

## Global Governance

Many argue that: (a) global governance has not kept pace with new needs; (b) decision-making processes in global institutions do not give adequate representation to the voices of poor and small countries; and (c) global institutions are not sufficiently accountable and transparent.

### 15.1 Strengthening Global Governance

Why does global governance matter in the context of support for democracies in their attempts to reduce poverty? As we have argued in this paper, poor countries face many new challenges – for example the increasing incidence of conflict, terrorism, globalisation, HIV/AIDS, the degradation of the environment – and many believe that global governance has not evolved sufficiently to take account of these. We have already touched upon some of the lacunae in the present global arrangements in respect of some of these challenges, for example conflict resolution and the international financial architecture. Other suggestions raised in this context are:

- Giving a greater role to the UN through the creation of an Economic Security Council with the remit of achieving global financial and economic co-ordination and co-operation between the industrial and developing countries. If agreed, this would require a radical overhaul of the present global economic and social institutions. A more fruitful approach might be for the G7/G8 Forum to become more inclusive, as it is now beginning to be through regular interaction with African leaders. There might also be scope for biennial summits of a group of world leaders representing 20 or so countries, made up of a core group plus a rotating membership, with particular weight given to poor country democracies. This could be seen as a G8 plus formula.
- Consolidating the UN's fragmented development co-operation and assistance system into a single UN Agency for International Development (UNAID) that complements the Bretton Woods institutions.<sup>48</sup> Such a step might provide coherence of purpose and new energy, and avoid duplication and waste. On the other hand, the UN family has in it some efficient and some indifferently performing agencies; bringing them altogether risks the danger of the bad polluting the good. The suggestion requires careful consideration.

## 15.2 Decision-making Processes

There is wide consensus that the poor must have a strong voice in policy-making to make an impact on poverty reduction. This is as true at the international as at the national level. Many have argued that there is a democratic deficit at the international level, making it difficult for the concerns of the poor to find expression:

- There is a democratic deficit in the composition and functioning of the UN Security Council.
- While the clients of the IMF and World Bank are almost exclusively developing countries, the voting power in their decision-making bodies rests largely in the hands of the industrial countries.
- By convention, the heads of the IMF and the World Bank are chosen by Europe and the US, respectively.

The WTO, on the other hand, works by consensus, but some have identified a democratic deficit in its decision-making processes as well. For example, the *Human Development Report 2002* says:

Although all countries have a seat and a vote in the WTO, actual decision making occurs in the green room – the small group meetings convened by the director-general and heavily influenced by Canada, the European Union, Japan and the United States. Most developing countries are usually excluded.

*Human Development Report 2002*, p. 119

How can this democratic deficit be reduced at the global level? Any proposal based on a one-country one-vote principle would give small countries undue weight, out of proportion to the number of people they represent. A proposal that weights votes in proportion to the people that each country represents would improve matters, but would result in the dominance of China and India who together have nearly two-fifths of the world's population. Any proposal that does not recognise the varying economic and military strength of different nations risks being impractical and could not win the support of the electorates of the industrialised countries who might feel that they did not have a voice in the global institutions commensurate to their contributions. Until the concept of a 'common humanity' gains ground, and the people of the world are prepared to sacrifice national sovereignty in favour of more effective global governance, one needs to compromise and proceed in a pragmatic way. As the *Human Development Report 2002* says: 'Global governance ultimately has to balance power and principles, effectiveness and legitimacy' (p. 117).

Possible ways through which changes could be brought about are:

- The restructuring of the UN Security Council to make it more representative and

more democratic in its functioning. The UN General Assembly has established an open-ended working group to consider reform of the Security Council, and several proposals have been made for its consideration, including the expansion of its membership to better reflect the current balance of power in the world, better geographical and developing country representation, a greater use of the rotation principle, and reform or abolition of the veto power of the permanent members.

- Revising voting rights in the IMF and the World Bank by increasing the basic votes of each member. It is also suggested that the choice of heads of these institutions should not be confined to the citizens of Europe and the US; they should be chosen on the basis of professional competence. And there might be additional merit if such candidates can be found from the developing world, as that would enhance ownership of these institutions by the poor countries.
- Making the small group meetings in the WTO – which would be difficult to dispense with – more inclusive by allowing any country with a stake in the item under discussion to attend. There would be merit also in enhancing technical support and provision of information to small states and others who lack the capacity to follow the highly technical and legal discussions in the WTO negotiations; the Commonwealth is already seeking to do this to some extent.

### **15.3 Transparency and Accountability**

There is a widespread belief that greater transparency in the workings of the international institutions, particularly the Security Council, the IMF, the World Bank and the WTO, would allow greater public debate, preventing possible mistakes in policy and promoting greater ownership of policy in the countries concerned. The value of transparency is acknowledged by the industrial and other countries at the national level, and much is done to promote access to information. In recent times, there has also been some movement at the international level. The UN Security Council now publishes an agenda in advance of meetings allowing for lobbying by non-members on specific issues. The World Bank and the IMF have also taken a number of steps: at the Bank, examples of openness include the release of PRSPs, summaries of board discussions and a number of project-related documents of value to the public. At the IMF, research is now available on its website and, with the approval of the governments concerned, disclosure and publication of policies and agreements with the Fund are also available. These are significant developments. However, the minutes of both institutions' board meetings remain secret. Some argue that they should be published; the arguments advanced against this are that they might affect the collegiality of boards' discussions and sentiment in markets. However, as many observers have pointed out, the policy of publishing the minutes of the Bank of England Monetary Policy Committee – albeit with a time

lag – has not affected its functioning, and may even have improved the market's understanding of the criteria underlying its discussions.

As regards the WTO, some have pointed out that the negotiations that lead up to agreements all take place behind closed doors, making it difficult to see where discussions are heading until it is too late.

Several observers have stressed the importance of accountability – that is, independent scrutiny of whether the institutions are performing well and achieving the impact expected of them. The IMF has published independent evaluations of the Enhanced Structural Adjustment Facility, and has recently established an Office of Independent Evaluation, which has now submitted its first report.<sup>49</sup> The Operations Evaluation Department at the World Bank undertakes extensive evaluations and reports directly to its board. Many feel that there should be much greater stress on independent assessments of the Fund's and the Bank's performance and that these assessments should be published, so that there can be greater knowledge and debate about the effectiveness of the policies pursued.

It is important to bear in mind, however, that monitoring and evaluation should not become process ridden to the point where those in charge of execution lose confidence and ability to lead. The possibility that premature disclosure of information could lead to destabilising speculative behaviour in markets also needs to be borne in mind in judging issues of transparency and accountability. Possible damage to the reputation of international institutions – at a time when one needs more rather than less international governance – might also be counter-productive.