One of the key advantages of such a mechanism is that it bolsters the global safety net based on a market mechanism that does not require approval by a board. Another challenge is the looming sovereign debt crises across low-income countries in the absence of a framework in the current global financial architecture for orderly debt restructuring.

It is interesting to note that the voting weights at the BWIs—and the fact that the head of the World Bank has always been an American, and the head of the IMF a European—pose the biggest “governance problem” for many middle-income countries, and in particular the grossly underrepresented China.

The WTO’s governance rules require decisions by consensus although there are provisions for a vote with a one country, one vote rule as a last resort. On balance, discontent with the WTO is stronger among advanced economies who object to countries being able to self-declare as “developing countries,” and as such benefit from “special and differentiated” treatment without graduation rules. Many also object to the practical veto power on any one member who

can block a consensus. The difficulties the WTO had with its governance rules have contributed to a proliferation of regional trade agreements as described by Coulibaly and Sidiropoulos.

The U.N.’s general one country, one vote rule is in force not only for decisions in the General Assembly but also in the governing bodies of most related institutions such as UNDP or the WHO. It has not faced too much controversy for reasons explained by Derviş and Ocampo (page 20).

But the UNSC has faced continuous criticism by those who are not members of the P5. The Security Council is at the heart of global multilateralism, with Chapters VI and VII of the Charter giving it unique powers with respect to settlement of disputes and peace and global security. Given the emergence of new types of threats, Chapter VII’s reference to “security” could be interpreted to cover areas such as cybersecurity, the use of AI, or safeguards to apply to biotechnology, as well as other “new” areas, thus increasing further the role and importance of the UNSC. Derviş and Ocampo conclude their essay with concrete proposals to reform the UNSC and suggest that the 2023 “Summit of the Future,” proposed by the U.N. Secretary General in relation to his comprehensive new report entitled “Our Common Agenda,”13 should not shy away from discussing reform of the UNSC despite the past failures of such attempts. The UNSC is in a strange situation: It is hard to imagine that the council’s current structure will continue as is for the coming decades, and yet reform is seen as politically impossible.

**Multi-level and multi-channel governance or “polylateralism”**

A second theme emerging from the essays is that besides nation-states, the role and weight of other actors has increased on the world stage. These include regional organizations such as the African Union, cities, and local governments, but also private actors, including business, civil society, and philanthropies. Coulibaly and Sidiropoulos (page 29) argue that regional organizations are a necessary complement to multilateral organizations in the global governance and offer a framework for optimal cooperation that balances complementarity and subsidiarity based on the issue at hand.

The role of regions still fits the overall “Westphalian” framework where multilateral cooperation takes place between individual or groups of nation-states. Over past decades, the role of private actors has also increased and adds to the complexity of the multiple levels and channels of multilateral cooperation. Pascal Lamy calls this system “polylateralism,” where the emphasis is on the horizontal and flexible coming together of different types of actors to solve particular problems or provide global public goods.14 The G-7 and G-20 are of course playing an important role as self selected “clubs” of major nations.

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The essays by Derviş and Ocampa (page 20), Kharas, MacArthur and Snower (page 48), and Bhattacharya and Derviş (page 40) focus on the contributions of “polylateralism” as well as its limitations. Derviş and Ocampa argue that U.N. has greatly benefitted from embracing close cooperation with private non-state actors and that this wide “opening” has increased the U.N.’s legitimacy and efficacy despite the one nation (whatever its size), one vote rule’s shortcomings. In their view, it is in line with the appeal to the world’s “Peoples” in the preamble to the U.N. Charter and they note that it led the U.N. Intellectual History Project to suggest the term “three U.N.s” referring to the intergovernmental bodies, the secretariat, and civil society. In their essay, Bhattacharya and Derviş similarly emphasize the crucial role of cities, business, philanthropy, and civil society in the fight against climate change, which was evident during COP26 in Glasgow. Kharas, MacArthur, and Snower in their essay on vertical funds also focus on the multiple channels of cooperation but start with noting the “longstanding allergy to vertical finance,” before proposing a shift from both narrowly conceived vertical funds and general purpose funds like International Development Association (IDA) as it is today, to purpose-driven funds characterized by robustness and agility in the pursuit of specific goals. They propose a large-scale fund (or window within a fund) with the clear purpose of globally eliminating extreme poverty by 2030 and describe the conditions for such a fund to be successful.

For all the positive contributions made by polylateralism, it brings with it the danger of duplication and waste and long-standing issues in foreign aid. As argued in all three essays, polylateral cooperation should not be a substitute but a complement to the role of nation-states, which still need to provide the legal and policy frameworks within which private resources can be efficiently deployed. This can perhaps best be achieved by organizing resources from a diversity of sources around country-platforms as exemplified by South Africa’s Just Energy Transition Partnership described by Bhattacharya and Derviş. A country platform focused on specific results is a concept somewhat similar to the purpose-driven funds proposed by Kharas, MacArthur, and Snower, which can involve many public and private actors but in a coordinated fashion.

The role of values in multilateralism

Derviş, Tocci, and Narlikar start their essays noting the emphasis on promoting “democracy” that President Biden wants to put at the center of America’s engagement with the world. But as recognized by them as well as in other essays, the provision of many important GPGs requires very broad participation, involving cooperation between countries with different political regimes and proclaimed values. Given the U.S.-China rivalry’s central role in the future of the world order, this issue is much debated in the literature.

The question has several dimensions. The first is whether “values” really do or should play a role in the relations between nation-states. Many argue that the behavior of states is fundamentally determined only by what they perceive to be their national interest, whatever they may claim. If that were the case, one need not dwell on values when discussing multilateralism but should focus exclusively on how differing interests might be reconciled to solve global problems. Neither one of the two essays takes that view. Both
start from the premise that values do play a role alongside interests in the behavior of nations and leaders. The questions then are how values and interests interact and whether there are different values across nations and geographies, or whether some values are universal and reflect aspirations of humanity as a whole.\(^\text{15}\)

As described by Derviš and Tocci (page 57)—and already noted when taking a brief look at history—the issue of values was present in the post-World War II debates between the “West” and the “East” at the U.N. and around the Universal Declaration of Human Rights. Their importance was not denied by either side, but the “East” emphasized economic and social rights while the “West” emphasized political rights. The fact that some western powers only slowly gave up on economically exploiting and ruling their colonies made their championship of political freedom sound hollow at the time. This was instrumental in many parts of the developing world taking the “Eastern” view on values and giving a clear priority to economic development. Moreover, for about two decades after the war, Soviet economic performance appeared good so that the claim that central control facilitated growth seemed plausible.\(^\text{16}\)

In some ways, today’s debate—despite the very different, more integrated world economy—carries similarities to the post-war period. China argues that it is economic values (conducive to freeing people from economic “want”) that are universal, and its autocratic model can best deliver economic results. Its stellar growth performance over the last three decades is shown as evidence. Liberal democrats argue that liberal and democratic freedoms and human rights are as important as economic rights, and multilateralism should aim for both objectives. Moreover, they do not see a trade-off between liberal democracy and growth; on the contrary, they argue that in the long run they are complementary.

The need to cooperate across political divides on major GPGs such a climate and pandemic preparedness is noted in many of the essays. The situation is more complex when it comes to the rules and standards to govern areas such as data, cybersecurity, AI, or biotechnology. From an economic scale and efficiency perspective, global rules would generally be desirable. But different parts of the world may have different preferences when it comes to such issues as the extent to which privacy should be protected or how best to minimize the dangers of biotechnology, even within the group of liberal democracies. The differences become even more pronounced and difficult to overcome between democracies and autocracies. Derviš and Tocci argue that in many of these areas the value divide cannot be overcome, and while liberal democracies will be able to work out compromises between them, multilateral cooperation on many of these issues will be possible only among countries where political values are shared to a large extent.

\(^{15}\) A majority of the respondents in the survey referred to above, both from the North (81%) and South (68%), thought that there were “universal” values and that the multilateral system should promote them.

\(^{16}\) As noted by Derviš and Tocci in their essay (contained in this volume), Paul Samuelson predicted that the Soviet Union would overtake the US economically by the end of the 20th century in many editions of his famous textbook.
Narlikar (page 66) develops the theme further by emphasizing that while shared experiences of colonialism and shared narratives of distributive justice have tended to create a division between the South and the North, there are profound differences of world views inside the South. Central to her essay is the affirmation that there are strong traditions of liberalism in the South and that the key to a reconstruction of the world order is cooperation between liberal democrats in the South and North. The contrast between India and China plays an important role in her essay. For such a cooperation to work, Northern political leaders should not lecture the South on liberal values as if they were only their own. At the same time, Northern political leaders should squarely face the subject of values. Her conclusion is that trying to have a single notion of multilateralism that aims at universal membership would lead to shallow levels of integration and further lessen the effectiveness of rules needed for today’s challenges. Instead, she concludes that multilateralism among like-minded allies across the South and North needs to be prioritized.

The emphasis on “shared values” presented by Derviş, Tocci, and Narlikar does not imply an overall world order where there is no global cooperation. Compared to the “old” Cold War, today’s complex and deep economic interdependence makes differences in rules and standards much more problematic. But as suggested by Dani Rodrik and Stephen Walt, global multilateralism can be expected “to be relatively thin ... and limited by competition between the United States and China.” Derviş and Tocci as well as Narlikar’s vision is that the competition is likely to be deeper between liberal democracies in both the North and South on one side and autocracies on the other, with many rules and standards common at least in the former group. There would be problems, however, bridging the “value divide,” particularly around climate and pandemic preparedness. Moreover, as was the case in the old Cold War, arms control treaties to minimize the danger of massive mutual damage would be in the interests of both rival blocs.

Conclusion

As expressed by the U.N. Secretary General in “Our Common Agenda,” we are at a crossroad in history. Far-reaching developments in technology in many different but interrelated areas are happening simultaneously at a historically unprecedented speed. Over the next decade, extraordinary actions to reduce carbon emissions are our last chance to protect the world against climate change. The ongoing COVID-19 pandemic demonstrates the need for a better and coordinated response. Securing peace—the central objective of multilateralism at the end of World War II—remains a priority. The emergence of dual use technologies will make the very notion of peace and war more difficult to define, and peace may become even more elusive.

Nation-states will need to provide the overall framework for multilateral cooperation, but we must recognize the role of other actors, including cities, civil society, business, and philanthropy, which has greatly increased in a multi-level and multi-channel system that some call polylateralism.

The essays in this collection deal with specific important topics, but none attempts to outline a single comprehensive roadmap for the future. Climate, pandemic preparedness, and keeping peace all need global and inclusive multilateralism across geographies including countries with authoritarian regimes.

With regard to the regulation of new technologies, problems arise for global multilateralism. The regulation of these technologies such as AI, digital currencies, or bio-technology will have two objectives: Providing rules to ensure the efficient and equitable functioning of markets and defining aggression and providing rules that will amount to “arms control” agreements. Such arms control rules will be most important to prevent conflict between rivals and must aim at being global if they are to “preserve peace.” As was the case during the Cold War of past decades, they require cooperation between liberal democracies and autocracies.

It would be best from the perspective of efficiency and scale to have global rules also to regulate markets. Sometimes it will be appropriate to have regional agreements. But some fundamental disagreements about “values” will at times lead to different sets of rules in different like-minded groups of countries, including countries from different regions. The leading liberal democracies in both the North and South can agree on such rules and invite all countries willing to accept these rules to join a “thicker” liberal democratic multilateral cooperation. This is what both Derviş and Tocci as well as Narlikar propose in line with Dani Rodrik and Stephen Walt’s thoughts. A global system would co-exist with a “partial” system or systems, fragmenting markets. This would be necessary in order to reflect different political choices and preferences. In both essays on this topic, the authors stress the importance of liberal democrats in both the North and South working together and overcoming the old North-South divide.

Finally, it is worth repeating that the current multilateral system has on the whole failed to meet important needs of the South. The absence of population (except indirectly through GDP) among the variables entering the formula that guides the allocation of votes in BWI governance poses an increasing question of legitimacy, and given China’s glaring underrepresentation, raises the danger of a breakdown in global multilateralism in an area where it is required. A much better financial safety net is needed for developing countries, which are at the mercy of the ebb and flow of large capital flows—the direction and magnitude of which are strongly affected by policy decisions taken by the leading advanced country central banks. There still is no agreed multilateral debt restructuring framework. Importantly, the “$100 billion a year and beyond” pledge by the advanced countries to support the large investments in mitigation and adaptation needed by developing countries has yet to be translated into sufficient policy decisions and institutional actions, notably to allow the MDBs to better manage and leverage their balance sheets. The
gap between effective access to the COVID vaccines between rich and poor nations is a striking example of failure of the multilateral system in meeting the needs of the South.

These issues will no doubt be key challenges for the 2023 Summit of the Future proposed by the Secretary General. The Summit could be an opportunity to boldly renew and strengthen multilateralism. The U.S.—led by the Biden administration and in cooperation with other liberal democracies—can work to make the 2023 Summit a great success. The objective of strengthening global multilateral cooperation, including with strategic rivals such as China in areas where it is necessary and possible, need not conflict with a commitment to advocate for liberal democratic values and work toward rules reflecting these values with like-minded partners. One can hope that in the long-run, multilateralism can become global in more and more domains and allow humanity as a whole to reap the full benefits of new technologies with no one left behind, while increasing the chances for lasting peace and security.
1. Multilateralism and dynamic divergence in the global economy

Eswar Prasad and Vera Songwe

Introduction

The COVID-19 pandemic and its aftermath have highlighted and, in some respects exacerbated, existing fractures and fault lines in the world economy. Many emerging market and developing economies (EMDEs) suffered as tourism revenues and exports of goods and services dried up, financial market conditions tightened, and current and capital accounts came under stress, with all these factors inflicting broader economic harm to their already vulnerable populations. The recovery phase from the pandemic has also been characterized by large inequities between rich and poor economies, with the latter group having limited access to vaccines that could enable protection against the spread of the virus that is an essential concomitant to a sustained recovery.

These changes come against the background of increasing disparities even among the EMDEs themselves, with upper middle income economies’ incomes and economic prospects diverging from those of the low income ones, even as lower middle income and low income economies’ shares of world population continue to rise. The structure of the international monetary and financial system continues to create stresses for EMDEs, which remain beset by spillovers of policies from advanced economies as well as institutional weaknesses at both the domestic and international levels. Many of the weaknesses in the broader system of international governance have put EMDEs at a disadvantage as well.

18. The authors thank Homi Kharas for providing incisive and helpful feedback for this work.
Reform of the global governance structure is complicated as changing any multilateral institution’s governance usually involves a zero-sum game among competing stakeholders. We suggest that an alternative to a piecemeal reform of specific multilateral institutions could be a bargain that involves trading off the interests of different stakeholders in the governance structures of multiple institutions.

Transformations in the global economic landscape

We first examine the substantial transformation in the structure of the world economy over the last three decades, based on a classification (from the World Bank) into four broad groups of countries—high income; upper and lower middle income; and low income.

Figure 1 shows that the shares of high-income countries in global GDP have fallen from 84 percent to 63 percent, while the shares of middle- and low-income countries have risen significantly. China is of course an important driver of this shift, so its share is shown separately (although it continues to be included in the upper middle-income group as well). The shift in the locus of economic activity toward the latter two groups of countries is even sharper when GDP is converted to U.S. dollars using purchasing power parity (PPP) exchange rates, as shown in Figure 2, rather than market exchange rates. Over the last 3–4 years, the GDP shares of these three country groups has stabilized. The share of low-income countries has remained low and stagnant over this entire period, reflecting the lack of dynamism in this group despite many of them being endowed with large levels of manpower and natural resources.

Figure 1. Shares of global GDP
(in percent, market exchange rates)
Figure 3 examines the population shares of the different groups of countries. The overall global population share of lower middle-income countries has risen by about 5 percentage points over the last three decades, while that of low-income countries has gone up by 4 percentage points. Meanwhile, low fertility rates and other factors have resulted in the population shares of high-income and upper middle-income countries falling over this period.

Figure 2. Shares of global GDP
(in percent, PPP exchange rates)

Data source: World Bank

Figure 3. Population shares
(in percent)

Data source: World Bank
In other words, upper middle-income countries’ share of global GDP is rising even as its share of world population declines. This phenomenon is to a large extent attributable to the remarkable growth performance of China, of course. Low-income countries account for a rising share of world population but with little change in their GDP share. Thus, even among the EMDEs, which constitute the middle-income and low-income countries covered in this analysis, there is a divergence of economic growth.

Figure 4 examines the implications of these developments for per capita income, measured using gross national income per capita in US dollars at market exchange rates. High-income countries have seen substantial increases in per capita income, opening up a widening gap relative to the per capita incomes of EMDEs. Even among the EMDEs, there is a widening gap between upper and lower middle-income countries. When these calculations are done using PPP exchange rates (see Figure 5), there is an encouraging pattern of rising per capita incomes in each of the country groups but, consistent with the market exchange rate measures, rising dispersion in per capita incomes across the different groups of countries.

These coarsely disaggregated data of course do not capture many nuances of rising income and wealth inequality within countries and also across countries within each of the country groups. But it does indicate the lack of unconditional convergence of per capita incomes across different groups of countries and is indicative of divergence in at least the broadest measures of economic activity.

**Figure 4. GNI per capita**
(USD, at market exchange rates)

We suggest that an alternative to a piecemeal reform of specific multilateral institutions could be a bargain that involves trading off the interests of different stakeholders in the governance structures of multiple institutions.
1. Multilateralism and dynamic divergence in the global economy

**Figure 5. GNI per capita**
(USD, at PPP exchange rates)

Data source: World Bank

**Short-term prospects**

Against the background of the longer-term changes in the structure of the global economy documented above, we now turn to a discussion of the arc of the post-COVID recovery.

The world economy faces sharply divergent growth prospects across various regions, as prospects of a uniform swift snapback from a dismal 2020 have become clouded. The latest update of the Brookings-Financial Times Tracking Indexes for the Global Economic Recovery (TIGER),19 for instance, reveals grounds for optimism about global growth prospects but also renewed concerns about impediments to a strong recovery. Progress on vaccinations and attendant hopes of a rapid, broad-based recovery have been tempered by a fresh COVID wave sweeping through a number of economies, putting their growth trajectories at risk.

Consider the differences across some of the major emerging market economies. In India, both the manufacturing and services sectors are contributing to a strong rebound. However, a resurgence of the virus and limited policy space due to high public debt levels and rising inflation could erode growth momentum. The rebound in oil prices has buoyed the prospects of countries such as Angola, Nigeria, Russia, and Saudi Arabia. Brazil’s economy is tottering as the virus spreads unchecked and ineffectual political leadership has hampered a concerted response. Turkey faces similar concerns, although it was

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one of the few economies to register positive growth in 2020. These examples illustrate how, even among the relatively more dynamic group of emerging market economies, there are multiple tracks to the recovery.

Meanwhile, macroeconomic stimulus measures and supply chain bottlenecks have resulted in rising inflationary pressures in the major advanced economies, including the United States and the euro zone. The U.S. Federal Reserve and the European Central Bank, faced with the risk of inflation expectations becoming unanchored, are already beginning to contemplate pulling back their expansionary stances.

Consistent with shifts in the likely trajectory of monetary policy over the coming year, the U.S. dollar has firmed up during 2021. In tandem with the upward shift in U.S. bond yields, this portends ill for many emerging market and other developing economies, particularly those with heavy foreign currency debt exposure. Financial market pressures could build up if divergent growth patterns, with more vulnerable economies registering weaker growth, persist through 2021.

The vulnerability of EMDEs to shifts in the policy stances of the major advanced economies highlights the persistent tensions that continue to beset the smooth functioning of the world economy and financial system in a way that confers benefits more equitably across different groups of countries.

**Domestic and cross-border policy challenges**

Policymakers around the world are at an important pivot point. One decision many countries face is whether to open up their economies further despite the continued spread of the virus. Another is whether to infuse additional macroeconomic stimulus, risking an unfavorable tradeoff between short-term benefits and longer-term vulnerabilities. Wavering policies have affected consumer and business confidence in the weaker economies, adding to economic strains. In EMDEs, there is typically far less room for maneuver because of fiscal debt overhangs as well as the limited space for monetary stimulus that could be undertaken without setting off currency depreciations and inflation spikes.

Policymakers in many major advanced and developing economies now face the additional difficult conundrum of supporting growth while keeping inflation under control, even as they continue to be hit by domestic and external supply disruptions. Further stimulus measures, especially monetary easing, are likely to yield an increasingly unfavorable tradeoff between short-term benefits and longer-term vulnerabilities.

Amid persistent concerns about the impact of Delta, Omicron, and newer variants of the coronavirus, supply-side constraints are tightening and rising inflation is becoming a significant restraint on policy support that could keep growth on track. The spike in energy prices is emblematic of the problems created by supply disruptions that could eventually hurt aggregate demand, particularly if central banks are forced to take more aggressive actions to contain inflation. In many countries, ranging from high income to low income
ones, the 2020 recession continues to have scarring effects on GDP and employment. This is exacerbating social tensions in many countries. Low-income countries have the most limited ability to withstand and counter these scarring effects, exposing them to the attendant risks of political instability.

One key priority for policymakers worldwide is to redouble efforts to limit resurgence of the virus, which remains a wildcard for short-term growth. In this dimension, too, unequal access to vaccines has created a rift between different groups of economies. This inequity has hit low income economies particularly hard, given their weaker health care systems and resource limitations. For instance, vaccine nationalism has left Africa vulnerable and late in the race for economic recovery, adding injustice to inequality and exacerbating the divergence in economic fortunes. The African Union has taken its destiny into its own hands by creating the COVID-19 African Vaccine Acquisition Task Team, and successfully procured enough vaccines to cover 35 percent of the population while hoping COVAX and donations can fill the rest.

**Structural Issues**

The stark and, in some respects, rising economic disparities among different country groups heighten the need for improved global governance. Many multilateral institutions are under threat, partly because they are seen as inadequate, unrepresentative, and unsuited to the modern world.

What is the way forward when there are commonalities of interest at a broad level but competing interests invariably intrude when proposed reforms become more specific? Most countries would presumably acknowledge that the existing global institutions need to be reformed and adapted to the new geopolitical and global economic realities. That could provide the basis for some changes, even though different countries have different views about what reforms are necessary in the context of specific institutions.

One way forward could be a grand bargain that involves reform of multiple institutions in which the key players have a stake, but for different reasons. For instance, EMDEs including China want greater voting power at the IMF and for the institution to have more financial resources. Perhaps this could be achieved if these countries are willing to accept changes at the WTO that address advanced economies’ concerns that the WTO has (i) no teeth to rein in countries such as China that contravene the rules both overtly and covertly, and (ii) is unable to make progress on services trade because of other countries that want to keep the WTO’s scope limited. Likewise, broadening the membership of the U.N. Security Council to include countries such as Brazil, India, and adding at least one African seat could be used as a lure to get those countries to accept reforms at the WTO.

There are aspects to this concept that tie in well with the proposal articulated by Kemal Derviş and Jose Antonio Campo (see “Balancing power and equitable representation,” (page 20)) to improve global governance through a mechanism for more equitable representation of different stakeholders.
The international financial system tends to poorly serve the interests of EMDEs. For instance, since the global financial crisis, advanced economies have put in place a process that keeps a supply of currency available as needed to trade between their central banks, primarily for short-term lending. Meanwhile, EMDEs are exposed to the spillover effects of macroeconomic policies from advanced economies, which have ended up becoming constraints on their domestic policymaking. In addition, EMDEs are invariably subject to capital flow and exchange rate volatility that is often the result of developments in and policies of other countries that they have little control over.

The economic effects of the pandemic around the world have highlighted the need for a better global financial safety net that provides more systematic protection for EMDEs. This could involve measures such as developing a common framework of regulation and policy coordination to cope with capital flow and exchange rate volatility; creating a durable and trusted global financial safety net; and the expanded use of digital technologies to increase financial inclusion and enhance the efficiency of cross-border payments (remittances in particular), leveling the playing field by supporting the development of financial institutions in the EMDEs that can enhance access to more affordable liquidity.

Global economic and financial stability is in everyone’s interest, but it often involves solving collective action problems. It will be important to create mechanisms and incentives that more closely align the interests of different stakeholders in global governance, without allowing multilateral institutions to be run largely by and for the benefit of the richer and larger economies. While there is a clear recognition among national policymakers that the world is interconnected, it is time to make concrete progress on reworking the rules of the game and the structure of multilateral institutions that underpin such connectivity and could enable all countries and their peoples to benefit and prosper.
2. Global Governance: Balancing power and equitable representation

Kemal Derviş and José Antonio Ocampo

Background

A comprehensive vision of a reformed multilateralism with the United Nations (U.N.) at its center has been outlined by the U.N. Secretary General (UNSG) in his report “Our Common Agenda,” with a proposal for a special Summit in 2023. The report includes many ambitious and concrete recommendations, including a call for a high-level advisory board to help prepare the summit. An essential part of how multilateralism functions depends on the rules governing how voting functions in international organizations. They are not a focus of “Our Common Agenda” but are bound to arise in the discussions leading up to the proposed summit.

This essay is about these rules and some of the dilemmas they pose for multilateralism. There are different rules for different organizations, reflecting their purpose, relative power of their members at the time of their creation and subsequent amendments, along with other factors. We will focus on the U.N. System broadly, defined as including the core U.N. and 38 related institutions (Funds and Programmes, Specialized Agencies, and other related Organizations) with various types of governance, and the World Trade Organization (WTO). Together these institutions represent much of the global “formal” multilateral system addressed by the UNSG.
They do not include the self-selected informal but important clubs, such as the G-7 and G-20, where there are no voting rules, and decisions are adopted by consensus.\textsuperscript{23}

We will start with a description of the U.N. System as a whole and then proceed to give some examples of the governance of some bodies in the system. We will then discuss the Bretton Woods institutions (BWIs) in some detail. They are part of the U.N. System, though only loosely, and are certainly crucial organizations of the formal multilateral system. Their leadership participates in the U.N. Chief Executives Board (CEB) chaired by the UNSG, tasked with broadly coordinating the system, but they operate with full autonomy. We will also briefly touch on the WTO, which is not part of the U.N. System but contributes to it on an \textit{ad hoc} basis and whose Director-General does participate in CEB meetings. In the end, we offer some thoughts for reform at the U.N. Security Council (UNSC), as it remains absolutely central to the U.N. and to global governance.

Our subject is formal governance and voting, but these have to be evaluated with consideration to the environment that influences formal decision-making. Governments and non-governmental actors try to influence the work of international institutions, sometimes through normal and acceptable discussions with staff and management, and other times through equally acceptable notifications about conditions governments declare they will attach to their vote. Sometimes they exceed these acceptable norms and try to strong-arm staff in various ways. But in all international institutions affiliated with the U.N., staff pledge that their work will not be influenced by any outside entities and have allegiance only to their organization. The recent events surrounding the World Bank's Doing Business report\textsuperscript{24} illustrate how difficult it can be to maintain crucial independence while working closely with member governments.

\textbf{A system of cooperation between sovereign nations}

The U.N. Charter laid out the foundation of post-war multilateralism. Its Preamble starts with the words: “We the Peoples of the United Nations.” At the same time Article 2.1 states that “the organization is based on the principle of the sovereign equality of all its Members.” The “Peoples” in the preamble can and has been read as appealing directly to citizens in all member countries. Article 2.1, however, establishes sovereign nations, large and small, as the building blocks of global governance.\textsuperscript{25} It is not the people who are the “units,” but the nation-states.

The reference to the “Peoples” implicitly points to populations and thus to the differences in the numbers of citizens in each nation, whereas “sovereign equality” indicates that all nations are “equal” (i.e., equally sovereign), no matter their population, economic strength, or any other characteristic. The

\textsuperscript{23} The G-20 in particular relies on the formal international institutions to actually implement many of its decisions.


\textsuperscript{25} Dars Rodrik, Stephen Walt, “How to Construct a New Global Order.” Harvard Kennedy School Working Paper (May 2021). The authors correctly argue that nation-states are likely to remain the building blocks of any new order.
affirmation of “sovereign equality” did not, however, prevent the U.N. Charter from including a voting system in the UNSC that gives five nations alone a special veto power over some of the most important decisions the U.N. can make. Such inequalities reflect the differences between the size of nations, where size is measured by military capability or by GDP or trade-related criteria in the BWIs. Nowhere in the global multilateral system is population directly a measure of “size,” although it clearly affects GDP and other economic variables. The hint at some form of global democracy implied by the Preamble certainly did not influence voting rules.

It is interesting to contrast this to the European Union, where member states agreed to relinquish some of their sovereign equality, reflecting some degree of “European Democracy.” Most decisions in the EU now require a double majority of 55 percent of member nations and 65 percent of the EU’s population, a compromise of the type one finds in federal constitutions such as that of the U.S., with States being equal in the Senate, irrespective of their population size, while the House of Representatives reflects the one-person-one-vote principle of a democracy of equal citizens.

The global multilateralism of the U.N. System does not aim at some sort of global federalism. Its two key objectives, however, are effectiveness and legitimacy. Both require the support of governments but also of citizens and civil society throughout the world. This in turn requires a delicate balance between principles derived from the sovereign equality of nations and the need to recognize differences in the “weights” of nations in terms of their capabilities while guaranteeing equity in their representation. Moreover, the need for political and financial support places the formal multilateralism of nation-states into the broader context of a world where non-government actors play an important role.

One nation-one vote as a basic rule?

The U.N. is a system of institutions with the U.N. General Assembly, U.N. Security Council, U.N. Economic and Social Council (ECOSOC), and U.N. Secretariat at its center. There are also many affiliated institutions. Six U.N. Funds and Programmes are considered part of the U.N. proper, but in addition, the U.N. System comprises 15 Specialized Agencies and 17 related organizations, adding up to 38 institutions. The heads of the Specialized Agencies and some of the related organizations make up the Chief Executives Board (CEB), chaired by the UNSG.

Formal voting in the General Assembly follows the one-nation-one-vote rule. The same holds for ECOSOC and for the Boards of the Funds and Programmes, whose members are chosen by ECOSOC. The Council is tasked with coordinating the economic, social, and environmental work of the U.N, and its 54 members are elected by the GA according to regional quotas. The same is the case for most Specialized Agencies and affiliated organizations, which have different types of boards, but for which voting follows the one-nation-one-

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vote principle, with few exceptions, most notably the BWIs. The WHO board, for example, consists of all member nations’ health ministers. The Board of UNDP consists of 36 rotating members, and the ILO has representatives of organized labor and employer organizations besides labor ministers on its board, but they are part of national delegations. The one-nation-one-vote rule equates the smallest countries to the largest in terms of voting power. It is legitimate, if legitimacy requires that all nations have an equal weight in governance, reflecting the principle of “sovereign equality” of Article 2.1 of the U.N. Charter.

One could expect countries with large populations would object to this voting rule, but it has not been called seriously into question. The U.N. System is generally perceived as legitimate, with the exception of the U.N. Security Council. One reason for this perception is that it includes all nations, unlike the self-appointed G-7 and G-20. But perhaps the most important source of its acceptance is that the U.N. System has succeeded in associating civil society with its work in a myriad of ways. More than 3,000 civil society organizations work with ECOSOC. It could be said that this participation reflects the appeal to the “peoples” in the U.N. Charter’s Preamble. There has also been a growing engagement of the business sector. These partnerships have led to more effective delivery of socio-economic results and brought the U.N. itself, as well as many of the affiliated organizations, closer to a form of “global democracy,” not in its formal voting rules, but in the way it carries out its work. It led the U.N. Intellectual History Project to suggest the term “three U.N.s,” to refer to the intergovernmental bodies, the secretariat, and civil society. The system that has emerged has been called “polylateralism” in the sense that in addition to governments, cities, NGOs, and businesses are deeply involved in this global cooperation. Some private business or philanthropic actors, such as the Bill & Melinda Gates Foundation, are able to deploy resources much greater than most “Westphalian states” and have supported special purpose funds (i.e., the Global Fund to Fight AIDS, Tuberculosis and Malaria) that operate besides or in close collaboration with international institutions. They are at times also important funders of these public organizations. The U.N. System has encouraged polylateralism and has derived legitimizing effectiveness from it. The COP26 meeting in Glasgow showcased this approach.

Besides the very positive contribution of such polylateralism to achieving results, there are, of course, questions associated with the influence large funders have gained directly through their own organizations and indirectly by funding international institutions, an influence that is at odds with the concepts of the sovereign equality of nations or democratic control, and conforms more to a one-dollar-one-vote system.

28. A 2019 Pew report found that, worldwide, about 65% of respondents were favorable to the United Nations. In our own survey, 74% of respondents felt the U.N. was more legitimate than G-7 or G-20 groups. https://www.pewresearch.org/fact-tank/2019/09/23/united-nations-gets-mostly-positive-marks-from-people-around-the-world/
Despite these issues and the challenge of better coordination, the U.N. has become closer to a United “Nations and Peoples.” Being part of an open and inclusive polylateralism has on balance been a strong source of a new type of legitimacy. Changes in the formal one-nation-one-vote rule, where it is in effect, are clearly not a priority. Voting rule reforms are much more urgent for the specific weighting rules in the BWIs and functioning of governance at the WTO. And of course for the UNSC, despite the history of frustration experienced by many, there are attempts to make the rules governing its decision making more legitimate and conform to today’s realities.

The Bretton Woods Institutions

The voting structure at the IMF is broadly based on two components. The first component consists of “basic votes,” which follow the one-country-one-vote rule and are a nod to the equal sovereignty of nations. The share of basic votes has declined since the creation of the BWIs, but it was increased in the 2008 negotiations on voting power and now stands at about 5.5 percent of total votes. The second component is calculated using economic variables characterizing the economic weight of member countries based on a controversial formula31 featuring GDP, at market prices and purchasing power parity, current account receipts and expenditures as a proxy for openness, variability of these, reserves, and a compression factor to tilt the balance toward smaller economies. While the formula serves as a guideline, actual shares also reflect ad hoc adjustments made and approved by the Board of Governors and diverge from calculated shares. The agreed quotas derived from this formula and ad hoc adjustments (the equivalent of capital for the IMF) determines the relative contributions to the IMF, access to financing, and allocation of Special Drawing Rights (SDRs) and is the principal determinant of voting weights. The IMF is thus a predominantly “one-dollar one-vote” in its governance with a bias toward more open economies, notably Europe.

In the IBRD, the economic weight is determined by the quota shares in the IMF but have deviated from these a bit over time. These economic weights are used to determine capital subscriptions and, as in the IMF, account for the dominant determinant of voting shares. Basic votes represent 5.55 percent of total votes. In the last round of negotiations in 2010, it was also agreed that the share of emerging and developing countries should reach at least 50 percent in the next round of negotiations, which is taking place now. In turn, in the International Development Agency (IDA) of the World Bank Group, voting shares also reflect the contributions countries make to development cooperation.

In both BWIs, the system of constituencies determines the representation of countries in the 24 member IMF Board and the 25 World Bank Board (as an additional member was approved for Africa in 2008), as well as on the governing bodies of both institutions, the International Monetary and Financial and the Development Committees, respectively. Five countries with enough voting power can self-elect themselves, but the rest have to form groups with high enough collective voting power to be elected. The

rules within each constituency are determined by its members, including which country heads the group, which in several cases rotates among its major members. The constituency system allows all member countries to be represented in the governing bodies of both institutions.

The BWIs were the explicit focus of the call of the Monterrey Consensus\(^\text{32}\) in 2001 “to broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm-setting (paragraph 62).”

Linked to this call, it is important to emphasize that estimates of the economic weight of countries in the associated formulas significantly lag in relation to the reality of the world economy. This implies that the weight of developed countries, in particular Western Europe, has remained much higher than what that group of countries should have, and that of emerging and developing countries, particularly the major economies of Asia, have lagged behind. Since the discussions on capital only take place infrequently (the last one in 2010, although implementation was delayed by slow approvals by some parliaments, notably the U.S. Congress), which further distorts representation. The current negotiations have started after more than a decade, as they are now going on in the case of the World Bank, but may not lead to a decision, and a decision was delayed to 2023 in the case of the IMF. These inequalities are also reflected in the selection of the heads of these organizations, which has always been a European in the case of the IMF and a U.S. citizen in that of the World Bank. They are also reflected in the veto power of the U.S., as some crucial decisions require 85 percent approval, and the U.S. alone has more than 15 percent of the voting power.

Since Monterrey, the overall situation has changed somewhat, but the share of Western European countries, particularly the smaller ones, remains unreasonable. For example, the aggregate voting share of Austria, Belgium, Ireland, and the Netherlands—four “small” members of the EU and the Eurozone—is almost 5 percent, compared to a little more than 6 percent for China. However, the small EU countries have a total population of 42.7 million and a world share of GDP of only 2.5 percent, whereas China has a population 34 times greater and accounts for 18.1 percent of world GDP at market prices. India, which may be viewed as the second most underrepresented country, has a voting share of 2.75 percent with a population about equal to China’s but a share of world GDP of 3.1 percent.\(^\text{33}\)

The absence of population as one of the direct determinants of voting shares, the key reason for India’s low quota, also leads to all of sub-Saharan Africa having less than 4 percent of the votes, while having close to 15 percent of the world’s population.

While there are many gaps between what could be perceived as legitimate and actual shares, the biggest problem is now the huge underrepresentation of China. Any deal consistent with today’s realities would about double the

33. The shares in world GDP are at 2015 prices. For 2019 they were: for the four EU countries 2.5%, for China 17.1%, and for India 3.2%.
Chinese voting power, mostly at the expense of Western Europe. And given projected growth rates, China would be set to reach the 15 percent share required for a veto of the most crucial decisions. Such a deal is politically impossible given the strategic rivalry and tension that has grown between China, on the one side, and the U.S. and its European and other allies.

Whatever one’s view is about this rivalry and the fact that, despite its underrepresentation, China is for now cooperating with the IMF and IBRD, this unsustainable governance problem may well be a time-bomb waiting to explode and to move the world further into a bi-polar structure and seriously diminish the global role of the BWIs.

Moreover, the deadlock over voting shares is also a key complicating factor that will make scaling up the resources of the BWIs increasingly more difficult.

**The WTO**

The creation of WTO in 1994, after the lengthy Uruguay Round of negotiations, tried to prevent major developed countries from imposing its rules on world trade. So, a system was designed to combine the one-country-one-vote rule with the need for consensus, which in fact implies that potentially any country could exercise a veto. According to most analysts, the major criticism of this rule is that it has been extremely hard to adopt new decisions, which have then encouraged bilateral and plurilateral treaties. If left unchecked, this can eventually erode global trade rules, and powerful countries could weigh heavily in the agreements, for example, in regards to the strength of intellectual property rights and investment rules.

The decisionmaking process under WTO involves, however, other mechanisms. The first is the so-called “green room,” in which powerful members negotiate among themselves. It comprised of only developed countries during the Uruguay Round—the U.S., the European Union, Japan, and Australia—but it was later expanded to include three major emerging economies—Brazil, China, and India. The 2001 Doha Ministerial Conference, the first after the chaotic 1999 Seattle conference, created a “Trade Negotiations Committee” to supervise what are potentially multiple specific negotiations, for which grouping of countries are formed according to their interests. They include informal meetings that involve a limited number of members, as well as bilateral consultations with the chair of the WTO General Council. The principle is set, however, that information must be shared among all members. This is what, during his term as WTO Director General, Pascal Lamy came to call the system of “variable geometry” or “concentric circles,” with the outer circle being, of course, the WTO General Council, where the full membership is represented.

How the veto power is exercised among members, and whether the weight of countries is involved is, of course, a relevant question. By far the most important case has been the refusal of the U.S. to accept naming new members of the Appellate Body in dispute settlement processes, which effectively led to the discontinuation, in December 2019, of the best mechanism designed for settling controversies among countries in international governance. The basic
arguments used by the U.S. were that the Appellate Body had been broadening the interpretation of the WTO agreement, thus changing the rights and obligations of members. The U.S. argued that the Appellate used its reports as legal precedents, which was not appropriate in a multilateral as opposed to a national context. The other important case was the 2014 Indian veto of the agreement trade facilitation reached in the Bali Ministerial meeting held in December 2013, which led to a consensus a few months later. In contrast, economically weaker members are subject to strong pressure from more powerful countries not to exercise their veto power. In his analysis of the WTO, Peter Evans aptly captured this dynamic: WTO is a “formal democracy” but an informal “oligarchy.”34

Back to the UN Security Council reform

The UNSC is the most powerful, central part of the U.N. System, but it is also considered its most “illegitimate.” Any reform of the formal multilateral system would not be complete without the Council’s reform. The U.N. Charter gives the UNSC unique powers, particularly with respect to settlement of disputes (Chapter VI) and international peace and security (Chapter VII). Their veto power allows any one of the five permanent members (P5) to block any decision on these matters. Furthermore, the UNSG cannot be chosen without the backing of the UNSC, and the same holds for any amendments to the Charter itself.

Many attempts at reform were made in the past, notably by then-UNSG Kofi Annan, but all were unsuccessful. However, neglecting to reform the UNSC would undermine the significance of any reform of the U.N.—and of multilateralism more broadly. This is particularly germane at a time when the UNSC could play a crucial role in preventing unilateral actions and reasserting the role of international law and overall human security, including security from new threats associated with new technologies. The proposed 2023 Summit could be an opportunity to strengthen both the legitimacy and efficacy of the UNSC.

A reform could have two components: The inclusion in the UNSC of a small number of new permanent members without veto power, and a mechanism limiting the absolute veto power of the P5. The choice of three or four new permanent members should be based on objective criteria, such as population, GDP, and contributions to the U.N.’s resources. Some weighted average of these variables would certainly lead to the inclusion of India and could allow Japan and Brazil and perhaps some other countries to become permanent members. A lesser alternative would be to allow the re-election of some of these new member countries without them being permanent members.

In the context of an overall reform, it would be desirable and feasible politically to have France (while keeping its permanent seat) agree to vote on behalf of the European Union, with the latter determining the internal rules leading to an EU vote. This should be acceptable to EU countries, notably Germany.

The second much more radical component of a reform would be to limit the absolute veto power of the P5: A double majority of two-thirds of member countries and at least two-thirds of the world’s population could be empowered to override a veto. If implemented, this would be a real breakthrough.35

Such changes do of course need the agreement of the P5, and limiting absolute veto power may be out of reach. However, in the long run, it is unthinkable to not reform the UNSC: This would increasingly reduce the legitimacy of the U.N. and encourage acts that violate its decisions. A reform—as outlined in this essay—would instead increase the UNSC’s legitimacy and, with it, help the future direction of multilateralism, one that successfully responds to new realities and challenges.

35. A much weaker alternative would be to reduce the use of the veto power by, for example, allowing the P5 to vote negatively on a decision of the UNSC without vetoing it.
3. Regional cooperation: A necessary complement to global multilateralism

Brahima S. Coulibaly and Elizabeth Sidiropoulos

Introduction

The proliferation of regional institutions in the 1980s ignited a debate on their unique role in the multilateral system. Among the early critics of this proliferation, Bhagwati\textsuperscript{36} considered this movement unfortunate and indicated that only time would tell whether regional organizations would be a sanguine or a malign force that undermined multilateral trade. The continuing increase in the number of regional organizations since then suggests that they serve a unique function in the global governance system that the multilateral organizations are either serving inadequately or not serving at all.\textsuperscript{37}

Indeed, in a recent survey on the future of multilateralism, conducted in the context of this study among experts from the Global North and the Global South, we find substantial support across geographies for regional organizations in the international system. Further, the respondents were only moderately optimistic that governments will increase their commitment to supporting multilateralism, and they were divided on whether multilateralism will function more effectively over the next decade.\textsuperscript{38} The relative enthusiasm in the survey results for regionalism is not surprising in light of the increasing tensions at the global level that are making multilateralism fraught. At the same time, the fact that respondents also


\textsuperscript{37} Multilateral throughout this essay refers to global multilateral.

expressed support for multilateralism, suggests a preference for co-existence and cooperation between regional and multilateral organizations to address challenges more effectively.

The core of the issue, then, is how to maximize the benefits of both a more regionally oriented global governance and a globally oriented one. As we explore more deeply later, regional organizations offer greater representation to smaller nations and can respond more nimbly to local challenges. Ideally, these features will also endow regional organizations with substantial legitimacy, furthering their efforts and reach. On the other hand, compared with multilateral organizations, regional organizations tend to be less resourced, with limited ability to respond to challenges that are global in nature, and they have less capacity for enforcement. Also, in certain cases, regional organizations may be constrained by competing interests among their member-states in taking effective action. The European Union (EU) is a unique case of regional cooperation in which member-states have agreed to cede a substantial amount of sovereignty to the regional level and developed an internal voting system, the results of which have the force of law in all member-states. This is not generally the case. The African countries have adopted an African Continental Free Trade Agreement to bolster intra-regional trade but have not ceded sovereignty to the extent that the EU has, and trade negotiations remain the competence of sovereign states (except in cases where a customs union exists). Regional cooperation in general often reflects not only geographical proximity, but some common history and some sense of shared “identity” which gives them the vocation for moving toward greater shared sovereignty. A regional organization which was founded on such a premise is the Arab League. However, its history has been one of internal disputes and conflicts.

In this essay, we develop some guiding principles for optimal cooperation between regional and multilateral organizations to achieve greater efficiency in global governance. We argue that the nature of the cooperation depends on the policy area and elaborate on how optimal cooperation might work in the management of climate change, pandemics, conflict resolution, or international trade.

**Framework for an optimal regional and multilateral cooperation**

The scale and the complexity of the transnational challenges are such that the expectations of multilateralism are significant. Arriving at global rules and actions that all can agree on has become increasingly difficult. Where agreement is achieved, it is often at the lowest common denominator. Such low ambition is compounded by growing geopolitical polarization, which makes it very difficult to reform global institutions and processes so that they are more fit for purpose.

Over the last several years, the paralysis in some global bodies has seen various other arrangements, including regional arrangements, fill the vacuum. Many of them make rules, develop new standards, and propagate norms. If these
organizations or arrangements are powerful enough, their rules and norms affect non-members too. In this essay we focus on regional arrangements. We do not discuss the role of self-selected non-regional “clubs” such as the G-20 or the role of non-regional “coalitions of the willing” bringing together nation-states or private actors, except in brief references. The latter are yet another dimension of global governance besides formal “Westphalian” cooperation between nation-states. 39

Nation-states recognize the importance of having three tiers of government (national/federal, state/provincial, and local). Each has a particular function but there is also engagement and cooperation across the tiers. In this analogy the national/federal provides the overarching framework within which the other two tiers operate but it is not necessarily the arbiter on all matters. The other tiers have both autonomy and independent agency. So, what would a framework for optimal types of cooperation between global and regional look like?

Regional bodies are important actors in dealing with transnational challenges. Some of these challenges are best tackled at the regional level, for example, watercourse sharing arrangements. In other cases, the solutions must be more global. Climate change, cross-border taxation, or regulation and governance of technology are good examples of the latter. It is also the case that on some of these global challenges, regional cooperation is a valuable tool to advance the global agenda that sets the framework (i.e, sharing responsibilities). Developing a framework that identifies the optimal type and level of cooperation could help to reduce the pressure on the multilateral processes, while not necessarily blocking progress on these transnational challenges elsewhere. Such an approach would be based on a balance between complementarity and subsidiarity, guided by a set of principles in which regional organizations are sometimes the most appropriate organs to lead on transnational challenges and where global institutions should follow. In other situations, global institutions/processes must take the lead but be supported by regional organizations (ROs). Lastly, policy areas exist which sit squarely within the domain of regional organizations and processes.

In exploring these elements, the framework would also need to consider how specific functions and responsibilities might be divided between regional and global institutions. These could include (1) rule development, (2) policy development, (3) determining the means of implementation, (4) resource mobilization, and (5) reporting and evaluating. This recognizes that there are different power dynamics across the tiers. While power is not the only factor to consider, determining where it rests is an important element for effective cooperation.

Transnational issues best addressed by multilateral organizations

Among many states there is a perception that multilateral institutions have too much authority vested in them and thus undermine their own agency in areas where they think they should have greater independence. Often

39. The Glasgow Finance Alliance for Net Zero, a global coalition of leading financial institutions committed to accelerating the decarbonization of the economy, is another example of non-Westphalian cooperation.
3. Regional cooperation: A necessary complement to global multilateralism

these perspectives stem from a belief that there should be value pluralism in the construction of norms, rules, and institutions. Ideally, multilateral organizations should deal only with issues that have significant spillover effects across borders and regions, where managing them requires a common and coordinated global approach, and where the risk of not doing so is global in nature. Global public goods (GPG), where a good is available to all and is non-exclusive and non-rivalrous, is one category of issues that is best addressed by multilateral organizations. Climate change is a strong example of such a GPG. In other cases, such as health, its provision is not a GPG in the conventional sense of the concept; rather, it is a private good. In contrast, handling pandemic conditions in which a disease rapidly hops borders would be a GPG. COVID-19 has highlighted the crucial role for a global set of rules and interventions, as well as institutions to ensure effective containment of the virus. Regional processes, institutions, and coordination are important but on their own are not sufficient. A distinction should be made between the global imperative of a pandemic response and more general health issues, which may relate to non-communicable diseases, public health systems, or healthcare coverage. The latter do not necessarily require global institutions and processes to regulate them as they do not pose a global threat or require global instruments to tackle them. Another issue that requires multilateral frameworks and rules is the regulation of personal data and the governance of technology.

There is a useful distinction between “aggregate effort” type GPGs where the total GPG is provided by the additions of national contributions, such as climate mitigation and “weakest link” type GPGs where a single or a small number of states can be the cause of the failure in GPG provision, such as inadequate pandemic prevention or insufficient safety precautions in proliferation of nuclear weapons or the weaponization of certain new technologies. The type of international cooperation that can be most effective may depend on the nature of the good provided.

Where both global and regional institutions are necessary and require coordination between them, attention needs to be given to the question of the voice of regional organizations in such global forums. In many instances they are not present, or they may be present only as observers.

Transnational issues best addressed by regional organizations:

As a principle, regional organizations should take the lead in cases where the threat is not global, or a global framework is not necessary to combat the problem. In such cases, the norm of subsidiarity should apply, where regional organizations/processes are the first resort for transnational challenges. Regional organizations are often better positioned to deal with more localized challenges and may be more effective because they are closer to the problem. There is also likely to be greater accountability at the regional level than at the global level for a regional issue. Such accountability includes ensuring input from affected actors (not only states).

Subsidiarity is not without its own problems of effectiveness and capacity. Weak subsidiarity may occur in instances where the threshold for reasons to resort to a higher level is low because action at that level may appear more advantageous.\textsuperscript{41} In other cases, efficient action by regional actors may be undermined by competing interests.

Peace and security matters that have regional impact should also be handled in the first instance through regional mechanisms, although regional institutions may be hamstrung by member-states’ competing interests in a conflict.

**Climate Change:** As a global public good, the preservation of the environment is best addressed in a multilateral setting as noted earlier. The need for collective action is illustrated by the protracted efforts to obtain broad global cooperation. The “aggregate effort” nature of the public good of mitigation and the tightness of the world’s remaining carbon budget means that close to universal cooperation is needed, although the non-participation of some very small emitters does not really matter, at least over the next decade. Even so, universal participation is important as Kemal Derviş and Amar Bhattacharya argue in their own essay.\textsuperscript{42} In this regard, the Paris Agreement marked an important turning point as it formed the basis for collective and cooperative long-term climate change action plans with a shared sense of responsibility and urgency. The universal national representation in the United Nations makes this multilateral organization best suited to lead on climate. The institution’s Climate Change Conferences facilitate discussions on progress and the opportunity to chart a new course of action. The broad representation of nations provides a framework for rulemaking to be equitable and inclusive, which generally confers crucial legitimacy for effective implementation of policies. The multilateral approach and the “whole of humanity” nature of the environmental mission also encourages the integration of non-state actors, notably the private sector and civil society, who have a very important role to play in the global climate agenda. Despite having the correct approach, multilateralism is, so far, not proving effective at advancing the global climate agenda, at least not at the pace that would be considered necessary to avert a climate crisis.

The lack of adequate progress has less to do with having a multilateral institution lead, but more with the process by which it is tackling the problem. Notably, the U.N. climate process cannot impose necessary actions on each country. It cannot enforce actions either, not even on the agendas the countries committed to voluntarily. The National Determined Contributions (NDCs) are the most important barometer of countries’ commitment to deliver on climate. However, NDCs are voluntary and rely mostly on informal enforcement mechanisms that boil down to a “peer pressure” or “naming and shaming.” Similarly, participation in the U.N. conferences is not mandatory. The pledges made by China, the world’s biggest emitter, to reach peak emissions by 2030 and net zero by 2060 are largely described as too modest, and the country’s head of state chose not to participate in the COP26 discussions. India announced a net zero target date for 2070 which many

\textsuperscript{41} Markus Jachtenfuchs & Nico Krisch, Subsidiarity in Global Governance, 79 Law and Contemporary Problems 1-26 (2016).

\textsuperscript{42} See also “Multilateralism and climate change: providing a global public good and following an ethical imperative” by Kemal Derviş and Amar Bhattacharya, included in this volume.
judged to be too late, and single handedly obtained a significant modification in the resolution of COP26 to “phase down” rather than “phase out” coal. This is an example of going to the lowest common denominator to achieve agreement. The financing for climate, which is perhaps the most crucial mechanism to accelerate just energy transitions for emerging markets and developing countries as Bhattacharya and Derviş point out (page 40), lacks specificity and an enforcement mechanism.

On climate adaptation, there is a larger role for regional or national organizations. The risks posed by climate change vary from region to region, and from one country to the other. The local nature of adaptation problems and the differentiated solutions needed make national or regional approaches better suited to lead. Even so, aspects of adaptation, notably financing, should be tackled at the global level in the context of the broader climate financing agenda as it is currently.

To accelerate progress on the climate agenda going forward, it would be important to complement the U.N. process by consistently integrating it into the agenda of other multilateral processes, notably the G-20 where all the major emitters have representation.

**International trade:** International trade is a policy area where multilateral and regional organizations can cooperate, with multilateral organizations leading on global aspects and regional organizations on regional aspects. Trade transcends national borders or shared regions. As such, it can only be effectively addressed through a shared understanding of the rules and a process to resolve disputes. It is this belief that inspired the creation in 1947 of the General Agreement on Tariffs and Trade (GATT), a legal entity between many countries, whose mission was to reduce or eliminate trade barriers. The World Trade Organization (WTO), since its inception in 1995, now serves that purpose while expanding the scope to include trade in services and agreements on trade-related aspects of intellectual property. Like the U.N., the governance of the WTO has a broad membership with 159 of the world’s 195 countries, representing over 98 percent of global trade and GDP. The organization facilitates trades in goods, services, and intellectual property, and provides a framework for negotiations. It also administers independent dispute resolution to enforce adherence to trade agreements and resolve trade-related disputes.

The successes generally credited to the GATT and WTO include the facilitation of a significant reduction in trade barriers over the past decades, with the average tariff falling from 50 percent in the 1930s to roughly 2.6 percent today. The dispute resolution mechanism helped prevent widespread trade wars similar to those that prolonged the great depression in the 1930s. The WTO decision-making process emphasizes consensus, which along with the broad representation, gives legitimacy to the agreements, and partly accounts for the successes it has registered.

Alongside the GATT and WTO, regional trade agreements have skyrocketed from just 22 in 1990 to 350 today. The proliferation of regional trade organizations, in some respect, illustrates the complementarity that is possible, even if not perfect, between regionalism and multilateralism. The consensus that is prioritized in WTO discussions while important for inclusion and legitimacy, also makes decision making more difficult and protracted as every country essentially can veto decisions. The slow WTO process has been among the factors that contributed to the proliferation of regional trade agreements (RTAs) as necessary complements. Importantly, RTAs are not a violation of WTO rules. All WTO members participate in one or more RTAs. What is notable about the dynamic between the WTO and RTAs is that they pursue the same objective of facilitating free and fair trade through lower trade barriers and non-discrimination rules. The regional organizations are nimbler, allowing faster progress toward this shared objective in their regions than the WTO permits.

Recent disagreements between the United States and other members around the appointment of new judges to fill vacancies at the WTO Appellate Body, which is the best mechanism to adjudicate trade disputes, have de facto paralyzed the WTO, illustrating the vulnerability of the institution. Going forward, reforms to bolster internal governance should be prioritized. The WTO should also become more responsive to emerging challenges around the impact of future pandemics or climate policies on trade rules or digital trade. The rise of digital trade will make borders less relevant in trade and might create more friction between WTO and RTAs. The ultimate benefits of free and fair trade will be its contribution to well-being and prosperity for all, including eradicating poverty and inequality. It will be important for the WTO to be more attentive to the unique challenges faced by low-income countries and to ensure that the trade rules are equitable and adapted to facilitate a level-playing field for them.

Global pandemics: In an interconnected world, pandemics can spread rapidly. The coronavirus outbreak in 2019 was the latest in a series of pandemics the world has faced in the 20th and 21st centuries. Similar to climate change, pandemics pose a threat to all and no country is safe unless all countries are safe. It is a “weakest link” type GPG that requires global institutions, norms, and regulations. But effective combating of pandemics can also benefit from strong regional organizations, which can support the global institutions through coordination and action at the regional level where their proximity to the ground enables locality-specific responses. In the case of the Ebola outbreak in West Africa in 2014, it was knowledge of local burial customs that identified the vector of transmission of the disease.

Managing global public health threats collectively has been on the international agenda since the 19th century. The first International Sanitary Conference held in 1851 sought to harmonize quarantine procedures among European countries. When the WHO was established in 1948, its priorities were to fight malaria, tuberculosis, venereal diseases, maternal and child health, sanitary engineering, and nutrition. In 1969, the WHO adopted the first

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International Health Regulations (IHR), which were binding on all member states and set out the global rules for pandemic response. The rules identified six serious infectious diseases: Cholera, plague, yellow fever, smallpox, relapsing fever, and typhus, but only cholera, plague, and yellow fever were notifiable to the WHO. It was only after the SARS outbreak in China in 2002 that the IHR were amended to make all public health hazards notifiable. One of the major challenges the WHO has faced has been the debate on whether its mission should be more focused on targeting specific infectious diseases (vertical) or on general health care services (horizontal). This dilemma has not been fully resolved and has contributed to the emergence of the so-called vertical funds, which were attractive to private philanthropists and bilateral donors. These funds include GAVI, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the Joint U.N. Program on HIV/AIDS (see also “From Vertical Funds to Purpose-Driven Funds: A new approach to multilateralism” by Homi Kharas, John McArthur, and Dennis Snower, included in this volume, (page 48)).

The drivers of the fragmentation of the global health institutional landscape are many. They include WHO failures on the horizontal approach, and a growing preference among major funders (both public and private) to focus on specific diseases where the outcomes are easier to measure. However, this fragmentation is also a response to the WHO’s limited capacity and resources.

The provision of health is not a global public good, which we posit as one criterion for asserting multilateral rather than regional primacy. However, devising an optimal division of labor on global health issues should be determined by the elements that are transnational in nature, pose global risks, and can only be tackled by coordinated global rules and efforts. The WHO’s primary purpose should therefore be the management of a global framework for pandemic preparedness. But to be effective, the WHO will need to be reformed and given wider powers. Although the IHR are binding, the WHO has no enforcement powers. More than 15 years after the adoption of the new IHR, fewer than half of the countries are compliant with them.46 Global health risks can be deadly, and yet the WHO has no sanctioning authority, while the WTO does.47 Learning from the phases of the spread of the COVID-19 pandemic, the IHR should adopt a tiered alert mechanism. There is only one alert level at present—the Public Health Emergency of International Concern—which lacks nuance and in fact makes it difficult to activate this earlier when the scale of the possible pandemic is unclear.48 For the WHO to be effective in fighting pandemics, its financing will have to be ramped up, especially with regard to the balance between guaranteed and voluntary contributions. A more laser-focused mission on pandemic responsiveness would ensure resources are not spread too thin and include areas that may be better handled at a regional or

national level, or where the externalities are not global. The inadequacy of national responses was clearly recognized by the WHO, which has recently announced efforts for a landmark accord to coordinate pandemic prevention.49

Regional organizations can play a crucial supporting role in pandemic response. This was clearly demonstrated with the COVID-19 outbreak in Africa. The African CDC had only been established three years earlier in the wake of another pandemic, the Ebola virus. While still a new institution, it provided significant technical support, input and coordination to the African Union (AU) as it tried to control the spread of the virus, mobilize medical supplies, vaccines and provide training for testing, among others. Regional health organizations are also closer to national and political sensitivities and are often better positioned to navigate them during a pandemic response, aiming to build consensus on a collective regional response. However, regional health organizations are not always effective. In the case of the most recent COVID pandemic, the Pan-American Health Organization lacked the impetus that was present in the African CDC because of the absence of political leadership and coordination by the region’s states.

Going forward, regional organizations, the WHO as well as its regional centers should strengthen the existing frameworks of coordination in fighting pandemics and draw lessons from the way in which certain regions worked better than others in responding to COVID.

**Peaceful resolution of disputes:** The primary purpose of the U.N. is to maintain international peace and security as set out in Article 1 of the Charter. The relationship between the UNSC and regional organizations in matters of peace and security is laid out in chapter VIII. Article 52.2 notes that the U.N. Security Council (UNSC) shall encourage the peaceful settlement of local disputes through such regional arrangements or by such regional agencies either on the initiative of the states concerned or by references from the Security Council. However, Article 53.1 emphasizes that ‘no enforcement action shall be taken under regional arrangements or by regional agencies without the authorization of the Security Council.’ Thus, the Charter explicitly recognizes the principle of subsidiarity in solving disputes, provided it does not entail military intervention, while not abrogating the UNSC’s responsibility to be involved.50 The global and the regional should complement each other (see also “Balancing power and equitable representation” by Kemal Derviş and José Antonio Ocampo, included in this volume).

Some regions have stronger regional organizations with peace and security mandates than others. Within Africa, since its establishment, the AU has built up its capacity and agency to take the initiative on peace and security matters on the continent, but it is still largely dependent on donor funding for these activities. Apart from the AU, there are a number of sub-regional organizations in Africa that often act as the first resort in cases of conflict. Regional geographies are fluid, however, and countries’ membership of these

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50. The composition of the UNSC, especially the veto power of the P-5, means that its legitimacy has been undermined and the body needs to be reformed.
sub-regional bodies often overlap. The continent has also seen the emergence of less formalized bodies that also drive peace and security issues. Examples of the former are SADC, ECOWAS and IGAD; an example of the latter would be the International Conference for the Great Lakes Region (ICGLR).

Subsidiarity can pose difficulties though. These include the absence of a regional organization or mechanism for dealing with peace and security issues, or a weak organization where the subjects of the conflict may be able to exert pressure on other member states to not act. As long as the conflict is manageable and does not escalate into gross violations of human rights such as mass atrocities or genocide, or move beyond a regional impact such behavior may be tolerated by the international community. Where it escalates into a conflict that risks including other extra-regional actors or with significant spillovers with global consequences the UNSC is the more appropriate forum. However, appropriateness and legitimacy may not always overlap. It is in this context that the reform of the UNSC becomes essential. Global governance institutions must be effective but must also have legitimacy.

The principle that a military intervention requires a UNSC resolution is an important one as it acts as a deterrent, although not fully, for unilateral actions by groupings whether these are formal regional organizations or coalitions of the willing. There is room, however, to rethink the interplay between the UNSC and regional organizations in cases of military intervention, where there is UNSC approval. For a number of years, the AU and African states have been advocating to use U.N. assessed contributions as a way of providing sustainable and predictable finance for AU peace support operations. This has been opposed by other members of the U.N. Movement on this matter would help improve the AU’s ability to deal with threats, which may often not warrant a U.N. peace mission. Such actions include counterterrorism and peace enforcement missions which fall outside the normal scope of U.N. missions. Yet they are important to stabilize countries and reduce violence and human rights violations. Action sooner can reduce the possibility of a conflict escalating and requiring much larger and costly U.N. intervention. The U.N. should consider providing resources to regional or sub-regional organizations to improve their ability to exercise a peace mission mandate which is linked to the U.N.’s overall mandate for peace and security. It also militates against a perception of ‘passing the buck’ on matters that the permanent members of the Security Council may not have a direct interest in.

The settlement of disputes should be based on both subsidiarity and complementarity. Subsidiarity will continue to be an important pillar of the global security framework in the peaceful settlement of disputes. Complementarity can be strengthened in cases of peacekeeping and enforcement by providing, where necessary, the resources for regional bodies to execute a U.N. mandate.

Conclusion

A renewed multilateralism for the 21st century that empowers people, assures their security, and enhances inclusive social progress will have to coexist with regionalism. The main challenge is to achieve the optimal levels of cooperation and coordination between multilateral and regional organizations. This essay laid out a framework for such an optimal cooperation and coordination with at its core, the principle subsidiarity to achieve systemic coherence. The issue areas explored illustrate the principle.

One scenario not explored is when the principle of subsidiarity is violated because the global institutions are missing or suffer from severe legitimacy deficit, compelling regional organizations to lead. This runs the danger of regional organizations becoming substitutes in creating rules and norms and standards. It is the least constructive outcome as it creates a proliferation of competing processes, structures, and rules that operate independently. One such area could be in data and internet governance, where competing norms between western countries and China and Russia have become apparent and the ability to create a uniform system of rules evades the international community. In the medium term a variety of regional rules could emerge for an issue that is global (i.e., internet). For example, users would be subject to different privacy rules depending on which digital platform they visited. The existence of rules, even if fragmented, may be better than no rules at all; however, such substitution becomes the default that fragments and enervates initiatives to deal with transnational challenges. Substitution can also work in the reverse. The absence of regional institutions on matters that should be handled regionally may compel multilateral involvement, without the necessary proximity, including cultural where appropriate, to be effective. This too may be better than the existence of an institutional vacuum. In a polarized geopolitical environment, substitution may be the option that provides a degree of order, but may fall short of coordinated global and regional cooperation for transnational challenges. \[52\]

\[52.\] The authors thank Kemal Derviş for providing very useful feedback that helped improve this essay.
4. Multilateralism and climate change: Providing a global public good and following an ethical imperative

Amar Bhattacharya and Kemal Derviş

In this essay we focus on the implications for multilateral international cooperation from two key characteristics: The challenge to keep climate change within tolerable bounds and the archetypical Global Public Good (GPG) nature of mitigation as well as the ethical dimension it has acquired. We do not attempt to discuss all the issues surrounding climate change or all the achievements and failures of the COP26 meeting. Our much more limited goal is to highlight what we believe are key points of relevance to the analysis of multilateralism in relation to climate change. In particular, what can one say about the type of multilateralism that is needed to achieve the central global climate goal of curbing emissions and limiting global warming to an acceptable level?

A hugely important GPG

Limiting climate change has been called the “mother of all Global Public Goods” and has become perhaps the most important challenge for global governance alongside avoiding major armed conflict and preventing a pandemic that could be much worse than COVID-19. Runaway climate change would destroy the planet. Mitigation to prevent it is an archetypical GPG in that it is non-rivalrous and non-excludable, as the reduction of greenhouse gas (GHG) concentrations in the atmosphere achieved by mitigation in one country does not impinge on the amounts affecting any other country, and no country can be excluded from the benefits provided by mitigation anywhere.

53. The authors thank Brahima Coulibaly for his assistance and wonderful comments, which have served to greatly improve this work.
This implies that there is at least a potential free rider issue typical for public goods: Each country may try to benefit from the efforts of others while minimizing its own costs.

Technology and a new understanding of growth have changed the basic narrative

Three decades or so ago the climate problem narrative started from the burden sharing challenge of providing this GPG and from having “discovered” carbon emissions as a new constraint on growth. With given technology, having to remain within a carbon budget that was binding meant the world would have to reduce global growth. The debate was centered on burden sharing and the trade-off between the short-term costs and the longer-term benefits of mitigation.

As explained in several recent reports, such as the report prepared for the G-7 meeting in July 2020 by a team led by Nicholas Stern,54 the basic narrative surrounding climate mitigation policies55 has changed fundamentally because of rapid changes in technology and better understanding of low-carbon growth. One key sentence in the conclusion of the G-7 report best summarizes how the climate narrative has changed: “The transition to a zero-emissions and climate resilient world provides the greatest economic, business and commercial opportunity of our time.” This is echoed in a commentary by Ricardo Hausmann,56 urging policymakers in developing countries to concentrate on acquiring the capabilities of producing with the new technologies rather than focusing on reducing their mitigation effort.

The inclusion in the cost-benefit analysis of important co-benefits of green energy, such as clean air or the preservation of bio-diversity, further adds to a new “win-win” message that has already profoundly affected the nature of the politics around climate change.

But the carbon budget remains binding for the world

This most welcome new narrative reflecting the impressive cost reductions achieved by green technologies and their wider benefits should not, however, lead one to conclude that the GPG externality no longer matters.

Past and prospective cost reductions in technologies can increasingly make new green investments profitable and therefore would be pursued in the self-interest of individual countries and private actors. If the “carbon budget” remaining to the world was large enough, the economic profit maximizing

behavior of countries and private actors would lead to an acceptable aggregate outcome. In such a situation, carbon could again be treated as a “free” resource as it was in the old growth models.

The latest IPCC report\(^57\) shows that the world is far from such a situation. The remaining carbon budget to hold global warming to 1.5 °C is extremely limited, and the time to correct the course on emissions extremely short. While progress of green technologies can make new investments cheaper than the carbon emitting alternatives in many sectors, they are still generally more costly than production using existing old assets with sunk costs. This is especially so given the absence of effective carbon pricing in most parts of the world. Vested interests in the fossil fuel economy and transition costs for people and places also make rapid change difficult. Even taking into full consideration these new technologies, given the “carbon space” that remains available to the world, carbon remains a scarce resource that must carry a price, and the GPG nature of mitigation remains relevant when seeking desirable global outcomes.

A key feature of the carbon constraint is that it requires the path to the net-zero emissions goal to be front-loaded; what happens in the next decade will determine whether staying close to the 1.5 degrees Celsius of warming goal can be met. The IMF estimates that to meet that goal, cuts of 55 percent in global emissions below the baseline of current trends are needed by 2050.\(^58\) This urgency means that old assets will have to be decommissioned rapidly and that carbon pricing and regulatory policies are needed to make it happen in the required timeframe.

**Aggregate effort and emerging and developing economies**

Mitigation is an “aggregate effort” GPG, in that the amounts provided by each country add up to the total in contrast to a “weakest link” type GPG, such as protection from infectious disease or bio-terror, where there can be substantial risk unless all countries participate. This requirement for universal or quasi-universal participation is not necessarily a feature of mitigation. And as shown in the recent IMF Climate Note,\(^59\) there are many different distributions of the mitigation effort by groups of counties that could lead to a “sufficient” amount of global mitigation.

Carbon emissions aggregated by group of countries today decompose to a little less than 30 percent from all advanced countries, including the rich Gulf oil producers, close to 30 percent from China, and the rest from all other emerging and developing economies (EMDEs), including the lowest income countries.

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59. Ibid.
The advanced countries should lead in making the largest and most rapid reductions in carbon emissions given their dominant contribution to past emissions and much higher per capita emissions, as well as their capability to mobilize the upfront financial resources for the transformative green investments needed in the next decade. The G-7 has committed to reducing emissions by 50 percent by 2050. Provided carbon prices (or equivalent regulatory policies) are pre-announced to reach the $70 to $100 range before 2030, profit maximizing behavior could steer these advanced economies to more than a 55 percent reduction in carbon emissions over the next decade.

China has only committed itself to have emissions peak in 2030 but has the financial and technological capability to achieve that much earlier. But the carbon budget remaining to the world is such that even if China were to join the advanced countries in early and ambitious mitigation policies, this would not be enough to keep the “close to 1.5 degrees Celsius” target within reach. A significant contribution from the EMDEs is also necessary for an aggregate effort to be sufficient. EMDEs other than China will account for a large amount of global incremental infrastructure. Ensuring that all of this new investment is green is a win-win proposition. Several large emerging markets will also need to accelerate the phase out of fossil-fuel capacities, especially coal. This will entail substantial financial and “just transition” costs that the international community must be prepared to support. In addition to the costs of adaptation and restoration of natural capital, EMDEs will need increases in investment of about “$0.8 trillion a year by 2025 and close to $2 trillion per year by 2030.”\textsuperscript{60} The problem is that most EMDEs do not have the capability of mobilizing the up-front finance required for the transformative investments needed. That is why the financial support of $100 billion a year immediately and much more over the coming decade by the advanced countries to the EMDEs is a necessity for the “close to 1.5 degrees Celsius” target to remain within reach. Moreover, while most of such support is therefore in the self-interest of the rich countries, its delivery should also reflect equity considerations.

The $100 billion and beyond promise and multilateralism

The double purpose of the financial support the advanced countries have promised must be reflected in its nature, time profile, and composition. For example, the vulnerability of the lowest income countries to climate change is such that an immediate doubling of public finance for adaptation is arguably required on “climate justice” grounds.

But it is clear that one cannot neatly separate the need to help EMDEs contribute to the provision of the GPG of global mitigation from equity considerations reflecting very different per capita income levels and vulnerabilities, let alone historical “responsibilities.” A package is needed including increases in public grants, concessional finance from IDA and other

\textsuperscript{60} Amar Bhattacharya and Nicholas Stern. “Beyond the $100 billion: financing a sustainable and resilient future.” London School of Economics. https://wwwlse.ac.uk/granthaminstitute/publication/beyond-the-100-billion-financing-a-sustainable-and-resilient-future/.
funds, and greatly increased support from the multilateral development banks (MDBs) and the leveraging of public finance to attract and facilitate a lot more private investment. A big part of the effort will have to come from the MDBs who must be enabled to triple their level of financing over 2018 levels by 2025. This will require shareholder governments to support capital increases and allow revised capital adequacy rules and balance sheet optimization. Moreover, public funds and MDB capital must be used to facilitate the deployment of private capital, notably through new forms of partnerships using country platforms anchored in national strategies reflecting specific circumstances. All this is described in detail in the Policy note by Amar Bhattacharya and Nicholas Stern written at the time of the COP26 meeting.61

What we want to stress here is that such an effort could not be imagined outside a renewed multilateral framework, demonstrating how both the GPG of mitigation and the support to adaptation can be achieved. A successful model is a multi-channel multilateralism that brings all actors together in what has been called a “polylateral” manner, rather than in a purely intergovernmental way.62 We shall come back to the notion of polylateralism in a section below.

Why universal participation?

While the participation in the global mitigation effort of the EMDEs is essential, the lowest income countries will not emit sufficient amounts of carbon in the coming years to be significant in the global “aggregate effort” accounting. A lack of early mitigation by many of these small emitters per se would not be an obstacle to achieving sufficient global results.

How do we reconcile this with statements made by many at Glasgow that “everyone has to contribute (to mitigation)”? Moreover, the IMF in its recent Climate Note presents scenarios of alternative mitigation amounts by countries at different income levels with contributions also from all low-income countries.

Several factors explain why universal participation is rightly needed. Every country is affected by climate change; future emissions will be increasingly driven by countries that are not today’s major emitters, and inclusion of all brings pressure on the largest emitters. Moreover, it is not easy to define what constitutes “small” (in regard to emissions level), and non-participation by some robs a global strategy of a universal nature. This is important for multilateralism to work—and to prevent “defections” and carbon-leakage. Finally, it will be more difficult to mobilize poorer countries who are small emitters if they do not participate in early mitigation efforts. They may also miss out on the opportunities created by new green technologies and learning. For these reasons, participation by all in the climate protection effort is highly desirable.

61. Ibid.
The ethical imperative and “Greta’s Dilemma”

Apart from the economic cost-benefit of an ambitious mitigation effort, an increasing number of people have come to regard preserving the planet as an ethical imperative. They feel morally obligated to protect the climate and associated biodiversity, not least for the benefit of future generations.

This makes ambitious climate mitigation more attractive politically in democracies. To give a crucial example, there has been a remarkable increase in citizens support for the climate “cause” notably in the U.S. compared to a decade ago. But as Kaushik Basu noted in a recent paper, there could be what he calls a “Greta’s Dilemma.” In a game theoretic setting with strategic behavior, some actors becoming more “altruistic” could lead other actors betting on that to pursue strategies that could lead to an overall worse outcome. As Basu emphasizes the magnitudes in the game he constructs are made to produce such a dilemma. But the possibility of such a paradox must lead one to be cautious in assuming that greater “altruism” by only some actors will necessarily lead to a better global outcome. Such doubts are strong, particularly in the western advanced countries with respect to China, but apply more broadly. To reduce such harmful strategic behavior and increase the level of trust between key actors, multilateralism can help engender “an air of permanency,” which “transforms the interaction among members into a repeated game,” which then makes unilateral moves to gain from the actions of others less likely. In this context, the agreement in Glasgow to evaluate country pledges and policies more frequently and the emphasis on improving the quality of emission measurements and transparency are very important. On the issue of measurement, the formation of the International Sustainability Standards Board, inspired by the International Financial Reporting Standards Foundation, to focus on climate-related disclosure is a big step forward.

Another important proposal that has been put forward by Chancellor Olaf Scholz of Germany is to set up a “Climate Club” that would foster international cooperation on climate ambition and action. It would recognize the different development stages of countries but would also tackle the problem of free riders and carbon leakage.

A “Polylateral” multilateralism and country platforms

COP26 successfully brought together governments and public actors with business people, philanthropists, scientists, and civil society—what Pascal Lamy calls polylateralism. The emphasis in a polylateral approach to international cooperation is about different actors coming together and forming spontaneous like-minded groups and alliances to provide GPGs

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and/or follow a shared ethical “calling.” The formation of such groups takes place outside intergovernmental negotiations, but can be a form of voluntary alliances of like-minded governments or officials, such as the Coalition of Finance Ministers on Climate, which includes 72 countries. They can bring together sub-national governments and cities such as the C-40. Particularly striking at Glasgow was the engagement and leadership coming from the private sector. A number of private sector-led initiatives have been launched over the past two years with a focus on climate goals. The Glasgow Financial Alliance for Net Zero, which was launched in April 2021, was specifically linked to COP26 and has brought together investors with assets in excess of $130 trillion. The Alliance has embarked on a program of work that seeks to align with the net-zero by 2050 target and greatly expands private capital for climate transition in emerging markets and developing countries. Another important public-private initiative that has backing from key countries, businesses, and institutional stakeholders are the “Breakthrough Coalitions” on power, road transport, steel, and green hydrogen with others to follow. These coalitions have the potential to transform technologies and set future expectations at an accelerated pace. We want to emphasize in this essay that multilateralism based only on intergovernmental cooperation is increasingly outmoded in its ability to provide this GPG. This is the case for the funding of GPGs in general. Private-public cooperation is essential in today’s world to leverage scarce public resources and bring the private sector and civil society into the multilateral framework to make it more innovative and effective in delivering results.

For all its virtues, polylateralism carries with it the danger of some anarchic waste and duplication in wholly decentralized efforts. It also can lead to large private actors acquiring too much influence and using it to influence programs in directions that further particular interests. Polylateral multilateralism must guard against these dangers that recall the shortcomings of donor-driven foreign aid in the past. Strong links must be forged between country strategies and preferences and multilateral cooperation. Climate must also be mainstreamed into key decisionmaking processes, such as the G-20 and G-7, although the U.N. should continue to play a leading role precisely because the issue is universal.

Country Platforms are a good way to coordinate specific actions and avoid duplication by anchoring efforts in country-owned and country-driven strategies. The Just Energy Transition Partnership announced by the leaders of South Africa, France, Germany, U.K., U.S., and EU is shaping up to become an early example of such a Country Platform.

At the center of this proposed partnership is South Africa’s decision to come forward with an ambitious long-term programmatic approach that would enable it to reach net-zero emissions by 2050 through an accelerated phase out of coal and transformation of the whole economy. The program has been developed through broad multi-stakeholder process under the leadership of a Presidential Commission and the involvement of the whole Cabinet. The scale of the investments required for the transformation and the “just transition” costs are large relative to South Africa’s GDP. South Africa is therefore looking for the necessary support from the international community including adequate concessional financing to deliver on this ambitious program that can

Agreed goals and timeframes, predictable carbon pricing, and regulatory measures are crucial for the new multilateralism around climate to be effective, and the role of governments remains crucial.
put South Africa on a better growth path but would also make a substantial contribution to the global reduction in carbon emissions. This strategy would be binding on both the country and its international partners. While so far South Africa has delivered, it remains to be seen whether its international partners will deliver in terms of amount and timing of resources. If it succeeds, it will become a major and positive example of how an integrated long-term approach can work.

These spontaneous alliances, particularly with the help of country platforms, can make—and in some cases already making—substantial contributions to providing the GPG of mitigation, helping the most vulnerable adapt, and maximizing the resources that can be deployed. The often underestimated U.N., an organization of nation-states, deserves a lot of credit for facilitating multi-level and multi-channel initiatives and discussions; Glasgow showcased the positive interaction between the intergovernmental process and civil society writ large.

That said, one’s enthusiasm for and celebration of polylateralism should not lead one to underestimate governments and government policies that set the international and country policy frameworks, which allow these initiatives and coalitions to work. Agreed goals and timeframes, predictable carbon pricing, and regulatory measures are crucial for the new multilateralism around climate to be effective, and the role of governments remains crucial. Nation-states remain the fundamental “units” of the international order, not only in a formal legal sense, but also in the attachment most citizens have to their nations. Cooperation between nation-states on policies and GPGs and their equitable provision is essential for multilateralism to work. Polylateralism can greatly enhance cooperation and its results, but it cannot replace the role of nation-states.
5. From vertical funds to purpose-driven funds: A new approach to multilateralism

Homi Kharas, John W. McArthur, and Dennis Snower

Introduction

International officialdom tends to bristle at the suggestion of vertical funds. “No more siloes!” comes the common cry, borne in frustration at the proliferation of issue-specific mechanisms and all the transactions costs required to coordinate across them. But entities keep popping up nonetheless—to tackle an emergent issue over here, to coordinate on an unresolved topic over there. Politicians often contribute to the messiness, whenever they prefer announcing new things to fixing old things.

Alas, shiny announcements with catchy acronyms and celebration of “partnership” do not tend to make much of a dent in the global-scale problems at hand. As entities continue to multiply, technocratic frustrations grow in the face of the inefficiencies embedded in coordinating across so many entities. Calls for horizontal integration grow louder and the allergies to vertical undertakings intensify in turn—despite frequent increases in total donor resources deployed and some clear success stories such as Gavi, the Vaccine Alliance and the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

This low-level equilibrium need not be the case. The world gains very little, and might frequently lose, from growing numbers of issue-specific entities that produce limited outcomes and require increasing coordination costs. In addition to misallocated human and financial resources, another major cost comes in the form of policy confusion. “Vertical funds” get a bad name,

68. The authors thank Kemal Derviş for insightful comments and suggestions which have greatly improved this essay.
not because they are inherently flawed propositions, but because their manifestation is too often poorly conceived. A higher-level equilibrium hinges on clearer conceptions of success, anchored in improved links to outcomes, lowered coordination costs, and larger-scale results. Ultimately, this requires a shift in both mindset and language—from “vertical” mechanisms that focus on specific issues to “purpose-driven” mechanisms that focus on specific results.

In this essay, we present an overview of the long-term shifts in motivation for purpose-driven funds, the evolving intergovernmental context, some key design principles for crafting successful mechanisms, and an example of a first-order global priority for which a purpose-driven fund could help drive results.

Long-term shifts in motivation

In the early post-war years that saw the launch of the Bretton Woods Institutions and the multilateral development banks (MDBs), development finance was typically framed as a holistic enterprise. Countries were provided with external financial assistance to help their economies grow on the premise that economic growth was the lynchpin to unlocking broader measures of societal progress. General purpose funds like the World Bank’s International Development Association (IDA), launched in 1960, could face internal intersectoral competition for resources, but IDA was traditionally resourced by donor countries with the aim of helping low-income countries increase their average incomes.

Over the second half of the 20th century, evolving economic paradigms drew attention to shortfalls in this approach. Public critiques focused on gaps in human development, inequalities within developing economies, and declines in essential development challenges like health and well-being, even when GDP was growing. By the late 1990s, the MDBs’ inability to stem the tide of HIV/AIDS, which was ravaging life spans even in economic success stories like Botswana, prompted calls for more targeted, adequately financed, and technically-oriented funding bodies that could help countries deliver a more concerted focus on core deliverables like access to antiretroviral medicine. Gavi, launched around the same time, elevated specialized technical efforts focused on delivering frontline immunizations in low-income settings. These new forms of multi-stakeholder-governed multilateral institutions helped drive breakthrough successes in tackling an unprecedented challenge of disease and development. They helped trigger broader waves of reform and investment, fostering strengthened health systems that could better deliver on flashpoint issues of life and death. However, their targeted mandates and growing budgets also drew a backlash from other bodies that felt pushed aside or forced to accommodate large-scale resources driving progress on technical issues other than their own.

Nonetheless, by the mid-to-late-2000s, the success of these health-focused funds drew attention to other global issues, like agriculture, education, and water, with some high-level voices (e.g., Gordon Brown, Jeffrey Sachs) calling for similarly targeted mechanisms to help drive results in key domains. Calls to action in non-health sectors led to some new initiatives, but none comparable in scale to the Global Fund or Gavi. By the early 2010s, the momentum had
faded. The global financial crisis of 2008/09 had diverted policy leaders’ attention and ongoing shortfalls in aid pledges depleted interest in any new promise for large-scale donor financing commitments.

Some other salient dynamics further shifted the contours of global institutional debate. One was a growing recognition that developing economies needed greater voice, from their national governments and other stakeholders, in guiding the direction of their own development strategies, rather than let them be dictated by international organizations. A second tectonic shift came through roughly three dozen economies graduating from low- to middle-income status. This disrupted long-held presumptions around which countries were most deserving of external assistance, especially once conventional wisdom took hold that most of the world’s poorest people had become concentrated in middle- rather than low-income economies. A third dynamic was the emergence of non-traditional donors, including China, Korea, and Brazil, all of which became more significant sources of capital supporting activities in developing countries. A fourth shift was a growing recognition of the inherently multi-dimensional nature of the development process, including the 17 interwoven economic, social, and environmental objectives ultimately embedded in the Sustainable Development Goals (SDGs), a necessarily more expansive policy agenda than that embedded in the preceding eight Millennium Development Goals (MDGs).

The upshot was a fundamental change in context for considering vertical versus pooled funding mechanisms. Development assistance debates were no longer divided into simplistic binary questions of poor versus rich people living in poor versus rich countries. They embedded an expanded dimensionality to recognize the many reasons why people were getting left behind within their societies across the broader challenges of sustainable development.

The evolving intergovernmental context

Most development assistance is based on a dialogue between a donor with multiple objectives and a recipient country with multi-purpose development needs. Country ownership, alignment, harmonization, results focus, and accountability emerged as principal subject matters for this dialogue during a series of high-level forums on aid effectiveness in the 2000s. Each had practical implications for how aid is delivered. For example, country ownership has been used to justify the provision of larger shares of aid in the form of general budget support. Harmonization has been achieved by greater use of multilateral systems, both directly and indirectly through trust funds administered by multilaterals on behalf of donors.

Within this structure, however, donors have struggled to answer two basic questions that democratic governments face in their own budget processes: “What is the money being used for?” and “who is responsible for successful results?” In the domestic context, these are explicitly addressed through sector allocations—this much for education, that much for health—with sector ministries accountable for results within those domains.
The OECD reports that only about 7 percent of all aid is channeled through vertical funds. In some sectors, notably health and, to a far smaller degree, food security, vertical funds are important components of the system. But even there, multi-purpose agencies and funds dominate. This preference is hard-wired into the aid architecture. The Accra Action Agenda of 2008 explicitly warned against the risk of fragmentation of financing, high administrative costs, and unwieldy coordination mechanisms that could result from vertical funds:

“As new global challenges emerge, donors will ensure that existing channels for aid delivery are used and, if necessary, strengthened before creating separate new channels that risk further fragmentation and complicate co-ordination at country level.”

Nevertheless, the pressures to create more vertical funds remain. When the G-20 tasked a panel in 2021 to identify gaps in the financing system for pandemic preparedness and propose solutions, the panel recommended establishing a Global Health Threats Fund. At least 27 major multilateral climate funds have been created as part of the pledge to provide more financing for climate mitigation and adaptation. This renewed desire for purpose-driven funds represents a desire for a new kind of multilateralism, sometimes dubbed polylateralism, that takes results-based management and accountability much more seriously.

To illustrate the gap between ambitions, mechanisms, and results, consider how issues of inequality and extreme poverty have been approached since the 2015 Addis Ababa Action Agenda on financing for development. That agreement committed signatories to the specific challenge of ending poverty:

“To end poverty in all its forms everywhere and finish the unfinished business of the Millennium Development Goals, we commit to a new social compact. In this effort, we will provide fiscally sustainable and nationally appropriate social protection systems and measures for all, including floors, with a focus on those furthest below the poverty line.”

This commitment did not result in any new programs or changed approaches to poverty reduction. In fact, the speed of extreme income poverty reduction has slowed after Addis, largely because poverty became concentrated in places with slower growth and weaker governance. There are still 49 countries where the poverty gap exceeds 1 percent of national income, and current forecasts are that poverty will still exceed 500 million people in 2030.

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70. Authors’ estimates based on OECD Creditor Reporting System data on funds channeled through and by vertical funds in 2019. Classification of multilateral entities into vertical funds and other multilateral institutions was done using the World Bank’s (2004) definition of vertical funds as “partnerships and related initiatives whose benefits are intended to cut across more than one region of the world and in which the partners: (a) reach explicit agreement on objectives; (b) agree to establish a new (formal or informal) organization; (c) generate new products or services; and (d) contribute dedicated resources to the program.”
73. https://climatefundsupdate.org/the-funds/.
The slowdown in progress on extreme poverty places a direct spotlight on the World Bank. In 2013, the institution established a headline goal of eliminating extreme poverty by 2030—or at least to get it below 3 percent by that year. But the institution does not have any formal mechanisms for implementing this objective or ensuring accountability on it. Nor, for example, does it have a mechanism to ensure the 3 percent target is applied at the country level, rather than at a global level. If the global interpretation would be allowed to hold, then theoretically the World Bank would be comfortable with all of Nigeria living in extreme poverty, as long as its neighbors were doing better.

Why does this situation persist? In general purpose funds like IDA, the need for international support of potential anti-poverty programs does not enter explicitly into country allocation decisions. The IDA allocation formula gives a high weight to good governance and shifts resources away from countries where poverty is still entrenched toward countries where it has declined. This persists even though there are now opportunities to provide safety net support through digital platforms with strong governance safeguards regardless of the broader country context.

Design criteria for purpose-driven funds

A complementary solution to the challenge of eradicating global poverty—the first among equals of the SDGs—would be to create a specific funding mechanism designed for this precise purpose. A purpose-driven fund would identify \textit{ex ante} its results to be achieved (e.g., ending extreme income poverty) and have a specific bureaucracy that is accountable, ex post, for delivering these results.

We argue for purpose-driven funds taking a larger role as complements to existing mechanisms, not substitutes. Technical approaches can only deliver sustained results if the underlying policy framework and general development program is satisfactory. Long-term institution-building and aggregate multi-dimensional development must proceed in parallel to results in specific domains. In some cases, a purpose-driven fund might bolster broader systems and institutions. But multidimensional development also often takes place over a longer timeframe. For example, the Global Polio Eradication Initiative has had considerable success in reaching children, even in conflict affected communities, by developing specific operational tactics for these contexts.\textsuperscript{76} Yet the initiative must be buttressed by broad advances in public health capacity to sustain benefits in the long run.

A related point emerges in the growing literature on the decoupling of economic growth from social well-being.\textsuperscript{77} There, the emphasis is on solidarity and agency as constructs of well-being that are additional to material gain and environmental sustainability. Purpose-driven funds can provide both a focus on specific issues relevant to individuals, as well as a process through which individuals can directly exercise voice and augment their sense of community.

\textsuperscript{76} C. Nnadi et al., 2017, "Approaches to vaccination among populations in areas of conflict," Journal of Infectious Diseases, Vol. 216.

\textsuperscript{77} K. Lima de Miranda and D. Snower, 2020, "Recoupling economic and social prosperity," CESifo Working Paper, available at SSRN.
Perhaps the key words for purpose-driven funds are robustness and agility. Robustness suggests development of programs that can be effective in many different circumstances. Agility suggests being able to learn and respond rapidly to inevitable changes in circumstances. These are implied in the core design principles for the efficacy of groups that Nobel Laureate Elinor Ostrom and colleagues have developed. To recap the eight principles:

1. **Shared identity and purpose.** Clarity of purpose is critical for effective collective action. In today’s world, “development” is too broad a concept for developing a strategy that all stakeholders can support. (“Sustainable development” can be even more challenging.) A purpose-driven fund needs to be specific in outlining its objectives.

2. **Equitable distribution of costs and benefits.** The underlying premise of collective action, as distinguished from bilateral or unilateral actions, is that everyone can be made better off. Effective organizations translate that potential into reality by clarifying costs and benefits to each member and communicating those transparently.

3. **Fair and inclusive decisionmaking.** Most importantly, those affected by decisions must have input into the decisions. Most development institutions operate based on consensus, but there are distinct differences in the weight assigned to beneficiaries relative to donors.

4. **Monitoring of agreed upon actions.** It is far easier to monitor and report on actions for a specific purpose than to aggregate up a myriad of actions aimed at diverse development objectives.

5. **Graduated rewards and sanctions.** When the purpose is clear, it is comparatively easier to identify and reward helpful behavior, while sanctioning unhelpful behavior. When implementation success depends critically on local partners, this principle becomes even more important.

6. **Fair and fast conflict resolution mechanisms.** Trusted mediators and oversight committees, with strong listening skills, can help establish appropriate sanctions when things go wrong.

7. **Authority to self-govern.** The principle of subsidiarity becomes elevated in the context of multilateral organizations that may, at times, conflict with national sovereignty. Interference from outsiders can also happen when issues blur into each other and boundaries are overstepped.

8. **Polycentric governance.** Groups are more effective when they consider how to engage with, or partner with, other groups, as well as considering how to engage with members of their own group. In economic development, many

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78. Although not without its critics, when the World Food Programme was awarded the Nobel Peace Prize in 2020, the official announcement credited its “impressive ability to intensify its efforts” despite the COVID-19 epidemic, and to reach 100 million acutely food insecure people in 88 countries in 2019. Part of WFP’s success is its effective management of logistics and its use of local resources. See: Review of the World Food Programme’s Humanitarian and development effectiveness.

stakeholders apart from national governments have contributions to make—local governments and Parliaments, business, civil society and indigenous groups, and academia.

Consideration of these principles shows how purpose-driven funds may have advantages over general-purpose funds. The Global Fund, for example, has NGOs, communities affected by HIV, tuberculosis, and malaria, and private foundations as voting members of its 20-member board. This helps with design principles 3, 7, and 8. IDA, by contrast, has no poor people represented on its board, although it does have national representatives of poor people. The Global Fund also has a scientific review process for all country-level applications, which provides an evidentiary base to decisionmaking, contributing to both principle 6 and principle 7.

Large organizations are efficient in that they can aggregate resources into a considerable-sized pool and avoid fragmentation costs. However, size, and the power it brings with it, can complicate application of design principles 7 and 8. Large organizations may not listen well, and their domains of activities necessarily are expansive, at times excessively so.

One lesson from the experiences of purpose-driven funds is that success is often founded on technical excellence and checks on political influence. This goes beyond excellence in the design of policy to include excellence in execution as well. Technical review committees of the Global Fund generate input from field experts outside the institutions. Gavi has partnered with large drug companies in advanced market commitments, to marry their production expertise with its ability to mobilize finance at scale. These kinds of technical innovations around execution are less common in general-purpose funds because their scope is so broad.

**Implications for extreme poverty**

What does this imply for the fight against extreme poverty? IDA is the de facto lead multilateral institution with a mandate to eliminate extreme poverty. But it retains a stronger focus on pursuing this through investments to support economic growth (which works well in stable, well-governed countries) rather than on improving the lives of poor people, which can often be done more directly by strengthening safety nets. IDA does of course support many social protection programs too, although not with a clearly accountable system for ensuring achievement of the organization’s headline objective of eliminating extreme poverty.

Where possible, activating self-support can be an essential component of purpose-driven funds, enabling them to become personally empowering for recipients and supportive of social cohesion and solidarity. This could include connections with improved policy incentives for education, training, and employment through active labor market interventions.
A purpose-driven focus requires attention on the transformational opportunities made possible by new technologies, which are often difficult to anticipate but important to learn how best to embrace quickly. This is exemplified by the rapid interwoven evolution of technology and evidence linked to unconditional cash transfers.

In a pioneering recent case, the government of Togo introduced an emergency cash transfer program in the middle of the COVID-19 pandemic, with artificial intelligence-enabled algorithms enabling rapid targeting of extremely poor people. The government’s Novissi initiative worked in partnership with local mobile telecom networks and financial institutions alongside external researchers, NGOs, and philanthropists to develop a pioneering social protection program amid extremely challenging circumstances. The underlying innovations and scaling mechanisms did not come from a large official development institution but from collaboration across key players. By engaging in the technical frontier with countries like Togo, a purpose-driven fund could play a central role in supporting the rapid scale-up of similar programs in other countries.

On which issues might purpose-driven funds help the most? There are no shortages of global problems requiring collective action. In this essay, we do not seek to engage in debates of which issues should be “in” or “out.” There could be several possibilities. For example, proposals for a fund for pandemic avoidance are gathering momentum. As a general matter, purpose-driven funds are best suited when relevant technologies become widely applicable, when a critical mass of evidence on the impact of interventions becomes available, and when the magnitude of financing to achieve the desired result becomes affordable.

In that spirit, we strongly advocate for a large-scale purpose-driven fund (or window within a fund) to ensure extreme poverty is globally eliminated by 2030, with a practical focus on supporting cash transfers as social safety nets or a social floor for the poorest people in the poorest countries. The emergent mix of new technologies, growing evidence, and increasing affordability combine to present a powerful opportunity. IDA should be the home for multi-dimensional strategies for helping eliminate extreme poverty in the poorest countries, whether prioritizing agriculture, infrastructure, human capital, or anything else. A purpose-driven fund to end extreme income poverty could focus on social protection as a best-alternative for supporting minimum income or expenditure levels.

Successful purpose-driven mechanisms require some key ingredients. They need to be focused on a specific outcome, where results can be readily quantified, and accountabilities can be sensibly set. Results are best delivered through collective action, sometimes because the issue is truly global and sometimes because the learning and evidentiary base expands exponentially with scale. Mechanisms require time-bound targets, with strategies that respond to the urgency of the issue, and that iteratively update as results and technology both evolve. If something unexpected happens, they will need to

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Done right, purpose-driven funds can be an effective catalyst in solving many of the world’s foremost existing challenges, starting with the elimination of extreme poverty by 2030.
adapt to keep performance on schedule. They require significant engagement with external actors that bring complementary comparative advantages, starting with independent scientific scrutiny but also including the business community, localized agencies, and civil society. Successful purpose-driven funds provide sufficient information to enable others to conduct their own independent analysis and generate their own supporting innovations, whether that be through academic research or new adjacent operating models.

What the multilateral system needs more than anything is to help the world generate better results on issues that matter. For many pressing problems, a growing clamor for new approaches needs hard-headedness in defining adequate conditions for success alongside a new balance between general and purpose-driven funds. Done in the wrong way, more vertical funds will only amplify frustration and confusion. Done right, purpose-driven funds can be an effective catalyst in solving many of the world’s foremost existing challenges, starting with the elimination of extreme poverty by 2030.
6. Liberal democratic values and the future of multilateral cooperation

Kemal Derviş and Nathalie Tocci81

The debate on “values” as determinants of international affairs has gained new momentum as Joe Biden assumed his role as President of the United States. With “values” gaining a more prominent role in the global competition between the U.S. and China, liberal democratic values and illiberal ideologies coexist and diverge in the crystallizing international system. What does this mean for the future of multilateral cooperation?

Liberal and democratic values

Let us begin by clarifying what we mean by “values” and why we focus on liberal and democratic ones (We use the terms liberal and democratic together, instead of liberal or democratic values as separate notions). Liberal values alone could be interpreted as (neo)liberal economic beliefs in minimally regulated markets or a small role of the state. As opposed to these, we espouse the liberal and democratic values enshrined in the Universal Declaration of Human Rights (UDHR). When the U.N. was founded upon the ashes of World War II, values were interpreted as including an “Eastern” version, which emphasized their economic and social content,82 alongside a “Western” one centered around political rights and freedoms. Both dimensions were present at the U.N.’s creation, pointing to the diversity of interpretation over values as well as the shared willingness to find a synthesis between them. Liberal and democratic values grounded in “the dignity and worth of the human person and in the equal rights of men and women,”83 combine aspirations to freedom from arbitrary constraints—or “negative liberty” as Isaiah Berlin put it—as

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81. The authors are very grateful for excellent and in depth comments from John McArthur. The essay has also benefitted from very helpful comments by Yusuf Isik.
82. The East’s claim that they could deliver better economic results had credibility for a while due to the very high Soviet investment rates. Several editions of Paul Samuelson’s famous economic textbook contained his prediction that the Soviet Union would overtake the US before the end of the 20th century.
well as the social and economic conditions enabling such freedom, or “positive liberty.” 84 Nowhere is this synthesized better than in the UDHR itself, in its aim to “promote social progress and better standards of life in larger freedom.” 85 While recognizing the tensions that may arise between these two types of liberty, we believe that both positive and negative liberty are essential for liberal democracy to thrive. Liberal values reflect the importance of individual freedoms. By combining this with democratic values, we are conveying the importance of equity and welfare for all.

Likewise, democratic values alone would be insufficient as these could encompass the illiberalism of majoritarian electoral democracies, in which electoral victory is viewed as license for a winner to exercise power unconstrained by checks and balances, rule of law, and respect for minority views. Liberal democratic countries in which illiberal forces win elections and gain access to executive power may gradually slide into illiberal majoritarian regimes. By adding liberal alongside democratic, we wish to emphasize the importance of individual and collective human rights, rule of law, and the separation of powers. 86 Finally, it is important to stress that these values have universal roots in the histories of both the Global South and the Global North. 87

From neglect of liberal democratic values back to center stage?

Liberal democratic values have had a rough ride over the last two decades. The U.S. neconservative agenda—far from strengthening their global appeal—undermined their credibility. The second Iraq war, conducted under faulty pretenses, was particularly damaging in this respect. Thereafter, the global financial crisis triggered by and exposing the huge excesses of Wall Street, also weakened the American “economic” model, just at the time when Chinese growth was being measured in double digits lifting hundreds of millions out of poverty. The failure of lightly regulated capitalism was perceived by many as having been facilitated by a type of political liberalism that allowed state capture by hyper wealthy elites.

This widespread feeling was then exploited by nationalist populists, who started undermining liberal democratic values at home. By the 2010s, democratic setbacks in Eastern Europe coupled with Brexit, and the spread of nationalist populism across the continent, led to a weakening of these values inside the EU. Furthermore, the authoritarian bent taken by countries in the Western Balkans and Turkey, including democratic backsliding across the world from the Philippines to Brazil and India, suggested that liberal democracy was in deep recession. The final blow in these years came from the U.S. itself, where Trump dramatically undermined liberal democratic values.

86. Victor Orban, who is trying to build such a model inside the EU, once remarked that he is a democrat, but not a liberal democrat, defending majoritarian “so called democracy” where the winner of an election establishes absolute power without “liberal” checks and balances. He is not the only one on that path. In fact, China too, in its critique of Biden’s democracy summit claimed that it too was a democracy.
87. See “Multilateralism, liberal values, and the Global South” by Amrita Narlikar, included in this collection.
at home and, consequently, in international affairs too. On many occasions, Trump demonstrated his sympathy for autocrats and gave away his longing for their unlimited and unchecked power.

Soon after taking office, President Biden reversed the American discourse, throwing a gauntlet to the autocratic model by putting liberal democratic values back at the center of his doctrine, notably in his speech at the Munich Security Conference in February 2021.\textsuperscript{88} Under President Biden, the strategic rivalry with China is no longer framed in transactional terms and reduced to sectoral disputes, be it about tariffs, 5G, maritime security, Taiwan, cyber or arms control. These disagreements, and the economic competition underpinning them, are grouped together under a common ideational umbrella: It is framed as a conflict between political systems and values. Branko Milanovic defines these as competing systems of liberal and political capitalism.\textsuperscript{89} We will call the latter autocracy emphasizing the illiberal and undemocratic nature of these political systems.

The liberal democratic versus autocratic divide does not imply an “all or nothing” world. There are many shades of autocracies, while liberal democracies too display different degrees of internal fragility and inconsistency. Liberal democratic opponents often emerge under autocratic regimes, who are then oppressed and repressed. Illiberal nationalists in liberal democratic countries are often represented in parliament and in some cases have gained executive power. When they do, they often attack liberal democratic institutions and rights, at times risking to tip over the point of no return. Even when they do not, moderate forces can give into illiberal instincts, notably in areas like migration and asylum and foreign policy, betraying the liberal democratic values for which they ostensibly stand.

Furthermore, today’s international system is characterized by unprecedented integration and interdependence. For all the talk of decoupling, so far countries are resisting having to choose between rival blocs, although if tensions between China and the U.S. continue to grow, this may become more difficult. Connectivity and interdependence are perhaps the most striking difference between today’s global rivalry and the one which existed during the Cold War. The tension in the past also revolved around different political systems and ideologies, yet it featured economically and socially decoupled blocs.

Despite these internal differences and international interdependences, today’s global confrontation clearly involves more than economic, military, and technological competition. China claims that its social and political model can better deliver economic progress and security than liberal democracies, just like the Soviet Union did in the past. On the other side, the U.S. and liberal democracies around the world have long emphasized the intrinsic value of individual rights, asserting that political freedoms and economic progress can only go hand in hand. But the claim that liberal democracies deliver better economic results than autocracies—easy assertion to make in the period of Soviet decline and then collapse—has become more difficult to sustain.

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\textsuperscript{88} www.whitehouse.gov/briefing-room/speeches-remarks/2021/02/19/remarks-by-president-biden-at-the-2021-virtual-munich-security-conference/.

given China’s spectacular growth. At the same time, the Chinese regime hinges on the country’s economic performance for its ongoing legitimacy. At a time when President Xi is expanding his personal power and limiting the influence of semi-private economic actors, the need for continued economic success is crucial.

Hence, whereas autocratic regimes (and nationalist-populists in democratic countries too) claim that an autocratic model of governance is superior to liberal democracy in terms of economic growth, use of technology, security or public health, liberal democrats argue and must prove that political freedoms not only reflect universal human aspirations, but can also deliver socio-economic results at least as well as—if not better than—autocratic regimes. The ideological conflict is real. It is exacerbated by the fact that it plays out both through overt and “legitimate” competition, as well as by covert attempts by autocratic regimes to create, amplify, and manipulate fragilities within and between liberal democracies through unfair trade practices, disinformation, and hybrid tactics.

The flipside of ideological competition between different political systems is the coalescing between countries that do share liberal democratic values. President Biden has in fact recommitted the U.S. to its liberal democratic partners and to multilateralism, declaring that “America is back!” Transatlantic unity at the G-7, G-20, and COP26, and President Biden’s global “Democracy Summit” on December 9-10, 2021 are evidence of this.

At its core, the summit seems to suggest that given the growing value contestation worldwide, liberal democracies that recognize themselves as such—notwithstanding their imperfections—should stand together and support each other in their democratic journey. Embedded in the summit’s concept is the notion that democracies are imperfect. This has enabled President Biden to err on the side of inclusiveness, including democracies that are backsliding, hoping that they would be willing to recognize their weaknesses and work on addressing them. Rallying liberal democracies together is not easy, and the U.S. itself can do much better when it comes to the consultation with allies, as the transatlantic tensions over the Afghanistan withdrawal and the AUKUS agreement highlighted. Allies and partners also have work to do, notably in taking greater risk and responsibility into their own hands.

The Democracy summit could be successful to an extent as it launches a process, which includes support to civil society, and sees concrete work taking place between one summit and the next. It will be crucial for this processes to address different dimensions, including what democracies can do to strengthen their internal resilience, such as protecting themselves against the encroachment of authoritarian powers; whether and how they should go about cooperating not only amongst themselves but also with autocratic countries in the pursuit of global public goods (GPGs); and how to rethink democracy support in non-democratic countries in a world where “democracy building” through military interventions is no longer acceptable. The remainder of this discussion paper will turn to these three questions.
Making liberal democracy work: Negative and positive liberty

To prevail in the contest between liberal democracy and autocracy, supporters of the former must learn from the past and acknowledge once again that while freedom from repression and the human rights of individuals are universal aspirations, so are freedom from want and economic insecurity. Simultaneously advancing Isaiah Berlin’s two types of “liberty” is essential if liberal democracy is to prove its enduring worth and thus become more resilient.

In liberal democracies, the tasks include protecting internal rights and freedoms and the institutional checks and balances underpinning them from external players that seek to undermine them, be this through traditional military means or, far more often, through hybrid security tactics and the weaponization of the economy.90 Failing to do so would hamper the security, rights, and welfare of citizens, and this would embolden illiberal, undemocratic, and nationalist forces at home. Just as important, however, all liberal democracies must acknowledge and address concretely their internal weaknesses and in particular strengthen human rights and rule of law, address social, economic, ethnic, gender, geographic, and generational inequalities; invest in research, innovation, and industrial capabilities; and ensure the safety and security of citizens.91 Specifically in the EU, this entrusts a prime role to supranational European institutions that must ensure that the values enshrined in the Treaty are respected, not just by countries that seek to join the Union, but above all by those that are already in it. Liberal democratic countries and organizations must prove to their citizens that liberal democracy delivers in practice by providing both negative and positive liberty for all.

Doing so is no small feat. All things being equal, the pandemic, energy transition, and fourth industrial revolution taken together, could increase inequalities and social injustice to levels hitherto unknown. Reversing this tide will lie at the core of the enduring success of liberal democracy in its competition with autocracy. However, the post-pandemic recovery has opened an opportunity: After four decades of relative retreat of the state, with an ensuing weakening of the social market economy in Europe and the exponential growth of socioeconomic inequalities across the West, state-society relations are changing fundamentally. With the state again playing a prominent role in providing public health, igniting economic recovery, and spurring energy transition, liberal democracies have the opportunity to revamp both negative and positive freedoms, much like the U.S. and Western Europe did in the early post-World War II years. Back then, liberal democracies proved that economic progress, social justice, and political freedoms can be advanced simultaneously, and has weakened the ideological pull behind Soviet authoritarian socialism over the decades. The same must happen today, deflating the political appeal of authoritarian governance.

In developing countries in particular, making liberal democracy work means building state and societal resilience while accelerating sustainable growth. Liberal democracies in the Global South must address their existing institutional and societal fragilities, acknowledging that state and societal resilience can only go hand in hand; the security of the state and its institutions can only be guaranteed sustainably through the advancement of the social, economic, and political rights of citizens. Developing countries must also mitigate emerging sources of fragility and conflict, notably as they grapple with the challenges of climate change and the energy transition. These include the impact that climate change and the energy transition will have on migration and mobility, access to energy, and economic development, particularly for fossil fuel producing states in Asia, Africa, and Latin America. The support of developed clountries, notably liberal and democratic ones, will be crucial, particularly in regards to reaching and going beyond the $100 billion annually in climate finance—a goal that unfortunately remains elusive even after COP26 in Glasgow.

**Values and the provision of Global Public Goods**

Protecting liberal democracy through the parallel pursuit of positive and negative liberty has implications for multilateralism. It should help us to discern when international cooperation may be able to overcome the value divide and when it cannot. Sustainable development and climate action broadly fall into the category of objectives, which require and may overcome the value divide. For some GPGs such as climate, the amount of “aggregate effort” is essential. Until and unless most of the significant actors cooperate, GPGs in these areas will not be provided. Acknowledging this, the U.S., EU, and China have all declared that climate change is an area of necessary cooperation. This awareness in principle does not automatically translate into practice, and more needs to be done to this effect. On the one hand, the green transition relies on international interdependences. Neither the EU nor the U.S. would be able to achieve their net neutrality goals—and the implied radical shift toward renewable energy sources—without cooperation with China, in light of the latter’s headstart in solar and storage capacity for example. At the same time, the U.S. and the EU are becoming increasingly reluctant to pursue economic cooperation in areas which either affect strategic sectors—of which energy is one—or where gross human rights violations are widespread. European Commission President Ursula von der Leyen explicitly called for an EU ban on imports of goods made by forced labor: The solar energy industry based in Xinjiang would presumably fit into the category. On the other hand, what became evident for the first time in the dynamic heading to COP26 in Glasgow is that added to the “traditional” cleavage between developed and developing countries in the climate debate, is the new geopolitical cleavage between democracies and autocracies, with neither President Xi nor President Putin travelling to the U.K. Cooperating on the pursuit of the GPG of climate and transition will require difficult tradeoffs and these should be acknowledged. But this is an area where there is no solution without cooperation with China.
Other GPGs, notably in the areas of pandemic response, the prevention of bio-terror as well as nonproliferation, require even more: Unless the “weakest link” in the international system is included, those global public goods are at risk. In both these areas, globally inclusive multilateralism must supersede the value divide or else essential global public goods will not be assured.

In other areas instead, the value divide cannot be overcome: Doing so puts at risk the values and therefore the very objectives being pursued. In areas like asylum, the regulation of technology and defense, political rights and freedoms are front and center. Working together and sharing information with authoritarian systems risks putting the rights, including the right to life of individuals, at stake. Multilateral cooperation in these areas is essential but must be largely confined to countries where political values are shared to a large extent. In areas like asylum, this is a long-established fact. International humanitarian law for instance enshrines the principle of non-refoulement, guaranteeing that no one should be returned to a country in which they would face torture, cruel, inhuman, or degrading treatment or punishment. The same applies to defense, where alliances such as NATO are premised on shared interests but values too. This is not to say that values in practice are always shared. But when a given country deviates from those agreed values, the deviation is rightfully considered a significant problem, which hampers the pursuit of the objective in question. The same approach applies to expanding areas in the digital and technological domains, particularly in areas like cybersecurity, artificial intelligence, data, communications, and biotechnology. Here international regulation and legislation are nascent, but it will likely evolve within groups of like-minded countries rather than bridging the value divide. The transatlantic Trade and Technology Council represents precisely the kind of format that should be explored and substantiated in this respect.

Protecting and projecting liberal democratic values

Successfully managing the value competition with autocratic regimes and their proponents requires making liberal democracy work at home. If and only if liberal democracies demonstrate to their own citizens the worth of living in such system by strengthening both positive and negative liberty, can they be viewed as a model and inspiration for those who do not. In other words, protecting liberal democracy indirectly entails the projection of these values in the world.

92. For a systematic and rather optimistic general attempt to clarify when and how cooperation and some global rules may be feasible despite divergent interest and ideological divides see Rodrik, Dani and Stephen Walt “How to construct a New Global Order” Harvard Kennedy School March 2021. For a specific analysis of the challenges posed by AI see Meltzer, Joshua and Cameron Kerry in the Governance section of Brookings’s Blueprints for American Renewal and Prosperity (February 2021 ) who emphasize cooperation among likeminded countries in the face of a strong ideological divide. https://www.brookings.edu/research/strengthening-international-cooperation-on-artificial-intelligence/.


An indirect projection of liberal democratic values is necessary, but it is insufficient. Liberal democrats are understandably concerned about how to support and sustain those who share their value aspirations across the world. Part—unfortunately far from all—of the critique of the U.S. withdrawal from Afghanistan was driven by the grief of imagining the fate of all those Afghans—beginning with women and girls—who had been promised a better future, and now find themselves thrown back into a dark past under Taliban rule. But while the manner of the withdrawal from Afghanistan was understandably criticized, the substance of the policy reflected Biden’s conviction that military backed “nation-building” without strong domestic support cannot be successful. It should not be interpreted as a reduction in his administration’s commitment to a strong liberal democratic values dimension in the U.S.’s engagement with the world. The U.S. has continued to project a commitment to these values, not least by the “democracy summit.” In its messaging, the Biden administration periodically signals to the world that while compromises will need to be struck due to security concerns or the need to provide GPGs, democracy and human rights promotion remains a key strategic objective.

But liberal democracies struggle to find appropriate ways to project their values internationally. They are becoming increasingly aware that the methods used in the past are either unavailable or ineffective or, worse still, inappropriate. Humanitarian interventions, sanctions, development and trade conditionality, and the socialization of elites through diplomacy and civil society support were conceived and implemented at the height of the liberal international order in the post-Cold War years. Applying those instruments in the same way may still work in countries like Georgia or Ukraine, but in most others, it is either not possible or not as effective. In fact, assertively promoting values through military interventions and top-down nation-building attempts generated mistrust between liberal democracies themselves, particularly between advanced and developing countries.

This is the background against which the President Biden announced the Presidential Initiative for Democratic Renewal, a set of policy and foreign assistance initiatives designed to bolster democracy and defend human rights globally. Working with like-minded nations, the U.S. is planning to provide up to $424 million toward this initiative, which centers on five areas (i) Supporting Free and Independent Media (including protection for at-risk journalists), (ii) Fighting Corruption, (iii) Bolstering Democratic Reformers, (iv) Advancing Technology for Democracy, and (v) Defending Free and Fair Elections and Political Processes. The Initiative also includes two new cross-cutting programs at USAID and the U.S. State Department aimed at supporting the above objectives.

In seeking new channels to project liberal values in the world, liberal democracies from the Global North and South should find new ways of working together, basing their cooperation on two principles. First, in projecting liberal democratic values, liberal democracies should make a careful distinction between citizens and leaders. This means different things in different places. In Belarus or Russia, it means sanctioning the regime, including its oligarchy, while doubling the support for civil society. In EU member states like Poland and Hungary, it means ensuring that the rights of EU membership are matched by responsibilities. There are political, legal, and economic conditionality
routes that EU institutions can embark on to ensure that democracy and rule of law are respected in Poland and Hungary. These three routes should not be viewed as mutually exclusive, as their effectiveness lies in how they could be combined. In cases like Myanmar, where Western influence is smaller, and China works at cross purposes with it, beyond the sanctioning of individuals and entities linked to the military junta, and persisting in support for civil society, engaging ASEAN and persuading it to move beyond its principle of non-interference is essential. More broadly, liberal democracies ought to refine their policies of economic conditionality, while innovating in their support for societies, including those governed by authoritarian regimes, aware that the projection of values requires strategic patience. The fact that government practices do not change, at times for a long time, and in fact repression may increase, is no reason to give up. If and when homegrown change takes place, liberal democracies must be there to lend a helping hand.

This said, the second principle, essential to bridge over the gap of mistrust between democracies in developed and developing countries, and resurrect the principle of the “responsibility to protect” as a notion centered on human security rather than a pretext for regime change, is a commitment by the former, beginning with the U.S., to refrain from (ostensibly) projecting values through military means. The Biden doctrine seems clear in this respect: The era of military interventions and nation-building is over. This overlaps with a common understanding in Europe and eliminates what was the most strident cause of transatlantic divide in the 2000s. It certainly fully reflects a deeply held belief in much of the Global South. Building on this convergence is crucial.
7. Multilateralism, liberal values, and the Global South

Amrita Narlikar

Introduction

The end of the Trump era and U.S. President Joe Biden’s promise of “America is back” may together have contributed to the German Chancellor’s obvious sense of relief; at the Munich Security Conference in February 2021, Angela Merkel declared, “The prospects for multilateralism are much better now than they were two years ago.” In fact, this optimism was premature. The sins of omission and commission of the World Health Organization (WHO) in its handling of the COVID-19 pandemic in 2020 had already provided us with catastrophic examples of the damage that flawed multilateralism can contribute to. The lack of vaccine access remains a persistent and multi-faceted problem. Rampant globalization, nurtured by the World Trade Organization (WTO) along with other cognate international organizations and pursued as a panacea for all problems, has fostered global value chains that lack reliability. The tragedy unfolding in Afghanistan is a painful reminder of the failures of multilateralism and missing American leadership. Already ridden with several problems in the last two decades, multilateralism today is not in the best of health. It needs all the help it can get.

In this essay, I show that the scholarly and policy exchange on reforming multilateralism is alive and kicking. But I argue that one important reason for the limited impact of these well-intentioned proposals is their inadequate engagement with the global and diverse heritage of liberalism. A fixation on liberal values as defined by the Global North has often meant that traditions

95. The author thanks John McArthur for his extensive comments and feedback which greatly improved this essay.
of liberalism from the Global South are ignored. If we are to go beyond largely empty declarations (or “cheap talk”) about multilateralism, attention to values shared between parts of the Global South and the Global North will be just as important as efforts to fulfill common interests. Joint action by like-minded democracies may hold the key to renewing multilateralism, and making its instruments fit for the geo economic challenges that the world faces today.

“Wo aber Gefahr ist, wächst das Rettende auch”\(^{99}\)

Multilateralism may be in dire straits; fortunately, help is in the offing. A rich and vibrant debate on reforming multilateralism is underway.

Research on the legitimacy and accountability of global governance institutions for over three decades was already flourishing in the 1990s and early 2000s;\(^ {100}\) studies on these broad questions have acquired even greater resonance today amid the threats that diverse multilateral organizations face.\(^ {101}\) There is also no dearth of more issue-specific studies, which offer a repertoire of interesting proposals for reforming particular aspects and institutions of multilateral governance.\(^ {102}\)

It is important, moreover, to note that ideas for reforming multilateralism are not limited to the ivory towers of academia. There are several commendable initiatives aimed at reforming multilateralism, which bring together universities, research institutes, think-tanks, and practitioners.\(^ {103}\) Governments too are taking a proactive role. Witness, for instance, the White Papers on Multilateralism, which were published by Norway in 2019,\(^ {104}\) and the German government in 2021.\(^ {105}\) Action is also happening on the ground. The Alliance for Multilateralism spearheaded by Germany and France is one such wide-ranging initiative.\(^ {106}\) The paralysis of the WTO’s Dispute Settlement Mechanism has prompted some members (including the EU and Canada) to put together a Multi-Party Interim Appeal Arbitration Arrangement.\(^ {107}\) A joint initiative of the International Monetary Fund, World Bank Group, WHO, and WTO has set up a Multilateral Taskforce on COVID-19 to accelerate

\(^{99}\) Friedrich Hölderlin, Patmos, my translation: “But where there is danger, there also grows the rescue.”


\(^{102}\) Take, just as one example, the case of the WTO, on which there is a plethora of interesting studies: e.g. Thomas Cottier and Manfred Elsig (eds), Governing the World Trade Organization: Past, Present and beyond Doha, Cambridge: Cambridge University Press, 2011; Centre for International Governance Innovation (CIGI), Modernizing the WTO: A CIGI Essay Series, 2020 https://www.cigionline.org/modernizing-world-trade-organization/; Simon Evenett and Richard Baldwin, Revitalising Multilateralism: New Ideas for the New WTO Director General, CEPR E-book, 2021. Similar studies can be found with reference to the IMF, the World Bank, various bodies of the United Nations, and also regional organizations.


\(^{106}\) https://multilateralism.org/.

access to vaccines and medicines against COVID-19 for low- and middle-income countries. All these multi-stakeholder endeavors to revitalize multilateralism are worthy of praise.

And yet, for all the hard work and good intentions, the actual results have been lackluster. At the time of writing, new waves of the pandemic are raging worldwide; the emergence of the Omicron mutation is attributed at least partly to low levels of vaccination especially in the developing world. Depending on the perspectives of different actors, one gets half-glass-full versus half-glass-empty interpretations of the results of COP26; the polarization among key players, however, was evident in the televised drama of the Glasgow conference. Trade multilateralism remains precarious, caught between a dysfunctional and deadlocked organization in Geneva, and national capitals implementing trade and industrial policies that represent a clear turn inwards.

As scholars and practitioners come to grips with the deadlocks and crises of multilateralism, there are several detailed and differentiated explanations to be found with reference to the particular institution, instrument, and issue in question. Broader contributing factors that cut across the specifics include the inability of many multilateral organizations to adapt their purpose and processes to changing balances of power and new geo-economic imperatives. Just as important are failures on the part of the supporters of multilateralism (including international technocrats and national political leaders) to build convincing narratives that can showcase the gains of multilateral cooperation, and serve as a counter-balance to the loud and simplistic narratives of extreme nationalism and populism. In this essay, however, I focus on one important contributing factor: The discontent of the Global South with existing multilateral processes and outcomes.

United in shared discontent?

Despite all the existing and growing differentiation among and within the world regions of Asia, Africa, Middle East, and Latin America, some persistent and important fault-lines between the Global North and Global South stand out.

The findings of the recent Brookings survey highlight these differences clearly. The survey indicates that in the realm of international economics, 37 percent of Global North respondents rated the multilateral system as somewhat or very ineffective, in contrast to 55 percent of Global South respondents. The divide was even deeper on the issues of global poverty and development, where 32 percent of Global North respondents rated the multilateral system as somewhat or very ineffective, in comparison to 53 percent of Global South respondents. The crucial ways in which these North-South divisions play out can be illustrated by the interesting example of India and China.

The India-China relationship is marked by discord on geostrategic matters (including disputes over borders and river waters). That these two nuclear powers actually engaged in armed conflict—with casualties—in 2020 shows just how serious this rivalry is. India is the sole holdout on the Belt and Road Initiative in its region; its refusal to join the Regional Comprehensive Economic Partnership was driven by several factors that included China’s centrality to the agreement. And yet, despite these differences, the two countries work closely together on economic issues, almost as allies. This collaboration does not always serve India well, even within a siloed trade setting (let alone the broader geoeconomic context); recall that China in particular has been at the receiving end of critique from the U.S. and other players for still insisting on its developing country status and associated, across-the-board Special and Differential Treatment (SDT) provisions. By throwing in its lot with China via joint proposals and positioning, India likely ends up increasing resistance to its own case.\textsuperscript{111} India and China also saw themselves on the same side in COP26, and at the brunt of critique from other actors.\textsuperscript{112}

Uniting these two obvious rivals—and other players from (an otherwise) highly differentiated Global South—is a shared narrative, which emphasizes the unfairness of the existing rules of multilateralism and calls for a prioritization of considerations of economic justice. This narrative is so strong that it brings together some unlikely bedfellows. It transcends regional geographies. Least Developed Countries, middle-income economies and rising powers, as well as the economic powerhouse of China, despite their divergent economic interests, are brought together by the shared dissatisfaction with the system. And while North–South divergence is not new\textsuperscript{113}—recall the history of the GATT and the U.N. Conference on Trade and Development—it matters more today due to the increased size, voice, and veto power of developing economies.\textsuperscript{114} The collapse of the Doha Development Agenda—the WTO’s development-oriented round of trade negotiations—was partly an unintended result of the this destructive agency exercised by the Global South.\textsuperscript{114}

This unity of the Global South and its disruptive potential should not be underestimated. Insofar as reform efforts have mostly involved corrections within—or in tandem with (e.g. via Regional Trade Agreements)—the existing system, it is perhaps not surprising that they have not resulted in a rescue of multilateralism: Such tweaks to the system are out of sync with the demands for a more fundamental rethink that parts of the developing world are seeking. But there are some further intriguing twists to this tale. One of these involves deepening divisions within the Global South.


\textsuperscript{112} COP-26 President, Alok Sharma, stated, “China and India will have to explain themselves and what they did to the most climate-vulnerable countries in the world,” https://www.bbc.com/news/uk-59280241, 14 November 2021. India’s “explanation” was loud and clear on this. Unusually for him, Prime Minister Narendra Modi targeted the West for its absolute cumulative emissions, “colonial mindset,” and blamed the developed world for trying to prevent the development of the Global South. Consistent with his previous speeches, he also pointed to India’s long-standing and cultural commitment to environmental preservation, https://twitter.com/narendramodi/status/1464287408791326722, 26 November 2021.

\textsuperscript{113} Amrita Narlikar, Poverty Narratives and Power Paradoxes in International Trade Negotiations and Beyond, Cambridge: Cambridge University Press, 2020.

\textsuperscript{114} This does not mean that the demise of the DDA can be attributed solely to the developing world. For the multiple causes of the Doha deadlocks, see Narlikar 2020; Kent Jones, The Doha Blues: Institutional Crisis and Reform in the WTO, Oxford: Oxford University Press, 2010; Paul Bluestein Misadventures of the Most Favored Nations: Clashing Egos, Inflated Ambitions, and the Great Shambles of the World Trade System, New York: Public Affairs, 2009.
Divided by values

Beneath the apparent unity and shared discontent of the Global South lie some important differences.

The most obvious of these are economic. The “Third World” was never a homogenous entity. Post-1989, this heterogeneity increased further, and the rapid growth and political prominence of the BRICs markets made the differentiation even starker. But there are further differences within the Global South, with even deeper roots, and which are acquiring increasing importance today.

These differences derive partly from variations in political systems. And even as actors within the West are beginning to pay greater attention to the values that underpin liberal versus authoritarian systems amid competition and threats from non-democracies, actors in the Global South too are engaging in similar exercises of self-reflection and assertion. The divergences stem from not only varied approaches to governance and government, but from fundamental differences in worldviews.

Take the case of human rights. Contra the crude reductionism of the debate on “universal values” versus “Asian values,” as well as the privileging of the individual versus society respectively, a closer look even at Asia alone reveals first-order differences. India offers an interpretation of human rights that is more inclusive and more absolute than that of western liberalism: As per key variants of Indian philosophy, human rights are not only human but extend to all living beings. This puts the Indian version not only at the extreme end of universal human rights, but also at the opposite end of the spectrum from China.

Human rights provide just one illustration of a broader point: The values that the west associates with liberalism do not belong to the West alone. Within the Global South too, we have states and societies that cherish traditions of pluralism, universal human rights, political freedom, rule of law, and more. These entities are just as concerned about the onslaught against liberal values that comes from authoritarian powers, and especially from an assertive and economically successful China, as are many actors in the Global North. And such political, economic, and ideational differences are key to finding new alignments.

115. See also “Liberal democratic values and the future of multilateral cooperation” by Dervis and Tocci, included in this collection.
How to engage the Global South on reforming and rebooting multilateralism

The common discontent of the Global South with the (perceived) ineffectiveness of multilateralism on economic questions has tended to trump the many crucial divisions between democratic and authoritarian systems among countries of the world regions. Lower levels of development, shared experiences of colonialism and shared narratives of distributive justice, as well as immediate economic imperatives may be driving political and strategic adversaries together. But the Global North has also not helped its own case in winning hearts and minds from the developing world. Almost reflexively, like-minded actors in both the Global North and South have tended to accept the economic priorities—and associated unity of Southern actors—at face value. This has resulted in two approaches: Either assume themselves as Western democracies to be the sole guardians of liberalism, to then teach these values to the “lesser” countries in the Global South (via labor and environmental standards, for instance), or simply steer clear of the values question (assuming that the Global South roughly aligns on the side of “Asian values”) and focus on the simpler and politically-correct question of interests. Both approaches are counter-productive: The former leads diverse countries in the Global South to dig their heals in, while the latter reinforces a false dichotomy of interests versus values and entrenches a Southern unity focused primarily on short-term interests at the cost of existential values. Debates on reforming multilateralism then get caught up in platitudes and tautologies (e.g., those that stress the importance of multilateralism for its own sake, rather than consider/reconsider/update its purpose). Lowest common denominator solutions follow (rather than ambitious and meaningful reform), which end up further undermining the credibility of multilateral cooperation.

Knowing what we know about the Global South, how could multilateralism be updated? While developing specific proposals for reforming individual multilateral organizations lies beyond the scope of this article, I suggest four recommendations below that will be key to help us get to the point of meaningful and sustainable reform. The first deals with the study and analysis of global governance, while the latter three relate to broader questions of policy and practice.

First, more research is needed on the traditions of liberalism in the Global South. This work would ideally be interdisciplinary, drawing on philosophy, history, and literature, besides the obvious social sciences. Such knowledge will be crucial for building new alliances of the like-minded.

Second, the idea that values and interests are reflexive is familiar to constructivism thought in the field of International Relations. But in the world of policy, the two are sometimes treated as separate. This is a flawed logic, with the rise of China being a case in point. The challenge emanating from China stems not simply from its rapid economic growth. Rather, it derives from the fact that its growth is founded on a model of development that sits at odds with some of the fundamental principles of trade multilateralism and the liberal economic order that the WTO upholds. Further, China’s border conflict with India, adventurism in the South China Sea, as well as its policies toward Hong Kong and Taiwan, are indicative of a world view of regional and global order that does not quite align with those of its neighbors. Wishful thinking that multilateralism can be effectively reformed through a better distribution of global wealth will not suffice, when what is really at stake are fundamentally different values. Recognizing this polarization does not mean that we are surrendering to a new Cold War, where the world will be divided into two blocs. If anything, it is only by looking our differences in the eye that we can manage them, and thereby avoid a descent into a cold or hot war.

Third, the linkage between economics and security issues is often ignored, partly due to the silo-isation of expertise (e.g., economics versus political science, and also international political economy versus security studies). There are several constituencies in the Global South, however, that are just as concerned about the risks posed by “weaponized interdependence” as some of their counterparts in the West. At least for those threatened by China’s advances in the region (and indeed beyond), the urgency for diversification is high. Building shorter and more reliable supply chains in key strategic sectors with like-minded allies could work to the advantage of multilateralists in the democratic North and South.

Fourth, it should be obvious that Northern political leaders and technocrats would be well-served by not lecturing to the Global South on liberal values. But perhaps what is not noted enough, and should be, is that they would also be well-served by not pussyfooting around the subject of values.

Multilateralism today has come to a fork in the road. We could let it continue with existing formats that retain universal membership. But these formats would come with high security risks; the de facto response of states would be to go for shallower levels of integration, leading to increasing fragmentation and an even further decline in the effectiveness of the rules. Or we could choose to deepen multilateral cooperation with like-minded allies, create new oases of liberalism, establish secure and sustainable supply chains, and

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120. E.g. Stefano Guzzini, ‘A Reconstruction of Constructivism in International Relations,’ European Journal of International Relations, 6(2), 2000, pp. 147-182.
122. In terms of multilateral institutions, several permutations involving variable geometry models would be possible. For instance, one could envisage deeper economic integration with trusted allies, especially in strategically important sectors with security linkages, and loser chains of integration with others. To enable this, however, would require a fundamental rethink on core principles of the system, including universal membership, as well as departures from MFN, national treatment and other requirements in the WTO when trading in products and services with security implications. Parallel steps would need to be taken in other organizations too, with security-focused IOs coordinating with the economic ones on geoeconomic threats.
facilitate a more equitable distribution of gains within the club. The more exchange there is between democracies in the Global North and South, the greater the chances of rebuilding a robust and sustainable multilateral order.
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From April 2007 until September 2014 he was Director of the Group of 24, an intergovernmental group of developing country Finance Ministers and Central Bank Governors. In that capacity he led the work program of the Group, supported the deliberations of the Ministers, and was the principal point of interface with other organizations including the G20. He has therefore been an active participant in the global economic discussions and a key representative of the views of developing countries. Prior to taking up his position with the G24, Mr. Bhattacharya had a long-standing career in the World Bank. His last position was as Senior Advisor and Head of the International Policy and Partnership Group. In this capacity, he was the focal point for the Bank’s engagement with key international groupings and institutions such as the G7/G8, G20, IMF, OECD and the Commonwealth Secretariat.

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Coulibaly has also taught economics and international finance at Georgetown University, the Darden Graduate School of Business at the University of Virginia, and the University of Michigan. He has published widely in top-tier academic journals on various topics in international finance, macroeconomics, economic development, monetary economics, and trade.

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For many years, he has contributed a column every month to Project Syndicate, which they publish in several languages and which is also published as a Brookings blog. A comprehensive collection of these articles has been published by the Brookings Press entitled “Reflections on Progress: Essays on the Global Political Economy.” Derviş started teaching economics at the Middle East Technical University in 1974 and has since taught several years at Princeton University in the 1970s and as an adjunct professor at Columbia University from 2009-2015. As a member of the Turkish Parliament, he was a member of the Convention for the European Constitution from 2003-2004.
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Homi Kharas is a senior fellow in the Center for Sustainable Development, housed in the Global Economy and Development program at Brookings. In that capacity, he studies policies and trends influencing developing countries, including aid to poor countries, the emergence of the middle class, and global governance and the G-20. He previously served as interim vice president and director of the Global Economy and Development program.

He has served as the lead author and executive secretary of the secretariat supporting the High Level Panel, co-chaired by President Sirleaf, President Yudhoyono and Prime Minister Cameron, advising the U.N. Secretary General on the post-2015 development agenda (2012-2013). Prior to joining Brookings, Kharas spent 26 years at the World Bank, serving for seven years as Chief Economist for the World Bank’s East Asia and Pacific region and Director for Poverty Reduction and Economic Management, Finance and Private Sector Development, responsible for the Bank’s advice on structural and economic policies, fiscal issues, debt, trade, governance, and financial markets.

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John W. McArthur is senior fellow and director of the Center for Sustainable Development at the Brookings Institution. He co-founded and co-chairs the 17 Rooms initiative, a new approach to catalyzing action for the Sustainable Development Goals. He is also a senior adviser to the United Nations Foundation and a board governor for the International Development Research Centre. He serves as a member of the UNICEF Advisory Group and of Policy Horizons Canada’s Deputy Minister Steering Committee.

He was previously the chief executive officer of Millennium Promise Alliance, the international nongovernmental organization. Prior to that he served as manager and then deputy director of the U.N. Millennium Project, Secretary-General Kofi Annan’s independent advisory body mandated to recommend an action plan for achieving the Millennium Development Goals.

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Prior to moving to Germany, Amrita held the position of Reader in International Political Economy at the University of Cambridge, UK. She was also Senior Research Associate at the Centre for International Studies at the University of Oxford from 2003 to 2014. She read for her M.Phil. and D.Phil. at Balliol, Oxford, and held a Junior Research Fellowship at St John’s, Oxford.
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Vera Songwe is an Under-Secretary-General at the United Nations, Executive Secretary of the United Nations Economic Commission for Africa, and a nonresident senior fellow in the Africa Growth Initiative at the Brookings Institution. Previously, Songwe was Regional Director Africa covering West and Central Africa for the International Finance Corporation, and Country Director for Senegal, Cape Verde, The Gambia, Guinea Bissau, and Mauritania at the World Bank. Her main areas of interest are fiscal policy, innovative financing mechanisms for development, agriculture, energy and economic governance. She is a member of the African Leadership Network.

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