

The purpose of these *Key Sheets* is to provide decision-makers with an easy and up-to-date point of reference on issues relating to the provision of support for sustainable livelihoods.

The sheets are designed for those who are managing change and who are concerned to make well-informed implementation decisions. They aim to distil theoretical debate and field experience so that it becomes easily accessible and useful across a range of situations. Their purpose is to assist in the process of decision-making rather than to provide definitive answers.

The sheets address three broad sets of issues:

- Service Delivery
- Resource Management
- Policy Planning and Implementation

A list of contact details for organisations is provided for each sub-series.

Overview of the debate

Over the past five years the debate on global governance has focused on:

- Whether global organisations and rules can effectively reduce environmental problems, chronic poverty, human rights violations, civil conflict, financial instability, trade and investment inequities and disputes;
- Whether present global organisations require reform;
- Whether national sovereignty is being eroded;
- Whether global governance requires effective national and regional government.

Key issues in decision making

What are the limits to global governance? The limits to what global organisations and rules can achieve are often defined in terms of the difference between 'global government' and 'global governance'. *Global government* would have powers which only national governments now possess, e.g., in taxation, control, and entitlements for individuals. Under *global governance*, global public organisations are funded and governed by states. They are mainly opt-in organisations, with rules made by their members, and binding only on them. The exceptions are the International Court of Justice and the UN General Assembly and Security Council, whose rulings are meant to apply to all states. In practice, there is much pressure on states to join global organisations to demonstrate their international legitimacy and, in the case of developing and transition economies, to attract investment by demonstrating that they abide by international rules. The limit to what global governance can achieve appears to be dictated by:

- the demonstrated need for international rules (e.g., on trade and protecting the environment);
- transparency regarding compliance with international rules;
- the ability of global organisations to create win-win outcomes in disputes between states;
- the ability of global organisations to deliver needed international public goods and services.

Can global governance achieve more? Recent issues and initiatives demonstrate the needs, possibilities and obstacles:

Environmental protection Implementation of the Kyoto targets to limit CO₂ emissions to reduce global warming is hindered by non-cooperation of the USA, questioning the scientific basis of the targets and faced with major reductions in its emissions if it were to meet the targets.

Poverty reduction The World Bank and IMF have sought to strengthen their poverty orientation by launching the Comprehensive Development Framework and Poverty Reduction Strategy Papers. But calls for radical reform continue. The Meltzer Commission concluded that the lending basis of World Bank assistance is inconsistent with social programmes for the poor, its operations overlap substantially with regional development banks, and performance of its assistance is low. It recommended converting the World Bank into a World Development Agency, privatising its lending activities. Others note that redefining GDP in terms of purchasing power parity would raise the voting weights of developing countries in the World Bank and IMF.

NGOs are increasingly important implementers of aid. This strains the traditional paradigm of aid based on national sovereignty. At the same time, 'ownership' by national actors (government, civil society), as well as appropriate domestic policies and effective institutions, are seen as necessary if aid is to be effective. Increased donor interest in sector programmes and budgetary support implies a shift towards working more closely with governments.

Rising inequality within and between countries is seen as braking growth and biasing its benefits against the poor. With capital more mobile and hard to tax, national taxes have shifted towards consumers (value-added tax), producing calls for a 'Tobin tax' on international capital movements.

Achieving the UN's 2015 poverty-reduction targets, especially in Africa, require better health and education services. But resources are insufficient. Aid 'must at least double if... development goals are to be achieved, with donors undertaking multiyear commitments' (Zedillo Commission). But despite successful collective action (Jubilee 2000) for debt reduction, aid levels have dropped as a percent of GDP, and donors favour states where aid is used effectively. Growing emphasis on sector programmes and donor pooling of aid, and away from projects, has mixed results.

Human rights Human rights are seen as the moral base of global governance: hence the rights-based approach. However, the breadth of rights laid out in the Universal Declaration of Human Rights (1948) slows progress. Most progress has been made where the rights of individuals in relation to national law are the focus (outlawing slavery, ILO code on employees' rights) and in the increased prosecution of former dictators for human rights violations.

Experience

- DGIS and DFID discussions on UN reform
- Cooperation between UN and the Bretton Woods institutions
- Global funds: Global Fund to Fight AIDS, Tuberculosis & Malaria, Global Alliance for Vaccines and Immunization

Expertise and websites

- Clingendael Institute, The Hague: www.clingendael.nl
- European Centre for Development Cooperation and Management, Maastricht: www.ecdpm.org
- Globalisation and poverty research programme: www.gapresearch.org
- London Business School, Centre for New and Emerging Markets: www.london.edu/cnem
- London School of Economics and Political Science, Centre for the Study of Global Governance: www.lse.ac.uk/depts/global
- Overseas Development Institute, London: www.odi.org.uk
- University of Birmingham, International Development Dept.: www.idd.bham.ac.uk
- University of Sussex, Institute of Development Studies: www.ids.ac.uk/ids/global/

Civil conflict The UN's modest role in recent international security actions has produced calls to give the Security Council greater legitimacy, and to raise the UN's efficiency and funding. But feasible proposals are lacking.

Financial instability Countries with poorly developed capital markets and institutions are especially at risk to strong short-term capital flows, and may need to limit capital account convertibility. Proposals for a 'Tobin tax' have stalled on doubts over its collectibility and its effectiveness to reduce volatility. The IMF is under pressure to be more transparent, limit lending to the short term, avoid costly rescue operations that encourage risky lending and further crises, and focus on improving financial structures in developing countries.

Trade and investment inequities and disputes The collapse of commodity agreements has focused concern on the overdependence of many developing countries on exports of commodities with falling relative prices. Policy emphasis is now on export diversification. No new international agreements to support commodity prices are likely.

Widespread pressure on the World Trade Organisation to raise developing country participation and to be more oriented to development has resulted in:

- An 'Integrated Framework' to help developing countries participate in WTO. Developing countries increasingly use WTO's dispute settlement procedures, and have won some cases.
- A commitment (WTO, Qatar, 2001) for free access for all products from least-developed countries and for special treatment for developing countries – limited reciprocity on free trade, exemption from WTO rules on investment subsidies and from intellectual property rights in public health, accessing medicines and medical R&D. A challenge is to ensure that all abide by this commitment.

The OECD's proposed 'Multilateral Agreement on Investment' was not adopted because it favoured foreign investors and limited governments' ability to intervene. Current proposals favour a more flexible approach to encourage foreign investment in countries that attract little.

What should be the strategy for better global governance? Experience offers three principles:

- **Effective, representative national governments are essential for democratising global institutions** The international system does not weaken national governments; rather, it relies on them. Governments must perform well to attract foreign funding. Weak states are threats to themselves and to global governance. The efficiency of the state is increasingly threatened where legitimacy is weak ('rogue states', semi-authoritarian regimes, facade democracies), but enhanced where the freedom and effectiveness of civil society are high. Many regional institutions and agreements (EU, OAS, Mercosur, EU-ACP, SACP) now enhance legitimacy through 'democracy clauses'.
- **Effective regional governance is needed for infrastructure development and management of natural resources** The emergence of strong regional governance is often seen as hostile to global governance. But as long as they do not restrict trade, effective regional arrangements act as the building blocks of global governance by facilitating the movement of people, development of trade and infrastructure, and natural resource management.
- **Reforms must be implementable** As long as high-income countries largely fund global institutions, these countries must 'opt in' if reforms are to be implemented. Gradual reforms are more likely to succeed since they keep more of the major players on board.

Key literature

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Journal of International Development (2001) 'Focus on world development report 2000/1 – Attacking poverty'.

Kaul, I. et al. (eds) (1999) *Global public goods: International cooperation in the 21st century*. Oxford University Press.

ODI autumn meetings series (2001) 'Globalisation: the true story': www.odi.org.uk/autumn2001.html

United Nations (2002) 'Report of the Commission on Financing for Development (Zedillo Commission)', International Conference on Financing for Development, Monterrey, Mexico, March 2002, www.un.org/esa/ffd/

US Treasury (2000) 'Report of the international financial institutions advisory commission (Meltzer Commission)', www.house.gov/jec/imf/ifiac.htm

Key Sheets are available on the Internet at: www.keysheets.org
or through the websites of DFID and the Netherlands Ministry of Foreign Affairs



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