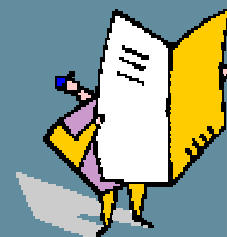


# MODULE #5

## Governance



# Governance: STARTS AT HOME

- We are far short of realizing the potentials of globalization because of a lack of effective and democratic governance. Some essential market-supporting and regulatory institutions are missing, making the system prone to various market failures.
- The rules and institutions that do exist are unfair towards poor countries, both in the ways they were drawn up and in their impact. Mechanisms are weak for redressing inequalities between and within countries and for delivering social priorities such as global public goods and social protection.
- Governance of globalization is bound up with governance at the national level. There is a need for effective political and legal institutions, strong economic and technological capabilities, and policies which integrate economic and social goals.
- Well governed countries have domestic policies that take into account the needs of other countries. They are more effective partners in bringing about a fair and more inclusive process of globalization. That is why globalization can be said to begin at home.
- A fairer globalization also needs action and empowerment at different levels – in local communities and economies, and in the rapidly developing new forms of regional cooperation and integration. The first areas for reform are the current rules governing the global economy.
- There is need for a more equitable and coherent set of international policies covering development assistance to achieve global social and economic aims. The multilateral system's capacity needs to be strengthened to address the social dimension of globalization by making it more democratic, coherent and accountable, and to mobilize all actors – both State and non-State.



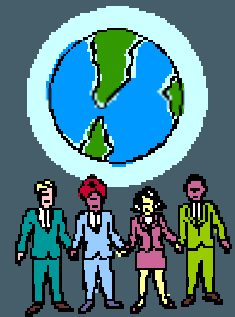
# Governance: PRINCIPLES

- The basic principles guiding globalization must be democracy, social equity, respect for human rights and the rule of law. These need to be reflected in institutions, rules and political systems within countries, and respected by all sectors of society.
- All countries are afflicted by some forms of poor governance. In the public sector, public servants must be accountable. Corruption in many developing countries is especially detrimental to the poorest who are excluded from services and are subject to arbitrary treatment. Industrialized countries are also not free of corruption.
- The basis for good governance is a well-functioning democratic political system that ensures representative and honest governments responsive to people's needs. It includes respect for human rights and basic civil liberties such as freedom of expression and of association. It encourages on free and pluralistic media, worker and employer organizations and bodies of poor and socially disadvantaged groups.
- The foundations of good governance are rule of law and effective administration of justice. That implies transparent and accountable government institutions and independent judiciaries. It includes public monitoring of budgets, contracts and procurement by parliaments as well as employers' and workers' organizations, and CSOs.
- Good governance requires institutions for the efficient and equitable functioning of a market economy, a sound financial system, prevention of anti-competitive behaviour, socially responsible corporate governance and a system for property rights and contracts. Labour market institutions are essential to protect workers rights.
- Powerful countries with greater decision-making power in international bodies should enact policies with regard to impacts on others. Efforts should be made to live up to financial commitments reached at the UN conferences of the 1990s.



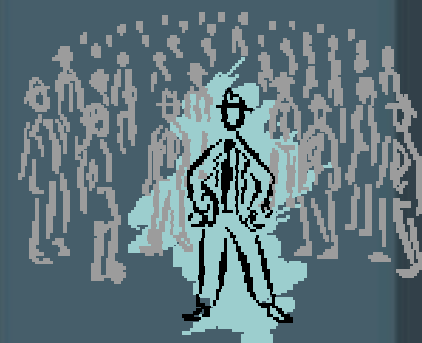
# Governance: THE STATE

- Reduction in the State's role around the world may have been desirable, but in many cases the pace was too fast and the balance tipped too far. While State economic intervention may frequently have been ineffective or misdirected in the past, globalization has created many new needs to which the State must respond. This is especially important in the absence of strong institutions for global governance.
- The State must ensure that integration into the global economy meets both economic and social objectives. That means provision of classical public goods, such as health, education, and law and order; supervision of markets and correction of environmental degradation; social protection and investment in areas of public interest.
- The State's weakness in these areas causes problems in benefiting from globalization. Financial liberalization exposes countries to greater risks of economic fluctuations, including the devastation that can be inflicted by financial crises. This requires strengthening the State's role in providing social protection, not its weakening.
- Increased capital mobility associated with globalization disrupts labour markets as economies adjust to greater openness, underscoring the need for social safety nets. The State must also limit the impact of globalization on income inequality, through progressive taxation, wage policies and social programmes.
- Macroeconomic policy is important to maintain business and consumer confidence by controlling fiscal deficits and inflation. Policies should achieve the highest feasible rates of output and employment growth compatible with macroeconomic stability.
- The pace and sequencing of liberalization is very important. In the past, a "big bang" approach was often advocated, involving liberalization across the board carried out simultaneously. Now, that is generally seen as mistaken. The supporting institutions and regulatory frameworks required for a market economy need to be developed gradually, and require strong public administrative capacity.



# Governance: CAPABILITIES

- In many low-income countries, the poor (75 per cent) live in rural areas, calling for policies to support agricultural growth, investment in transport networks, electricity and water management, and the rural non-farm economy. Policies should aim to increase productivity and accelerate learning and technological progress.
- Many middle-income developing countries compete among themselves to export similar labour-intensive manufacturing products to the same markets. As a result they are trading more, but earning less per unit. The challenge is to move into higher-value exports, through innovation, adaptation and learning.
- The bulk of new employment is in the informal economy, marked by low productivity and poverty. How far this is due to globalization is hard to establish. But it also contains a large reservoir of entrepreneurship and innovation that remains unexploited.
- The informal economy presents major governance issues because the absence of rights and protections leads to vulnerability. It should be brought into the formal sector that provides decent jobs, incomes and protection, and can trade in the international system. Women and youth are the informal economy's bulk but lack representation and voice.
- Up to 4 billion people are effectively marginalized because their property rights are not recognized. In reality their assets – notably land and housing – are worth enormous sums. But this is “dead capital”, because it generally cannot be used as loan collateral, discouraging credit and investment. That frustrates the development of millions of small enterprises and encourages low quality and untaxed economic activities.
- Establishing property rights should not be confused with privatization. A balanced approach to upgrading the informal economy involves systematic extension of property rights and core labour rights.



# Governance: DECENT WORK

- Globalization's opportunities must be converted into jobs and incomes. Reducing unemployment is not enough. Employment must be freely chosen and provide an income sufficient to satisfy basic economic and family needs. Rights and representation must be respected, basic security attained through social protection, and adequate conditions of work assured.
- Taken together, these different elements make up "decent work". The most obvious route is higher growth, where the interests of both workers and employers are based on a new social contract that includes social dialogue, and greater efficiency and productivity.
- Workers' basic rights and civil and political liberties are important in promoting decent work. In many countries, labour legislation has not kept pace with changes in the pattern of employment. As a result large numbers of workers fall outside the protection of labour laws. There is also a need to reverse the trend towards the erosion of collective organizations of both workers and employers, and of collective bargaining.
- All countries that benefited from globalization invested significantly in education and training. The provision of both primary and secondary schooling increased throughout the 1990s, but progress is inadequate and masks wide differences. There is no universal model and various methods can be applied including development of a national qualifications framework.
- OECD countries spend 100 times more per pupil in primary and secondary education than low-income countries. Yet some low- and medium-income countries have achieved remarkable progress in education. Brazil, Eritrea, the Gambia and Uganda scored a 20 per cent increase in the primary school completion rate in less than a decade. Most countries also support elimination of the worst forms of child labour.



# Governance: LOCAL BASE

- The international policy agenda must respect diverse local needs and respond to their demands. The local community is part of an integrating world. Greater decentralization is needed, but it should be accompanied by increased capacities and resources, and effective frameworks for democracy and participation.
- For the majority of the world's population the local community means villages (many of which are isolated, remote and ecologically fragile) and urban shanty towns and slums. Many communities face endemic poverty and, barring emigration, the keys to poverty reduction lie in improving the local economy and basic social services.
- Even remote rural communities are affected by globalization, as when cheap imports wipe out agricultural livelihoods or foreign values influence traditional cultures. The global and the national must both be built on the local, and this is one of the keys to a fairer, more generous globalization. There is need for a proactive and positive agenda focusing on local government, the local economic base, local values and cultural heritages.
- Governance should take place at the lowest level at which it is effective. This calls for the creation of strong, democratic and accountable local institutions. States must protect and nurture the local space, and create and support local authorities.
- Local authorities need to be able to generate their own tax revenues or receive sufficient financial support from national budgets to avoid inadequate public services and corruption. Their capabilities for implementation also need to be strengthened.
- Local administration does not mean isolation. On the contrary, globalization offers many opportunities for national and cross-border networking, cooperation and exchange among local authorities. Non-State actors can also play important roles provided they have sufficient resources.



# Governance: VALUES

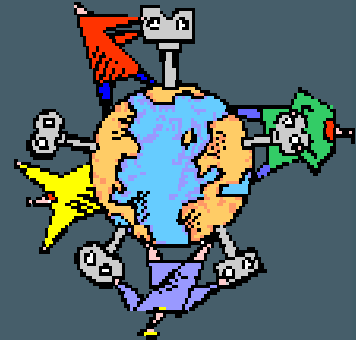
- Globalization inevitably has an impact on local values and cultures, particularly through the global media and entertainment industry. The trust among people bound by common values and culture is the “glue” which binds local institutions to undertake joint actions. This social capital is essential for development.
- Globalization can both strengthen and weaken social capital. Increasing competition can erode interest in community concerns, yet global interconnectedness, especially through ICT, can provide strong leverage for local action. Global information exchange networks help globalization to promote local production of goods and services.
- The local economic space must be protected and made more productive. National and international policies and support systems are required to reinforce local efforts through such means as increasing access to micro-credit, support for management and protection from external interference.
- A variety of forms of economic organization can be both economically and socially efficient. Cooperatives are an example. They are a global force, with 800 million members, yet are local actors with a capacity which is built on trust and accountability.
- Social entrepreneurs are also important at the local level. Probably the best-known example is the Grameen initiative in Bangladesh, which brings both information technology and education to the poor. One outcome is that there are 40,000 “telephone ladies” selling mobile telephone services in half the villages of Bangladesh.
- It is important at both the local and national level to defend the rights of indigenous and tribal peoples to their territories and resources, their cultures and identity, their traditional knowledge and their right to self-determination. Their free and prior informed consent should be sought before any development project is brought into their communities.





# Governance: INTEGRATION

- Regional integration promotes more equitable globalization by empowering people to better manage global economic forces, improving the negotiating power of smaller countries, building capabilities to profit from global opportunities, and improving global economic connections.
- Globalization should comprise linked, interacting regions, where each is open to ideas, goods, capital and people. Such a process of “open regionalism” can address some of the imbalances of globalization, while promoting development and equity within regions.
- The future agenda for global governance should include institutions that can bring together different regions around global integration. Regional integration can be a base for global governance; and good institutions for global governance can in turn be a powerful support for regional integration.
- Regional integration can strengthen a fairer globalization by including a strong social dimension, democratic accountability and social dialogue among workers and employers, and other important social actors. It should include social targets, backed by regular measurement and reporting of results. The targets might cover respect for basic rights, the overall employment rate, poverty incidence, educational opportunities and the extent of social security coverage, all disaggregated by sex.
- Regional resource mobilization is required for both investment and adjustment. This is particularly important when integration involves countries at very different levels of development.
- The EU is an interesting example of deeper forms of integration, including openness, social protection, respect for the rule of law, human rights, gender equality and political democracy. Integration is also increasing in almost all parts of the world but results do not always meet expectations because of insufficient resources and bureaucratization.



# REVIEW # 5.1



1. Why are we far short of realizing the potentials of globalization?
2. What should be the basic principles guiding globalization?
3. How should the State play its role in globalization?
4. Are there governance issues linked to the informal economy?
5. How can globalization's opportunities be converted to jobs and income?
6. Why is local community governance an important element of globalization?
7. How does globalization affect social capital?
8. Can regional integration be a stepping stone to a fairer globalization?

# Reforms: COVERAGE



- Global governance is the system of rules and institutions established by the international community and private actors to manage political, economic and social affairs. It warrants serious attention. Good governance, at both the national and global level, should further values such as freedom, security, diversity, fairness and solidarity. It should also ensure respect for human rights, international rule of law, democracy and participation, promote entrepreneurship and adhere to the principles of accountability, efficacy and subsidiarity.
- Increasing globalization has given rise to a broadening range of issues that cannot be effectively dealt with except through collaborative global action. Examples include financial contagion, communicable diseases, cross-border crime, security concerns, tax havens and tax competition.
- More generally, there is a growing need to develop institutional arrangements to support and supervise global markets in the interests of all participants. This includes the need to ensure their smooth and equitable functioning, eliminate uncompetitive practices and abuses, and correct market failures.
- The response to these new challenges so far has been haphazard. What has emerged to date is a fragmented and incoherent system consisting of a patchwork of overlapping networks and agencies in the economic, social and environmental fields. There is a wide range of diverse arrangements including laws, norms, informal arrangements and private self-regulation. In some cases, private actors such as bond rating agencies have created important *de facto* standards that governments and markets cannot afford to ignore.
- The coverage of these arrangements is incomplete. There are many important areas such as international migration and foreign investment where there are no rules or only partial and inadequate ones. While in a few areas the rules function well, in many they are too confining and often unfair.

# Reforms: DEFICIENCIES

- Inequality in the economic power and capacity of nation States, is an important deficiency in global governance and skews the process in favour of powerful players. There is a democratic deficit in global governance. Inequalities are compounded by the decisions taken outside the multilateral system.
- Problems are compounded by low democratic accountability. Positions taken in international fora are rarely subject to close and regular scrutiny by parliaments.
- The ICT revolution has allowed people to be more aware of their rights and demand a say in national and global governance. CSOs are very active in advocacy and mobilizing public opinion. They promote transparency and democratic accountability through criticism and monitoring compliance with international commitments. Other non-State actors, including business and labour play large roles although the influence of trade unions in rich countries is under pressure.
- The lack of transparency and accountability in international organizations is a serious problem. These are rarely subject to independent evaluations of the impact of their policies and operations on countries and people. In most cases, there are no procedures for people who are adversely affected by their operations to seek redress.
- The lack of coherence in global decision-making is also a problem because negotiations on global governance take place in compartmentalized sectors such as trade, finance, health, social affairs and development assistance. International organizations focus on their specific mandates and, as a result, the impact of their actions on other important objectives is often lost from sight.



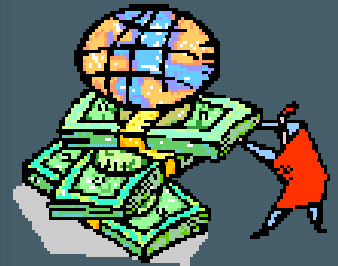
# Reforms: OUTCOMES

- There are two main reasons for the uneven social and economic impacts of globalization. First, a system of global economy rules prejudicial to most developing countries, especially the poorest. Second, the absence of international economic and social policies to achieve a pattern of globalization that benefits all people.
- Multilateral agreements and rules are biased towards expanding markets and limited attention is given to achieving a balanced strategy for global growth and full employment. There is need to develop a multilateral framework on the cross-border movement of people; measures to regulate global markets, including curbing anti-competitive practices in global production systems; avoidance of tax havens; correcting serious failures in the global financial market; and the development of new sources of funding for aid and global public goods.
- Significant trade barriers remain in export sectors vital for developing countries, which also have reduced autonomy to decide on development policies. Little attention is paid to increasing their technological capacities in a knowledge-based global economy. The goals of full employment and achieving decent work for all receive low priority.
- There is a lack of global mechanisms for ensuring socio-economic security. Any reform of global governance must be inspired by a fair and inclusive globalization. It should strengthen global legal and institutional infrastructure for promoting growth, equity, human development and decent work.
- Reforms should enhance the representative, participatory, transparent and accountable character of global institutions and give voice to people to articulate their concerns. They should mobilize the energy and commitment and sense of solidarity and responsibility of key actors of the global community.



# Reforms: FAIR RULES

- The global economy's rules should be fair. International organizations and donor countries should recognize the need to balance rights, equity and efficiency and shift focus from external conditionality to national ownership of policies. They should consider impacts on the rights, livelihoods, security and opportunities of people. The best means of protecting workers' rights is the ILO Declaration of Fundamental Principles and Rights at Work.
- Uniform rules for unequal partners can only produce unequal outcomes. Given the vast differences in levels of development, there is a need for affirmative action in favour of countries that are latecomers and do not have the same capabilities as those which developed earlier.
- Multilateral rules for trade should be balanced and fair. Trade liberalization should not be enthroned as an end in itself. It is a means for achieving ultimate objectives such as high and sustainable growth, full employment and the reduction of poverty. Trade policies should be framed with these ends in mind and be evaluated accordingly.
- It is possible to have a set of multilateral rules in which the obligations of countries are a function of their level or stage of development. A simple starting point would be to allow flexibility to these countries for joining in, or opting out of proposed disciplines or new issues in the WTO to permit greater policy space for them to pursue national development policies.
- More policy space is needed for developing countries to design policies in an open economic environment. Emerging global financial regulations may impose standards inappropriate for developing countries with insufficiently developed institutions. WTO and other rules now curb the use of industrial, technology, trade and financial policy as interventions to foster industrialization.



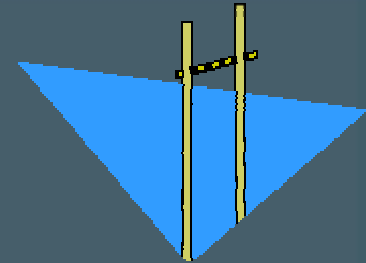
# Reforms: TRADE



- Unbalanced growth across countries is a source of economic tensions among trading partners. Countries with persistent current account deficits and job losses through industrial relocation abroad often face mounting domestic pressure to increase protection.
- It is important to recognize that trade liberalization will often entail difficult adjustments and the global economy's overall growth determines the extent and distribution of its benefits. Improved market access for developing country exports will be easier within a context of sustainable global growth and full employment. A fairer globalization needs more coherence between national and international policies.
- Agricultural protectionism is a major obstacle to poverty reduction. Agricultural subsidies in the industrialized countries now amount to over US\$ 1 billion per day, while 70 per cent of the world's poor subsist on less than US\$1 a day. This is a clear injustice.
- Many developing countries and LDCs depend on agricultural commodities for more than half their export earnings. Yet from 1980 to 2000, world prices for 18 major export commodities fell by 25 per cent in real terms. This fall was particularly significant in the case of cotton (47 per cent), coffee (64 per cent), rice (60.8 per cent), tin (73 per cent) cocoa (71.1 per cent) and sugar (76.6 per cent).
- World Bank estimates that the removal of protection and support in the cotton sector would increase prices by 13 per cent over the next 10 years and world trade in cotton by 6 per cent. Africa's cotton exports would increase by 13 per cent.
- Many developing countries depend heavily on textile and clothing, accounting for around 50 per cent and 70 per cent respectively of world exports, Tariffs remain high, ranging from three to five times the average for manufactures.

# Reforms: BARRIERS

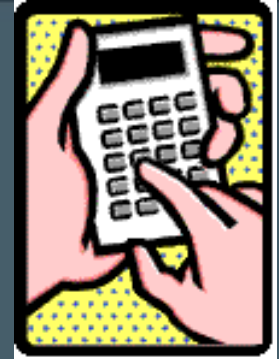
- Escalation of tariffs in the industrialized countries undermines developing countries efforts to add value to their exports of industrial products and raw materials. Despite the Uruguay Round agreements, industrialized countries have maintained tariff escalation, particularly on “sensitive products” not covered by the Generalized System of Preferences (GSP), such as food industry products, textiles, clothing and footwear.
- Developing countries are also increasingly concerned about the proliferation of technical standards on products ranging from packaging to food hygiene and pesticide residues. Although they are driven by the need to protect consumers, there is strong political pressure in the industrialized countries to set standards with an ample safety margin. Anti-dumping measures are also open to abuse because a lower standard of proof is required in anti-dumping than in domestic antitrust cases.
- Regarding intellectual property (TRIPS), fair rules are needed that balance the interests of technology producers and technology users, particularly those in low-income countries for whom access to knowledge and technology is limited. The poorest developing countries also lack of institutional capacity. Many argue that the TRIPS Agreement prevented access to life-saving medicines at affordable prices and does not protect open access to traditional knowledge that has long been in the public domain.
- Investment and competition policies and other “Singapore Issues” within the WTO have given rise to deep division, which contributed to the impasse at the Cancun Ministerial Conference in September 2003. Instituting fair rules in the multilateral trading system would be a major step forward. However, unless stronger development provisions are built into the system, developing countries will find it difficult to take advantage of them.





# Reforms: FRAMEWORKS

- MNE dominance in global markets can present formidable barriers to entry for new firms from developing countries, while cross-border mergers raise questions about industrial concentration and barriers to competition. There is no equivalent for the global economy of strong antitrust legislation present in most national markets to promote competition.
- Cooperation should be strengthened to make global markets more transparent and competitive, e.g. through creation of an International Agency on Competition Policy that monitors concentration in global markets, facilitates national competition policy reviews, and provides technical assistance to developing countries and international dispute resolution of cross-border antitrust issues.
- There is need for a transparent, coherent and balanced development framework for FDI, but the history of multilateral rule making is troubled and offers two lessons. All relevant actors must be at the table and the process should be transparent and open. There is concern that developing countries may be accepting unfavourable terms because of unbalanced negotiations with stronger developed country partners.
- Developing countries competing for FDI may offer excessive and unnecessary incentives in relation to benefits received. They should begin to act collectively to make incentives more transparent.
- That could be a first step towards a broader framework that is stable, predictable and transparent; balances private, workers', and public interests, rights and responsibilities – both foreign and domestic; and ensures a fair, transparent and appropriate dispute resolution procedure.



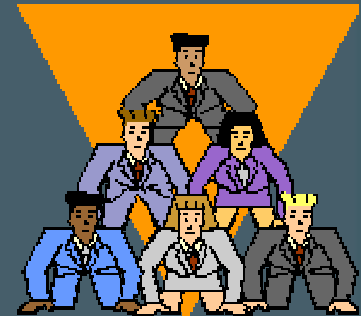
# Reforms: FINANCIAL SYSTEMS

- The ability to seize new opportunities created by fairer rules is strongly influenced by the global financial system, which is highly imperfect. More than other markets, it is heavily dominated by players in industrialized countries that determine the system's rules through their influence on the IFIs. The negative impacts often fall on middle-income countries, currently the weakest players in the system.
- The international financial architecture must be reformed because interdependence and openness, combined with volatility and contagion have made governance very difficult. The goal should be to build a stable system that stimulates sustainable growth, provides financing for enterprises, and responds to the needs of decent employment.
- So far, reform was focused on crisis prevention, information disclosure, early warning systems and international standards and codes in financial sector supervision. Developing countries are not adequately involved and more efforts should be made for their participation. Countries with weak financial systems that have liberalized prematurely should not be discouraged from reintroducing selective instruments for capital accounts.
- The reform process should confront the fundamental issues of exchange rate instability and the destabilizing influences of macroeconomic and financial policies. There is a need for a mechanism to facilitate consultation, consistency and surveillance of national macroeconomic policies. The problem of global macroeconomic management cannot be left entirely to the market and it must extend beyond the G7 countries.
- There is need for equitable mechanisms for debt resolution that provide for a fair allocation of responsibilities and burdens between debtors and lenders. The current system continues to place the interests of lenders above those of indebted countries.



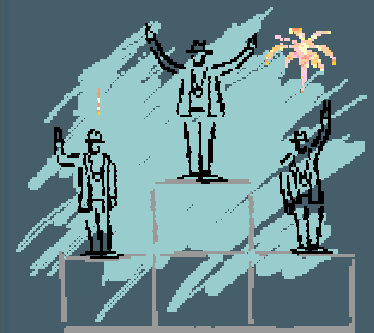
# Reforms: LABOUR

- If globalization is to deliver for people, there must be respect for indispensable human rights and social justice. There is a consensus that respect for core labour standards should be strengthened because they provide a minimum set of global rules for labour in the global economy.
- In 1995, the Copenhagen World Summit for Social Development defined a set of “fundamental” workers’ rights, based on seven International Labour Conventions. Taking those as a reference, the ILO’s 1998 Conference adopted the Declaration on Fundamental Principles and Rights at Work and its follow-up.
- Together with the new ILO Convention on the worst forms of child labour, they became internationally recognized core labour standards. Almost all ILO member States are committed to implementing them.
- But practice on the ground belies political commitments, revealing a picture of widespread discrimination and blatant violations of labour and trade union rights. It shows discrimination based on sex, age, disability and HIV/AIDS status, and problems of xenophobia and racial and religious discrimination.
- The main problems are political. Respect for core standards should be part of a broader global development agenda and ILO’s capacity to promote them should be reinforced. All relevant international institutions and enterprises should be encouraged to ensure that respect for core labour standards is an integral part of their operations.
- Technical assistance should be provided wherever there is political will but expertise is lacking.



# Reforms: PEOPLE

- The cross-border movement of people is a substantial and widespread phenomenon involving more than 10 million people a year over the past decade, as well as a growing number of countries. Once a mainly South to North flow, it now has a significant intra-developing country dimension clearly linked to increasing globalization.
- Migration is facilitated by declining transportation costs, the ICT revolution and the media's universal reach, which create awareness of differences in living standards. A multilateral regime for the cross-border movement of people that makes the process more orderly and eliminates exploitation of migrants could offer considerable gains to all.
- Most industrialized countries have ageing populations that are declining, while most developing countries have young and growing populations. Global labour productivity would increase since migration would be from low productivity, surplus labour countries to higher-productivity ones. Home countries would benefit through remittances, which amount to US\$ 75 billion annually (1.5 times the value of ODA), while the "diaspora effect" has stimulated the growth of high-tech industries in several East Asian countries and India.
- It would also help to reduce illegal immigration currently estimated at 15 to 30 million people. About half the immigrants are women, including many who are breadwinners. There is a strong polarization of views on the desirability of expanding international migration. However, the middle ground is that there are costs and benefits involved that should be seriously weighed.
- A multilateral framework for the cross-border movement of people is a realistic project with evident benefits. Measures could be taken to increase developmental benefits, including lowering transaction costs of migrant remittances, tax incentives to reinvest in home countries, and measures to repatriate social security contributions.



# Reforms: MOVEMENT

- To move forward on a multilateral framework for cross-border movement of people, it is important to build on existing conventions and hold dialogues between home and host countries. Action could be taken at three levels:
- First, international consensus can be reached to revitalize and extend multilateral commitments, such as the basic rights and protection of migrant workers and their families, trafficking, discrimination and exploitation.
- Second, dialogues between home and host countries on key policy issues, including procedures, recommendations and non-binding codes, complementing formal obligations under ratified Conventions.
- Third, a preparatory process towards a more general institutional framework for the movement of people across national borders. This means a transparent and uniform system, based on rules rather than discretion, for those who wish to move across borders. The ultimate objective would be to create a multilateral framework for immigration laws and consular practices, to be negotiated by governments, that would govern cross-border movements of people.
- A global forum is needed for regular exchange of information and views. The forum could help identify both problems and opportunities, and point to ways to ensure that the movement of people occurs on an orderly basis. Moving forward would imply strengthening the existing multilateral organizations dealing with movement of people including ILO. Initiatives underway such as the Geneva Migration Group and the proposed Global Commission on Migration established by the UN Secretary-General which is due to start work in early 2004.



# Reforms: ASSISTANCE



- Even on a level playing field, least developed countries will not succeed in the global economy without substantially increased international resources. Available estimates suggest that at least US\$ 50 billion a year in additional ODA is needed for all countries to meet Millennium Development Goals (MDGs) by 2015.
- If all countries had met the ODA target of 0.7 per cent of GDP over the last 30 years, an additional US\$ 2.5 trillion would have been available for development. What was promised must be delivered. People need to be made aware that the poverty and injustice which ODA aims to reduce is a source of global instability and insecurity
- Reaching the MDGs will require more effective delivery of ODA. Too much aid has been driven by strategic geopolitical objectives, instead of targeting poverty reduction. Much goes to middle-income countries rather than to the poorest countries, and aid is often provided in ways that benefit donor country exporters. Effective aid should be untied, as tied aid is less efficient for the recipient and invites corruption
- The impact of foreign aid is often weakened as it is delivered in a highly fragmented way, imposing a variety of donor requirements for preparing, delivering and monitoring assistance. A gradual shift from bilateral to multilateral channels, without losing recognition of the donor's identity, would help avoid overlap, inconsistency and reduced aid effectiveness.
- Aid should be particularly directed towards sub-Saharan Africa and to countries that are sufficiently well governed. Aid has to back home-grown strategies and be demand-driven. Donors should not attempt to substitute for domestic governance.

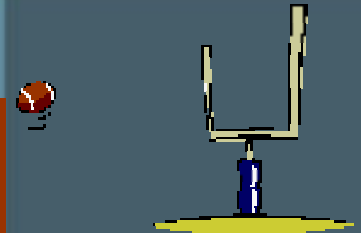
# Reforms: DEBT



- External debt is unsustainable in many poor countries. Between 1990 and 2001, external debt as a percentage of gross national income rose from 88.1 per cent to 100.3 per cent in the severely indebted countries.
- Achievement of the 0.7 per cent goal for ODA, together with debt relief, are the most promising immediate routes for raising new resources for poverty reduction. A fairer globalization cannot be achieved with far greater resources. It is essential to consider a wider range of options, provided they generate additional funding and do not replace current or future commitments.
- An important first step would be increased international tax cooperation to support domestic resource mobilization. There is a strong sense amongst many countries and experts that a comprehensive and accessible basis for international tax cooperation needs to be created and that the United Nations would be the appropriate forum.
- There is a variety of proposals for new taxes at the global level, many of them controversial. Probably the best known is the “Tobin” tax on speculative capital flows. Apart from the debate over whether global taxes are desirable, there are insuperable political obstacles to putting them in place.
- The problem is not so much what or how to tax, since technically feasible proposals exist. The point is that taxes are collected by governments within countries, and there is no global institutional framework with the necessary political authority to determine tax burdens and decide resource utilization. This is an important issue, on which discussion of possible practical actions should be encouraged.
- Beyond governments, the solidarity of people reflected in funds raised by NGOs and private philanthropy should be encouraged.

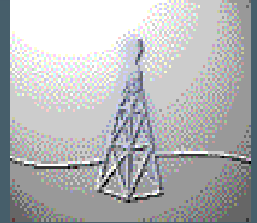
# Reforms: GOALS FOR 2015

- Cross-border investments have grown very rapidly. Some 75 per cent of net capital flows to developing countries are private but poorer developing countries do not appear to have benefited much.
- The Millennium Development Goals announced by 189 Heads of State and Government in September 2000 represent a global commitment to international action. Achieving them by the 2015 deadline will be important for a fairer world. They include actions to:
  - Eradicate extreme poverty and hunger
  - Achieve universal primary education
  - Promote gender equality and empower women
  - Reduce child mortality
  - Improve maternal health
  - Combat HIV/AIDS, malaria and other diseases
  - Ensure environmental sustainability
  - Develop a global partnership for development.
- These are the subject of a great deal of international attention. Much more international effort is needed particularly in education, skills and technological capabilities; issues of security, social protection and adjustment and the goal of decent work. More coordinated international policies are essential to improve the prospects in these domains, and especially for achieving decent work for all in the global economy.





# Reforms: COHERENCE



- Emerging global production systems are important for investment and technology but raise concerns about a “race to the bottom” in labour and other standards. For instance, Export Processing Zones are sometimes given exemptions from national labour laws or there are obstacles to exercising rights in practice. Policies based on lowering labour or environmental standards or excessive tax competition should not be acceptable.
- For greater policy consistency and coherence, the goal of decent work should be recognized by all organizations of multilateral system. That includes promotion of full, productive employment and other key elements of decent work such as conditions of work, gender equality, social security, safety at work and social dialogue.
- The ILO has developed the Global Employment Agenda, which places employment at the heart of economic and social policy using a tripartite strategy that engages government, business and workers’ organizations. It ensures consistency between the goals of decent work and full employment, and financial, trade and production goals.
- Education, health, human rights and environmental goals should be addressed in a consistent and integrated way in policies at international, national and local levels. Correctives are required in the international agenda and actions of the international system at the country level.
- The ILO should develop new methods to promote coherence between economic and social goals in the global economy, in coordination with other organizations. At the political level, meetings should be held regularly of finance and trade ministers, and ministers responsible for key labour and social policies. They should review policy coherence, preferably with labour and business participation and, when appropriate, civil society.

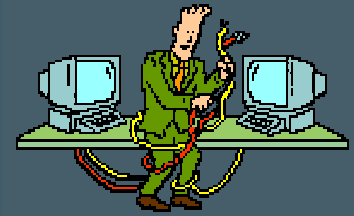
# REVIEW # 5.2



1. What values should underpin global governance?
2. How important is it to reform global governance?
3. Why should the global economy's rules be fair?
4. How can global markets be made more transparent and competitive?
5. Why is a new global financial architecture necessary?
6. Are there good reasons to make decent work a goal of global economic governance?
7. Why create a multilateral framework for the cross-border movement of people?
8. How can fresh resources be found for economic and social development?
9. Why is policy coherence and integration a good idea?

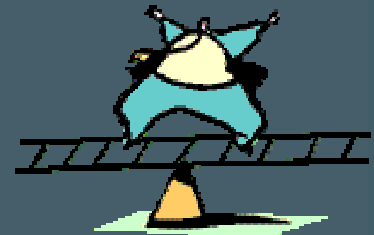
# Accountability: THE SYSTEM

- The key issue in global governance is better accountability to people, both in setting the global agenda and assessing the results of global policies. Greater representativeness, participation, transparency, efficacy and subsidiarity are essential principles to achieve better accountability and legitimacy of authority.
- While most international actors quickly express support for principles, in practice there are very different understandings of what they are. Accountability can be interpreted in many different ways, from the narrower sense of simply making information publicly available to a broader conception which holds international organizations directly accountable for the impact of their policies.
- In some cases principles come into direct conflict with each other. For example, inclusiveness and maximum participation may not be wholly consistent with effective and politically relevant decision-making. The principle of efficacy must be reconciled with the principle of subsidiarity. Less formal, “networked” governance may be the best way of fulfilling some global purposes.
- The UN multilateral system is at the core of global governance and is uniquely equipped to spearhead reforms, based on experience, knowledge and competence of more than 50 years. It has legitimacy endowed by near universal membership of States and its mandate. To meet challenges, the multilateral system must enhance its effectiveness through constant upgrading of its technical services, knowledge base and management systems.
- Its effectiveness also depends on the quality of governance. Three areas are of particular concern: democratic representation and decision-making, accountability to all stakeholders, and coherence in economic and social policy. There is critical need to ensure adequate resources for multilateral agencies to enable them to strengthen the social dimension of globalization.



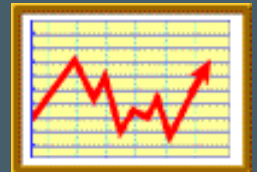
# Accountability: REPRESENTATION

- In a world comprising nation States with vastly unequal power and wealth, it is inevitable that countries will have unequal influence in international organizations. The challenge lies in reconciling the reality of power with equality and democratic participation. There is widespread dissatisfaction with the present decision-making systems.
- According to one estimate, the developed countries, with around 15 per cent of the world's population, account for 17 per cent of voting strength in the UN, 34 per cent in the International Fund for Agricultural Development (IFAD), and over 60 per cent in the World Bank and the IMF.
- A fairer system of voting rights should give more representation for developing countries, while giving a significant proportion of voting rights remaining with industrialized countries.
- The international institutions responsible for finance, development and trade are often criticized for lack of transparency and failure to consult with civil society. The situation has improved but more needs to be done. All UN system agencies should strengthen their evaluation units, adopt clear disclosure policies, publish findings and regularly report on the follow-up. Independent evaluations by stakeholders and others should be welcomed.
- Proposals have been made to establish a more representative and politically effective body to harmonize and balance social and economic policy to achieve agreed objectives. A key idea is establishment of an economic and social security council with similar status to the UN Security Council but without the authority to make legally binding decisions. This is worth consideration.
- The issue should be placed on the agenda of world political leaders such as the biennial high-level dialogues of the UN General Assembly's regular sessions, regional and sub-regional summits, and enlarged meetings of the Group of 8 (G8).



# Accountability: OVERSIGHT

- The UN system has pitifully small resources. The UN Secretariat's regular budget of about US\$ 1.3 billion per year has been constant in nominal terms (so declining in real terms) for the last eight years. The entire UN system, including its Funds, Programmes, Specialized Agencies and peacekeeping operations, spends about US\$ 12 billion per year – less than the annual budget of the New York City Board of Education.
- In view of this, the position of some developed countries of maintaining zero nominal growth in their mandated contributions to the UN system is deplorable. Financial contributions should be increased and the trend reversed toward raising voluntary contributions at the expense of mandatory contributions. At the same time, the UN system should improve effectiveness and efficiency.
- Heads of State and Government should adopt necessary national measures to ensure that the positions taken by their representatives in international fora promote a coherent integration of economic and social policies focused on people's well-being and quality of life. There is little hope of major improvements in global policy coordination without action at the national level to achieve policy coherence.
- States must also act consistently and responsibly by adhering strictly to international laws, regulations and norms that are the foundations of global governance. They should carefully consider the consequences of their actions and policies on the rest of the world, especially LDCs and the poor.
- A Global Parliamentary Group concerned with coherence and consistency between global economic and social policies should be created to develop an integrated oversight of major international organizations. National parliaments should strengthen their capacity to provide adequate checks and balances. They should promote accountability and coherence of public policy at the global level.



# Accountability: BUSINESS

- Enterprises are primary sources of employment and income creation. Their values, practices and behaviour have major impacts on social goals. An increasing number of global corporations make social responsibility an integral part of doing business. Initiatives range from the adoption of codes of conduct to partnerships in social initiatives at community level. They are prompted by business's own ethical concerns as well as by pressure from NGOs, trade unions, ethical investors and socially conscious consumers.
- A particularly influential initiative is the UN Global Compact, which calls on companies to observe nine core principles derived from universally accepted agreements on human rights, labour and the environment. The ILO should monitor the Compact to assess its future potential and increase its effectiveness.
- Scepticism remains among some actors about voluntary initiatives. The view was expressed in Commission dialogues that for such initiatives to be credible, they must be transparent and accountable, including good systems of measurement, reporting and monitoring. Companies should be helped to develop credible reporting mechanisms and performance measures, improve methods of monitoring and verification, and develop more broad-based industry-level partnerships.
- With its tripartite composition, the ILO offers a unique place for research, dialogue and policy development on relevant issues. It should convene a Forum to develop a practical agenda around the contribution of business to the social dimension of globalization.
- Beyond the issues of corporate governance and social responsibility, relationships between the private sector and international organizations have strengthened in recent years. The private sector's deeper involvement in international public policy has great potential as a source of additional finance for global programmes and as a provider of expertise and access to business networks. These trends should be encouraged.



# Accountability: LABOUR

- In 2000, the international trade union movement made “globalizing social justice” its prime objective for the new millennium. Methods used include intensive lobbying at regional economic and trade meetings; engaging directly with multinational companies through framework agreements, and influencing policies of UN system agencies in favour of equity, human rights and social considerations.
- The impact of the trade union movement on key international institutions depend partly on their influence on the decision-making process. For instance, within the ILO trade unions are a part of the governance structure and exercise considerable influence over the organization’s policies.
- Formal consultation structures with labour and business should be established at the World Bank, the IMF and the WTO to provide the social partners with structural entry points into agencies profoundly influencing globalization. That would increase their external transparency, accountability and credibility. Similar arrangements should be made in inter-regional and bilateral trade, investment and economic cooperation arrangements.
- With the growth of global production systems, new institutions of social dialogue between workers and employers seem likely to develop and may play an important role in the global economy. At present there is a great deal of experimentation and some interesting voluntary approaches are emerging.
- For example, there are now more than 25 Framework Agreements between global Union Federations and multinational companies. While the content of these agreements differs, most cover core international labour standards and some also cover issues such as a “living wage” and health and safety matters. Regional and global works councils are also being increasingly used to foster social dialogue.



# Accountability: CIVIL SOCIETY

- The rapid emergence of civil society actors, who network globally to tackle issues, is a striking feature of globalization. They have grown from some 1,500 in the mid-1950s to about 25,000 in 2001.
- CSOs contribute to a fairer globalization by raising public awareness, doing research, documenting impacts on people, communities and the environment, mobilizing public opinion and ensuring democratic accountability. They provide development assistance and humanitarian services, promote human rights and supply expertise.
- Inevitably tensions exist in relationships among civil society, governments and multilateral agencies. Some agencies feel they lack capacity to deal with the rapid expansion of NGOs. Some States feel that NGOs are complicating the task of negotiating agreements. NGOs often become impatient at the bureaucratic and political constraints of working with governments and UN agencies. Many feel their independence and integrity are impaired by the compromises necessary to achieve consensus.
- The involvement of CSOs in international organizations raises the complex issue of reconciling participatory democracy with representative democracy. The Secretary-General of the United Nations has established a high-level panel of experts, to make recommendations.
- Like all other actors in globalization, CSOs should be transparent and accountable to stakeholders. The starting point might be to encourage voluntary initiatives of self-regulation. The civil society community could lead the way in promoting peer review.
- Currently, there is a lack of balanced representation within the global civil society community. The underprivileged and marginalized communities of poor countries are inadequately represented. It is important to address this problem.





# Accountability: NETWORKS

- Responsible media can play a central role in achieving a fairer and more inclusive globalization. Technologies such as the Internet and low-cost delivery systems for TV and radio have increased the range of information available. Some see the dominant role of English as a cause for concern but that may change as other major languages develop global programming. Policies everywhere should emphasize diversity in information.
- In recent years, global issues networks and other informal arrangements for global social policy development have expanded greatly. Such forms of “networked governance” are often multi-sectoral, in that they involve the participation of some combination of national governments, multilateral agencies, CSOs and the private sector. They also tend to have informal governance arrangements and light organizational structures, often drawing on new technologies.
- The Internet is enabling decentralized networks of responsibility and solidarity to develop around different projects for social change. For these networks to operate and exchange information in open and democratic societies, the Internet’s governance should remain open and democratic.
- Several advantages have been claimed for these new networks: rapid and non-bureaucratic action; ability to mobilize diverse actors and skills; and a results-based focus on specific issues. On the other hand, in many cases this approach restricts participation to a select number of actors, raises questions of accountability and representation, and runs the risk of being technocratic.
- Global networks are likely to multiply as a result of globalization itself, and should be looked at for new and promising forms of governance. It is important to continue to pursue politically viable possibilities for institutional reform.



# REVIEW # 5.3



1. Why is better accountability a key issue in global governance?
2. How can equality and democratic participation be improved in global governance?
3. What is the significance of coherence and consistency between global economic and social policies?
4. In what ways have relationships between the private sector and international organizations evolved in recent years?
5. How does the global trade union movement help to promote social justice and accountability?
6. Why do tensions exist among civil society organizations, governments and multilateral agencies?
7. How might the media and global networks contribute to a fairer and more inclusive globalization?