

Chapter 5

Transforming global institutions

Infographic 5.1 Challenges and reforms in global institutions—a summary



5.

Transforming global institutions



The current global landscape is very different from what the world faced in 1990. New global challenges threaten the 2030 Agenda for “leaving no one behind.” Inequality and exclusion, violence and extremism, refugees and migration, pollution and environmental degradation—all are caused by humans and their interactions, particularly across borders. That is why their solution depends not only on the actions of individual countries, but also on the construction of global collective capabilities to achieve results that no country can on its own.

All these cases involve global public goods and spillovers, which have grown in tandem with globalization and human connectivity. Uncoordinated national policies addressing global challenges—cutting greenhouse gas emissions, protecting labour rights, ensuring minimum incomes, cooperating to strengthen fragile states, providing humanitarian aid and refuge to those extremely endangered—are bound to be insufficient because of the existence of externalities.¹ So global and regional institutions are necessary to bring systematic attention, monitoring and coordination to key global issues.

International institutions and the resulting global order have enabled considerable progress in human development. But these institutions have also coexisted with persistent extreme deprivation—leaving behind large segments of the global population—and persistent human insecurity (see chapters 1 and 2). The mixed success calls for reforms, with an agenda that keeps what works and addresses evident gaps.

The main global social institutions—markets, multilateral organizations and civil society—are the focus of this chapter. They include rules and regulations governing the interchange of goods, services, capital and labour; multilateral organizations setting and enforcing the promotion of global public goods; and global networks of citizens promoting their diverse interests. The chapter addresses the structural challenges for human development, particularly for reaching everyone, and presents reform options.

On the challenges and structural deficiencies, the leitmotif is inequality among countries at different levels of development and among segments of the global population. Asymmetries persist in the way countries participate in global markets, in defining rules, in financing compensatory mechanisms and in

having the capacity to pursue accountability. These inequalities constitute barriers to practical universalism and compromise fairness, as some groups have decisive advantages in defining both the rules of the game and the payoffs. The winners and losers of globalization depend on the way globalization is pursued.

To respond to these challenges, global institutions can enhance collective capabilities. They can expand opportunities for international exchange (including people, knowledge, goods, services and capital), both for cooperation and for participation and accountability. But there is tension between globalization and democratic national policymaking. International rules can constrain some national policies, including those that today’s developed countries used in the past. However, it is possible to construct better global institutions and governance along the following lines:

- *Rules that over-restrict development policies are not an inevitable result of globalization.* They are the consequence of a particular path to globalization, where some countries and some voices have had a greater say at the negotiating table. But if broader views are included more systematically and more equitably, it will be possible to enact human development-friendly rules for all. In particular, expanding opportunities requires that countries retain meaningful space for national policymaking under democratic principles.
- *The generation of global public goods demands stronger multilateralism and policy coherence, able to match the common good with the common responsibility, all endowed with legitimacy.* For example, curbing the inflow of migrants cannot be fully separated from the responsibility to protect people facing extreme deprivation abroad.

The winners and losers of globalization depend on the way globalization is pursued

- *Developing countries require enhanced capacities to use globalization for sustainable development.* In the past they have accepted—through democratic processes—the restrictions on national policymaking in investment protection treaties, tax incentives to foreign companies and the liberalization of trade. Some of these commitments later become obstacles for development policies in some countries.

Structural challenges in global institutions

Human development for everyone requires identifying relevant barriers to practical universalism at the level of the main global institutions: markets, multilateral organizations and global civil society.

Governance of economic globalization

Unbalanced governance of economic globalization

The globalization of market institutions regulating the international flow of goods, services, capital and labour is neither spontaneous

nor inevitable. The world has previously seen waves of globalization followed by periods of protectionism, a result of collective national, regional and global decisions. Globalization requires minimum standards, rules and trust. For individuals globalization can be seen as intrinsically human development-enhancing, since it opens new opportunities for interacting, travelling and investing (an expansion of individual capabilities). But it also implies exposure to external shocks through interactions with other people and nations. Some shocks will expand capabilities, some will reduce them (table 5.1). Based on these effects, collective decisions shape global institutions—through the interactions of different groups, with varying costs and benefits.

Multilateral and bilateral organizations determine the main rules and standards. For trade in goods and services the World Trade Organization is the main standard-setting entity: Member countries are bound by its norms. For the flow of capital the main mechanisms of protection are international investment agreements and bilateral investment treaties. For the flow of labour there is a mix of bilateral agreements and international conventions.

The multilateral mechanisms protecting foreign goods and foreign capital from

Collective decisions shape global institutions—through the interactions of different groups, with varying costs and benefits

TABLE 5.1

Examples of the social benefits and costs of globalizing market institutions

	Benefits	Costs
Trade	<ul style="list-style-type: none"> • Access to goods and services at a lower price • Access to larger markets • Upgrading and diversifying economic structures 	<ul style="list-style-type: none"> • Unemployment in import-substituting sectors • Exposure to negative trade shocks • Reduced space for national policies • Race to the bottom (workers)
Finance	<ul style="list-style-type: none"> • Access to new sources of financing • Ability for firms to diversify risks by accessing other markets 	<ul style="list-style-type: none"> • Financial volatility (exposure to financial shocks) • Reduced space for national policies • Race to the bottom (workers, tax systems and regulations)
Migration	<ul style="list-style-type: none"> • Access to a broader labour market for host countries • Access to better working and living conditions than in source countries for migrants • Remittances for source countries • Flow of knowledge and culture 	<ul style="list-style-type: none"> • Vulnerability of migrants and their families • Potential imbalances in service provision in host countries, particularly in the face of a migration shock • Gaps in skills and care for countries of origin (“brain drain”)

Source: Human Development Report Office.

discriminatory treatment are much more prevalent than those protecting foreign workers from discrimination (figure 5.1). The World Trade Organization has 164 members subject to its standards and rules; 181 countries have signed investment protection treaties, which provide legal mechanisms for affected corporations to sue states. But fewer than 50 countries are committed to protecting migrants, their basic rights as human beings and their economic rights as workers.

The asymmetry in multilateral and bilateral institutions regulating international markets has affected patterns of globalization. The globalization of trade has surged since 1990, averaging 6.7 percent growth a year. The globalization of finance has expanded even faster. Foreign direct investment increased 8.9 percent a year over 1990–2015.² Meanwhile the number of migrants has grown 1.9 percent a year, keeping the share of migrants in the world population stable over the last 25 years, at around 3 percent.³

Mobility differs for goods, services, capital and labour. It is more limited for workers than for goods or for capital, which can move

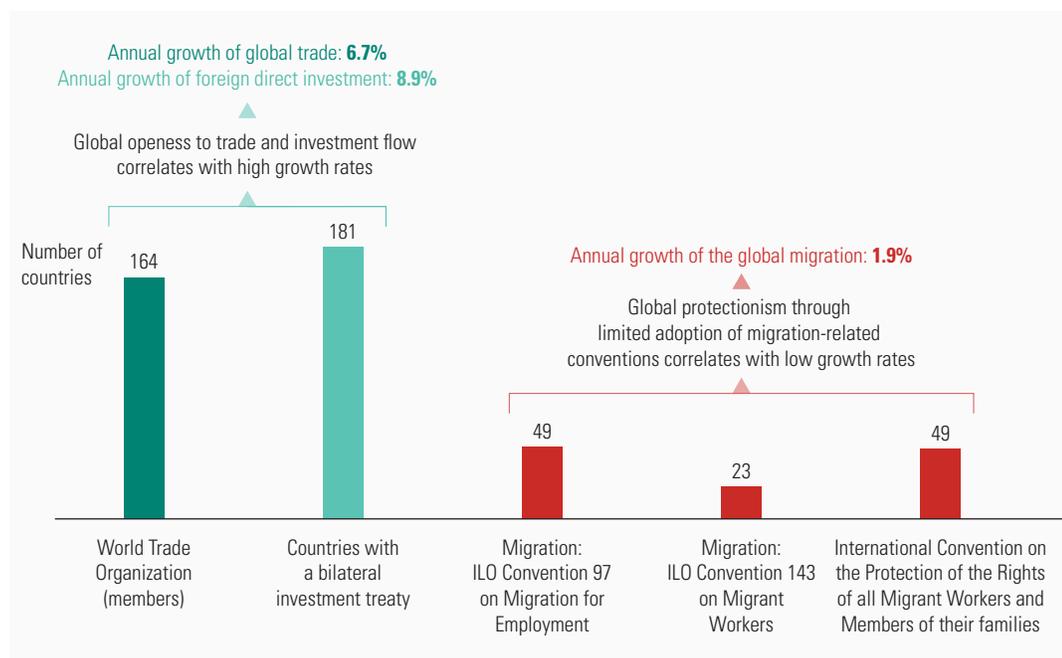
in seconds. But there has been little progress in policies favouring labour mobility. About 73 percent of surveyed countries had migration policies consistent with keeping migration constant (typically no intervention), 16 percent had policies to lower migration and only 11 percent had policies to increase it.⁴

One of the main costs of globalization is the transmission of “major” external shocks, those beyond “normal” cycles. A collapse in terms of trade because of global recession, a sudden stop of capital flows or a surge in migrants caused by a conflict in a neighbouring country are external events with the potential to create large cross-border crises. From the point of view of a particular country, these external shocks are typically exogenous, but from the point of view of the international community, they are endogenous human-caused events. So in many cases they are preventable. Similarly, once the shock starts, individual countries rarely have the capacity to affect its magnitude and duration. Instead, the coordinated action of many countries must contain and reduce the negative effects.

Mobility is more limited for workers than for goods or for capital. But there has been little progress in policies favouring labour mobility

FIGURE 5.1

The number of countries subscribing to multilateral instruments varies



Note: Growth rates are for 1990–2015.

Source: World Trade Organization, United Nations Conference on Trade and Development, United Nations Department of Economic and Social Affairs, International Labour Organization and United Nations Treaty Collection.

The current architecture of international institutions and unbalanced evolution of global markets present challenges to human development

Inequitable globalization

The current architecture of international institutions and unbalanced evolution of global markets present challenges to human development on two fronts. Some population segments have progressed, leaving others behind. And unregulated financial globalization has increased people's economic insecurity (see chapters 1 and 2).

Capital tends to be concentrated in the wealthiest segment of the population, which enjoys the benefits of mobility and the increasingly flexible forms of production (global value chains). Some of the gains are transmitted to the rest of society, but the positive effects cannot be taken for granted (box 5.1). The increasingly complex global economy has also created loopholes that might accommodate illegal activities and tax evasion, undermining government effectiveness (box 5.2).

Barriers to migration undermine one path to development for people in poor countries. Orderly migration increases opportunities for people in developing countries. Individuals generally see moving to another country as a way to increase their well-being and human development. More than 75 percent of international migrants move to a country with higher human development than in their home country.⁵ In some cases they discover choices they did not have at home. For instance, women may be allowed to study and work more freely. Refugees can escape violence and persecution and hope that their human rights will be respected. International migrants are a source of money, investment and trade for their home country.⁶

But the costs of migration can be unacceptably high. They derive from the lack of protection of migrants' basic rights, resulting in,

BOX 5.1

Transnational corporations and human development—no automatic link

Transnational corporations have been one of the most notable faces of globalization. The stock of foreign direct investment grew from \$2 billion in 1990 to \$25 billion in 2015.¹ This increase has been associated with investment treaties (see figure 5.1) and national investment policies liberalizing or promoting foreign direct investment. An underlying promise is that foreign direct investment can enhance human development, through different channels: the increase in productive capacity (particularly in developing countries, which are capital scarce), the transfer and diffusion of technology and knowhow, the creation of employment and skill development and increases in tax revenues. But these positive links should not be taken for granted.

- A significant share of foreign direct investment is devoted to mergers and acquisitions related to existing assets. In those cases, there is no direct creation of productive capacity. In 2015, 41 percent of foreign direct investment inflows were for mergers and acquisitions.²
- Foreign direct investment tends to come from and go to high-income countries. In such economies the stock of foreign direct investment was 37 percent of GDP in 2015, compared with 31 percent in transition countries and 28 percent in developing countries.³
- Transnational corporations often operate protected by investment treaties that might prevent the

correction of negative externalities rooted in their operations. For example, legislative reform in the renewable energy sector was the top activity by states pursuing investment arbitration in 2015. Similarly, the Energy Charter Treaty is by far the most frequently invoked international investment agreement.⁴

- Transnational corporations have been changing the global pattern of production through global value chains, geographically fragmenting production processes. Today around 80 percent of global exports are nested within global value chains.⁵ If a country imports all high value-added inputs, it might end up exporting sophisticated final goods with relatively low value-added. One consequence is that for developing countries, engaging in a manufacturing global value chain does not necessarily upgrade the productive and social structure.
- Transnational corporations often use geographical fragmentation to avoid taxes.⁶
- Another effect of global value chains is the rising share of value added generated by capital and high-skilled labour, with pervasive consequences for the distribution of income across and within countries (between investors and workers and between different segments of the population, in general).⁷ For example, in Latin America foreign direct investment widened income gaps.⁸

Notes

1. UNCTAD 2016. 2. UNCTAD 2016. 3. UNCTAD 2016. 4. UNCTAD 2016. 5. Montes and Lunenburg 2016. 6. Zucman 2015. 7. Timmer and others 2014. 8. Herzer, Huhne and Nunnenkamp 2014; Suanes 2016.

Loopholes of globalization—tax avoidance and illegal financial flows

The mobility of capital in a world of uneven rules has created loopholes that erode the capacities of national governments to perform such basic tasks as collecting taxes and regulating and restricting illegal activities.

Large firms and high-income groups take advantage of regulatory loopholes on international financial markets to avoid paying national taxes. Corporations producing at global scale can shift profits to places with lower taxes (through transfer pricing and debt restructuring). For example, in August 2016 the European Commission determined that the effective corporate tax rate that Apple paid was 0.005 percent in fiscal 2014, thanks to a special tax regime in Ireland, where profits from sales across Europe could be recorded.¹ Similarly, high-income people can use offshore centres to hide their money and reduce their tax burden. The wealth in offshore centres was estimated at \$7.6 trillion in 2014, more than the capitalization of the world's 20 largest companies, and the accumulated assets of the wealthiest 1,645 people (see figure). In April 2016 the “Panama Papers” offered a glimpse into the mechanisms that wealthy people use in offshore centres. The fiscal cost to national governments: more than \$190 billion a year.²

Illicit financial flows—money illegally earned, transferred or used—present a big challenge for developing countries, particularly those in Africa. The flows weaken governance and reduce consumption, investment and social spending, hurting the long-term construction of collective capabilities and the expansion of human development. In Africa an estimated \$30–\$60 billion

Transferring wealth offshore



Source: Zucman 2015; Forbes FT 500.

a year is lost because of laundering criminal proceeds associated with human trafficking—corruption that leads to the theft of state assets, tax abuse and commercial abuse. In 2001–2010 Africa lost around \$400 billion to trade mispricing alone. The size of illicit financial flows are in the range of total official development assistance to the region.³ There are multiple drivers of illicit financial flows, but the main ones are lack of transparency, lack of monitoring systems, heterogeneous tax systems, limited national capacities, incomplete international architecture and insufficient coordination among countries, all in a context of economies based on extractive industries operating under weak institutions.⁴

1. European Commission 2016. 2. Zucman 2015. 3. Over the last 50 years Africa lost an estimated \$1 trillion dollars because of illicit financial flows, which is roughly the level of official development assistance (African Union and Economic Commission for Africa 2015). 4. African Union and Economic Commission for Africa 2015.

Source: Human Development Report Office.

for example, a high death toll among refugees and widespread human trafficking (as the 2015 Human Development Report documented). Such costs undermine the globalization of labour as a vehicle for human development. The growth in the stock of voluntary migrants (excluding refugees) fell from 3 percent in 2005–2010 to 1.5 percent in 2010–2015.⁷

Imbalances in the governance of multilateral institutions

Inequitable multilateralism

The governance of multilateral institutions is important not only for achieving their key

functions, but also for expanding the collective capabilities among nations. An appropriate structure ensures the legitimacy and the quality of the work of such institutions.

The International Monetary Fund (IMF) helps solve information, commitment and coordination problems that might affect the stability and soundness of the global monetary system. In practical terms it performs surveillance work (having access to sensitive information) and acts as a trusted advisor. Its effectiveness depends on how trustworthy, competent and impartial countries see it.

The IMF's governance structure (which is dominated by Group of 7 countries) matters. After reforms agreed on in 2010 and

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The rules that govern international trade affect national space to define public policies

implemented in January 2016, the United States alone has veto power, with almost 17 percent of the voting power. Brazil, China, India, the Russian Federation and South Africa combined have 14 percent of the voting power.⁸ There are some complaints that lending decisions have been connected to the borrower's alignment with the main shareholders' interests.⁹ For example, the systemic exemption clause—in effect during 2010–2015 to assist Greece—allowed the IMF to provide loans to countries with unsustainable debts if the countries' problems could pose a threat to international financial stability.¹⁰ The policy has pros (defending global financial stability) and cons (creating moral hazard). Such a case also raises an alert about possible tension at the geopolitical level.

The IMF's Independent Evaluation Office found that trust in the organization was variable, “with authorities in Asia, Latin America and large emerging markets the most sceptical, and those in large advanced countries the most indifferent.”¹¹ Limited trust affects its role not only as advisor, but also as lender in times of crisis.¹² It is argued that as a result of this limited trust, developing economies have chosen to accumulate very large reserves as self-insurance, a choice that is costly for countries and inefficient (with a recessionary bias) for the world.¹³

The World Bank is also governed by shareholders, predominately Group of 7 countries, though China became the third largest voter

after the United States and Japan since a 2010 reform.¹⁴ There may be tension between the goal of eradicating poverty and the goal of overcoming failures in capital markets and providing global public goods.¹⁵

The governance of international trade is dominated by rules—the General Agreement on Tariffs and Trade and its successor, the World Trade Organization. They have favoured trade expansion¹⁶ in a context of generalized trade liberalization in developing countries as a result of structural adjustment in the 1980s and 1990s.¹⁷ However, the rules affect national space to define public policies.¹⁸ In particular, they limit the use of trade policy to support sectoral or industrial development (policies used in the past by today's developed countries to promote their industries).¹⁹ In addition, some rules can restrict the use of social policy, such as India's National Food Security Act (box 5.3).

The World Trade Organization's Doha Development Round offered some space for rebalancing the rules, this time towards a development-oriented perspective. But progress on the key issues of this round, negotiated since 2001, has been limited.²⁰ With the Doha Round stalled, international trade rules have been dominated by regional and bilateral trade agreements, where protecting investments and intellectual property rights have become central. In practice, industrial countries (the main source of foreign direct investment and

BOX 5.3

The World Trade Organization and India's national development policies

India's National Food Security Act of 2013 grants the “right to food” in the biggest ever food safety net programme, distributing highly subsidized food grain (61 million tonnes) to 67 percent of the population. The scale of buying grain from poor farmers for sale to poorer consumers put India at risk of violating its World Trade Organization obligations in agriculture. World Trade Organization members are subject to trade sanctions if they breach a ceiling on their agricultural subsidies. But the method of calculating the ceiling is fixed on the basis of 1986–1988 prices and in national currency, an unusually low baseline.

This clear asymmetry in international rules reduces national space for development policy. India, as other

developing countries, did not have large agricultural subsidies when the rules were originally agreed. The act—which aims to stave off hunger for 840 million people and which can play a pivotal role in the UN agenda to end hunger everywhere—is being challenged because it raises India's direct food subsidy bill from roughly \$15 billion a year to \$21 billion. In comparison, the United States increased its agricultural domestic support from \$60 billion in 1995 to \$140 billion in 2013.

The matter has not been resolved, except for a negotiated pause in dispute actions against countries with existing programmes that notify the World Trade Organization and promise to negotiate a permanent solution.

Source: Montes and Lunenburg 2016.

patents) use such agreements to obtain benefits. The payments of royalties and licences from developing to developed countries (particularly to the United States) have grown immensely since 1990 (figure 5.2).²¹

International investment agreements and bilateral investment treaties might restrict governments' ability to define national policies and standards.²² These agreements often define expropriation as an action that reduces investors' expected profits—a very broad definition that is ripe for litigation.²³ An international entity, in most cases the International Centre for Settlement of Investment Disputes, resolves disputes related to these instruments. Proper regulation of foreign corporations might become difficult (box 5.4). Most countries have signed some of the 2,958 bilateral investment treaties recorded by the United Nations Conference on Trade and Development (see figure 5.1).

With 193 member states and most resolutions decided by one country—one vote, the United Nations is perhaps the international organization with the greatest international

legitimacy. However, asymmetries exist, notably between developed and developing countries, tied to two elements.

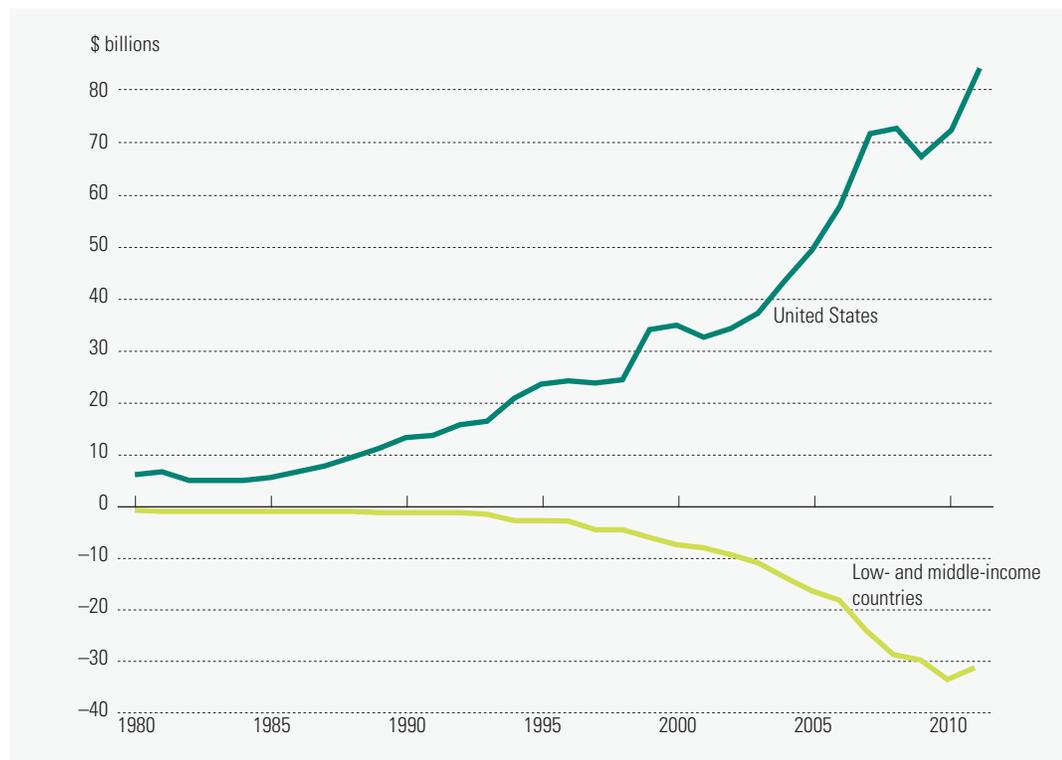
First, the five permanent members of the Security Council—China, France, the Russian Federation, the United Kingdom and the United States—have veto power. As the only UN body with the capacity to issue binding resolutions, the Security Council has a decisive role in selecting the UN Secretary-General (appointed by the General Assembly but only on the recommendation of the Security Council, according to Article 97 of the UN Charter).

Second, the expenditures of both operational and peacekeeping activities are funded largely by a few donor countries. For the UN system as a whole, 55 percent of resources are earmarked by donors, meaning that they have to be spent on specific, predetermined activities.²⁴ For its operational activities (62 percent of UN expenditure), core resources (those not restricted) represent a small and declining proportion of total funding, falling from 32 percent in 2003 to 24 percent in 2014 (figure 5.3).

The expenditures of UN operational and peacekeeping activities are funded largely by a few donor countries

FIGURE 5.2

Net payments of royalties and licences from developing to developed countries have grown immensely since 1990



Source: Montes and Lunenburg 2016.

BOX 5.4

Bilateral investment treaties and national policies in Ecuador

In October 2012 an arbitration tribunal of the International Centre for Settlement of Investment Disputes ruled against Ecuador in a case brought by Occidental Petroleum Corporation and Occidental Exploration and Production Company under the United States–Ecuador Bilateral Investment Treaty. It imposed a penalty on Ecuador of \$1.8 billion plus compound interest and litigation costs, bringing the award to \$2.3 billion.

What legal observers found striking about this judgement is that the tribunal recognized that Ecuador cancelled its contract because the company violated a key clause (selling 40 percent of the concession to another company without permission) but found that Ecuador violated the obligation of “fair and equitable treatment” under the United States–Ecuador Bilateral Investment Treaty.

Source: Montes and Lunenburg 2016; Wallach and Beachy 2012.

FIGURE 5.3

The share of core resources in UN operational activities is low and declining



Source: Human Development Report Office based on ECOSOC (2016).

The funding of global institutions appears inadequate for achieving international targets

Noncore resources, typically earmarked to a certain thematic or geographical area, have been increasing, resulting in UN development agencies having to compete for funding from donors. While earmarked funds can in some cases expand the resource envelope, they have generally crowded out core resources.

Underfunded multilateralism

The resources channelled through the main global institutions are modest. In 2014 official development assistance was a mere 0.17 percent of global GDP.²⁵ UN spending in 2014 was 0.06 percent of global GDP.²⁶ Lending from the main international financial institutions

has also been limited: IMF disbursements were 0.04 percent of global GDP,²⁷ and multilateral development bank disbursements were 0.09 percent of global GDP.²⁸ If directed to one goal, these resources make a difference. But they are often directed to multiple fronts, some associated with deprivations and some with global public goods (with increasing demand, as for peace and security). The European Union, facing fewer deprivations, manages around 1 percent of its members' GDP.²⁹

The funding of global institutions appears inadequate for achieving international targets. The Sustainable Development Goals, far broader than the Millennium Development Goals, require investments in developing

countries of \$3.3–4.5 trillion over the next 15 years. Subtracting current annual investments of \$1.4 trillion, the resource gap is around \$2.5 trillion (around 3 percent of global GDP in current prices).³⁰ The global agenda also demands a strong global approach. The United Nations—leading this agenda, which includes several issues intrinsically global, particularly those related to the environment and climate change—has a budget that is very small (around 2 percent of the resource gap for achieving the Sustainable Development Goals in developing countries³¹).

Nor is the Sustainable Development Goals' more ambitious agenda matched by resources provided by traditional donor countries through official development assistance. The typical contribution of developed countries has with a few exceptions been consistently below 0.7 percent of gross national income (GNI), a mark established in 1970 and reaffirmed by the Monterrey Consensus in 2002 and by the Sustainable Development Goals last year. In 2014 the average contribution of donor countries through this channel was 0.39 percent of GNI.³²

Two problems demand a strong economic role of global institutions: the underprovision of public goods when left to voluntary decentralized decisions, and the imperfections in capital markets. Reducing carbon dioxide emissions under the Paris Agreement on climate change would require annual clean energy investments equivalent to 1.5 percent of every country's GDP.³³ The resource gaps are also wide for such urgent issues as forcibly displaced people. Despite record contributions from donors in 2015 (\$3.36 billion), the funding gap for the Office of the United Nations High Commissioner for Refugees grew to 53 percent, from 36 percent in 2010.³⁴ In 2016 its estimated funding need is \$6.55 billion³⁵—equivalent to 0.4 percent of global military expenditure.³⁶

Reactive multilateralism

Over the last few years the number of countries in conflict and the number of casualties have trended upward.³⁷ Today's armed conflicts are increasingly within countries, reducing the traditional tools of coercive diplomacy and deterrence.³⁸ But the consequences are felt globally, both because the international community

must respond to international terrorism and violations of human rights and because extreme human insecurity can be a source of border tensions and refugee crises. These "new" phenomena have the following characteristics:³⁹

- The majority are supported by illegal financing.
- Nonstate actors are much more prominent.
- Civilians account for the vast majority of victims.⁴⁰ Of people killed or injured by explosive weapons in populated areas, 92 percent are civilians.⁴¹

These crises highlight the weakness of global institutions, whether their inadequate response to forced migration or their failure to prevent crises through bolder development programmes. In most cases the surge in international cooperation seems to have waited until the situation reached a global scale.

International cooperation is based on sovereignty. Bilateral cooperation takes place between two sovereign states. Multilateral cooperation through UN entities is demand driven: Programmes are agreed with governments. The underlying assumption is that the nation-state can protect its citizens, which is not always the case. But the envelope of resources also depends on the priorities of donor countries. Therefore, this system of demand and supply leaves some people behind. Consider the three main sources of refugees in 2010–2015 (Afghanistan, Somalia and the Syrian Arab Republic).⁴² In the late 1990s they received 0.4 percent of total official development assistance, despite accounting for 0.8 percent of the population of developing countries.⁴³ In the last few years, after the crisis became a reality affecting other countries, they received around 5 percent,⁴⁴ led more by their instability than by the root social conditions causing it.

Untapped potential of global civil society

Limited participation in multilateral processes

One notable institutional change over the past 25 years is the progressive involvement of global civil society movements in formal multilateral processes. In 2000 the United Nations Millennium Declaration encouraged

Today's armed conflicts are increasingly within countries, but the consequences are felt globally

Global social movements have spotlighted inequality, sustainability and the globalization of markets

governments to develop strong partnerships with civil society organizations.⁴⁵ The Paris Declaration on Aid Efficiency in 2005, the Accra Agenda for Action in 2008 and the Busan Partnership for Effective Development in 2011 all acknowledged civil society’s growing responsibilities in pursuing the development agenda. More recently, the post-2015 agenda for sustainable development brought together governmental and nongovernmental actors in dozens of national, regional, global and thematic consultations. The 2030 Agenda now recognizes the role of civil society organizations and philanthropic organizations in its implementation.⁴⁶

The United Nations Economic and Social Council grants consultative status to more than 4,500 nongovernmental organizations, up from 41 at its creation in 1946.⁴⁷ Of the nongovernmental organizations with consultative status, 72 percent were admitted after 2000, and 43 percent between 2010 and 2015 (figure 5.4).⁴⁸

Global social movements have spotlighted inequality, sustainability and the globalization of markets. On environmental sustainability they have been particularly successful in raising awareness and promoting policies (box 5.5).

Nongovernmental organizations were among the first stakeholders to bring environmental sustainability to the attention of the general public and policymakers in the 1980s and 1990s. Today, they implement environmental programmes independently or in partnership with governments and multilateral institutions. They also monitor progress and ensure that governments and corporations respect their commitments.

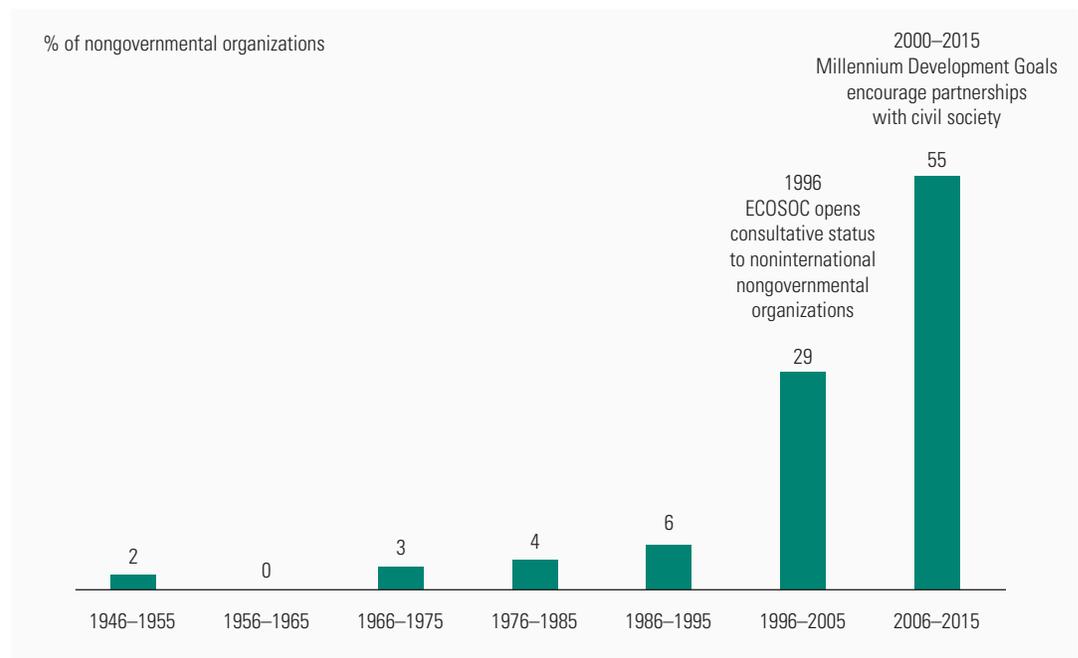
Limited inclusiveness

Information and communication technologies have allowed civil society to gather across borders and share ideas, online or offline, but are unequally spread around the world. Telecommunication infrastructure and online participation tools are positively correlated (figure 5.5).⁴⁹ The more a country’s telecommunication infrastructure is developed, the more likely the existence of online mechanisms for civil society participation in public and political life.

Although less than 5 percent of the world’s people are native English speakers, 53 percent of online content is in English.⁵⁰ Around 85 percent of user-generated content on Google today

FIGURE 5.4

Of the more than 4,500 nongovernmental organizations granted consultative status by the United Nations Economic and Social Council, 72 percent were admitted after 2000



ECOSOC is the United Nations Economic and Social Council. Source: ECOSOC 2015.

BOX 5.5

Civil society and environment sustainability

The international nongovernmental organization Greenpeace elaborated one of the first scenarios for mitigating climate change as early as 1993 and was instrumental in raising awareness of global warming through protests and other communications.¹ In the early 1990s it developed a new technology, Greenfreeze, to build refrigerators without using chlorofluorocarbons, which deplete ozone. In 1997 the United Nations Environment Programme recognized Greenpeace's contributions to protecting the Earth's ozone layer. Today, more than 800 million of the world's refrigerators use Greenfreeze technology.²

Civil society organizations have had a major local, national or global impact on the environment, through their direct action and their advocacy. Highly publicized campaigns, in the media or on the streets, have informed people about environmental issues and pressured governments to take action. For instance, Greenpeace research on deforestation in the Amazon due to the production of soy, followed by protests by the organization's activists, led the Brazilian government to adopt an agreement keeping the rainforest from being destroyed by soybean farming.³

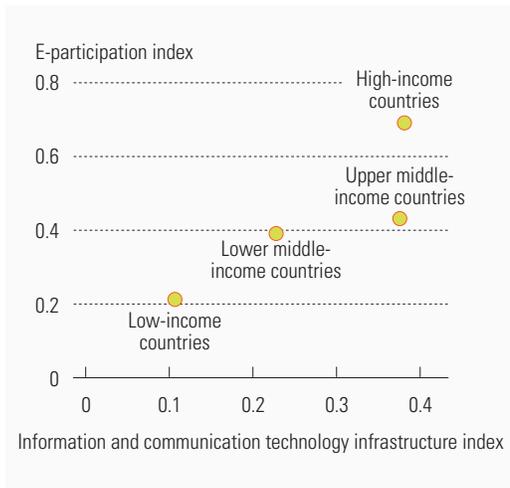
Notes

1. IPCC 2000. 2. Greenpeace 2016a. 3. Greenpeace 2016b.

Source: Human Development Report Office.

FIGURE 5.5

Good telecommunication infrastructure means more online participation



Source: UNDESA 2016d.

is produced in Canada, Europe or the United States.⁵¹ Individuals unable to read or write English are thus excluded from most of the opportunities for participation on the Internet.

Limited informed deliberation

New forms of participation—particularly though social networks with global reach—are increasingly important in policymaking. They are based on fast and decentralized interactions, which do not always allow proper fact-checking

and analysis. So the policy debate can be too reactive and based on a short-term news cycle. Computer-generated fake accounts (bots) can alter the information that governments and the media extract from social networks.

Social media can also spread false information. User-created content allows anyone to publish anything regardless of its veracity. Aggregating users by their identity, tastes and beliefs into “echo chambers” makes it easier to persuade groups of people.⁵² This is reinforced by a confirmation bias that leads people to focus on information matching their own opinion rather than be open to other arguments.

Options for institutional reform

The global order and its effects on human development depend on the quality of global institutions. While national policies can facilitate a country's insertion in global society, a good economic, social and political order requires institutions to coordinate the collective actions of all countries. The following options for reform aim to make better global institutions by promoting global public goods.

Stabilizing the global economy

The history of financial crises shows how capital markets tend to underestimate risks in times of liquidity and to overreact in times of trouble.

New forms of participation—particularly though social networks with global reach—are increasingly important in policymaking

Macroeconomic coordination among larger economies is key to preserving the public good of stability

Coordinate macroeconomic policies and regulations

Macroeconomic coordination among larger economies is key to preserving the public good of stability. Global imbalances could be more systematically addressed with greater participation of the United Nations in Group of 7 and Group of 20 meetings, on behalf of developing countries with small economies but great exposure to external shocks.

The 2008 financial crisis triggered a wide array of coordination efforts, led by the Group of 20, around a consensus for countercyclical fiscal and monetary policy. An important measure was the heavy capitalization of multilateral development banks. And the IMF approved the largest issuance of special drawing rights in its history (\$250 billion), allocating 60 percent to high-income countries.⁵³

After the crisis the main central banks (US Federal Reserve, Bank of Canada, European Central Bank, Bank of England, People's Bank of China and Bank of Japan) used currency swaps to provide liquidity and stabilize exchange rate markets, working among themselves and with some central banks from developing countries.⁵⁴ Such coordination should be enhanced and made more systematic. One proposal is a global international reserve system based on special drawing rights and managed by the IMF, allowing countries to deposit unused special drawing rights at the IMF, which could finance its lending operations, facilitating countercyclical policy and efficient risk sharing.⁵⁵

Regulate currency transactions and capital flows

To help capital markets channel resources from savers to investors and facilitate the smoothing of consumption, regulation has become well accepted, but mainly in the space of banks. The Financial Stability Board coordinates national financial authorities and international standard-setting in their efforts to come up with regulatory and supervisory policies. But there has been reluctance to regulate nonbank international capital flows.⁵⁶

One option is to tax international transactions. A multilateral tax on the four major trading currencies (with a very small rate of 0.1 percent) could raise roughly 0.05 percent of

global GDP.⁵⁷ Such transaction taxes in France curtail trading volumes and intraday volatility with negligible effect on liquidity.⁵⁸ A multilateral tax could reduce speculation and the associated short-term volatility and strengthen the longer term segments of capital markets, linked to productive investment.

Another option is to use capital controls. Even the IMF (which in 1997 attempted to make capital account liberalization mandatory for all its members) has recently acknowledged their benefits,⁵⁹ highlighting that they reduced vulnerabilities (overheating and excessive indebtedness) before the financial crisis in 2008.⁶⁰

Applying fair trade and investment rules

A fair system regulating the flow of goods, services, knowledge and productive investment is a global public good. International trade has been a strong engine of development for many countries, particularly in Asia. But two problems are now crucial. First, trade rules—including their extension to intellectual property rights and investment protection treaties—tend to favour developed countries. Second, global trade has slowed in recent years, which might reduce opportunities for developing countries.⁶¹ The international agenda should be to set rules to expand trade of goods, services and knowledge to favour human development and the Sustainable Development Goals.

Finalize the World Trade Organization's Doha Round

For developing countries, one of the most important global public goods would be a fair and well functioning World Trade Organization. There is hope: As developing countries have gained negotiating power, multilateral agreements can, despite their limitations, become a tool for fairer trade. The Doha Round intends to add development principles to trade rules, by introducing implementation issues to ease the ability of developing countries to perform World Trade Organization obligations, by addressing imbalances in agricultural subsidy regimes and by strengthening and operationalizing special and differential treatment (see Sustainable Development Goal target 17.10).

Reform the global intellectual property rights regime

Assessing the usefulness of the current intellectual property rights regime to meet the Sustainable Development Goals could be a basis for reform. Two Sustainable Development Goals are particularly sensitive to property rights: the promotion of healthy life and well-being for all (Sustainable Development Goal 3) and the technology facilitation mechanism, introduced in the Addis Ababa Action Agenda (Sustainable Development Goal 17).

The UN Secretary-General's High-Level Panel on Access to Medicines has recommended that World Trade Organization members revise agreements on Trade-Related Aspects of Intellectual Property Rights to enable a swift and expeditious export of essential medicines produced under compulsory license to countries that cannot produce them themselves.⁶² In practice, priority should be given to medicines on the World Health Organization Model List of Essential Medicines. A similar principle should be used with the technology facilitation mechanism: Every year technologies critical to achieving the Sustainable Development Goals should be identified (in a forum proposed by the Addis Agenda), as should the obstacles to their adoption. In this context, if intellectual property rights enforced through World Trade Organization mechanisms prove to be an obstacle to the timely diffusion of required technology, the international community must take a hard look at reshaping the way such assets are protected and remunerated internationally.⁶³ Progress in this direction could be particularly important in fighting climate change, since technology diffusion is essential to decouple GDP growth from greenhouse gas emissions.

Reform the global investor protection regime

While investors and their property rights have to be properly defended against arbitrariness, most bilateral investment treaties with developing countries have been negotiated asymmetrically. Developing countries should use the available legal space to reassess and change the models of these treaties (box 5.6).

BOX 5.6

Reassessing treaties—some examples

South Africa, after consultations with the investment community, has allowed existing bilateral investment treaties to lapse and locates investor protections in a domestic law effective December 2015.

Brazil has negotiated new treaties with Angola, Chile, Colombia, Malawi, Mexico, Mozambique and Peru based on a core model of investment facilitation and cooperation. The Brazilian approach generally rejects investor–state arbitration to resolve disputes.

India's new model protects the investor instead of the investment. And it requires the exhaustion of domestic remedies before arbitration can be triggered.

Source: Montes and Lunenburg 2016.

Adopting a fair system of migration

Strengthen strategies that protect the rights of and promote opportunities for migrants

A first step in implementing a human rights–based approach to protect migrants is to ratify the 1990 UN Convention on Migrant Workers and Their Families. Since migration is also part of a global economy, its rules should be the counterpart to fair trade and investment rules, establishing nondiscriminatory treatment of national workers. This market-based view should be subject to negotiation in bilateral and regional agreements, taking advantage of similarities among countries.

Migration can continue to be a source of human development if the long-term needs of host countries match the interests of migrants. Voluntary global mobility could benefit from better coordination among countries of origin, transit and destination. International agreements could ensure migrants' security and increase their productivity. Training and information could be provided to migrants in their country of origin on the opportunities and challenges they will encounter in their host country.

Governments could exchange administrative information on migrants to facilitate their integration. For example, the Bulgarian city of Kavarna signed an agreement with Polish cities, where most of its Roma population is employed,

Migration can continue to be a source of human development if the long-term needs of host countries match the interests of migrants

to ensure their right to work, allow them to start companies and facilitate tax collection.⁶⁴ The Romas' economic success improved how the host community perceived them.

Establish a global mechanism to coordinate economic migration

The International Organization for Migration joined the UN system in September 2016 (box 5.7). Long-term migration policies, with a human development perspective, require continuous and consistent coordination and cooperation at all levels. As part of the UN system the International Organization for Migration becomes a permanent member of the Chief Executives Board, the highest entity for UN coordination, and its subsidiary bodies. The International Organization for Migration is now formalized in UN country teams as part of the UN Development Assistance Framework. It is poised to be the main supporter of negotiations to adopt the Global Compact for Safe, Orderly and Regular Migration, scheduled for 2018.

Facilitate guaranteed asylum for forcibly displaced people

The 1951 Refugee Convention and its 1967 Protocol oblige countries to welcome asylumseekers on their territories and to not send them back where their lives may be at risk.

Only 148 of 193 UN member states are party to the convention or its protocol.

The safety of forcibly displaced people during their journey must also be ensured through humanitarian aid or organized transportation. Since displacement lasts on average 17 years, their journeys require international coordination and agreement to share the responsibility of care in times of emergency and in the longer term.⁶⁵ In the Kenyan refugee camp of Kalobeyei, refugees have been granted plots of land and the right to sell their produce and to open businesses for more sustainable livelihoods.⁶⁶

Coordinating taxes and monitoring finance, globally

One of the pillars of human development is a system of taxation to finance key human development priorities. But the recent wave of globalization has been weakening governments' ability to collect taxes and curb illicit financial flows.

Move towards a global automatic exchange of information from financial institutions

A global financial register, recording ownership of all financial securities in circulation in the world, would facilitate the work of tax and regulatory authorities tracking income and

Since displacement lasts on average 17 years, the journeys of forcibly displaced people require international coordination and agreement

BOX 5.7

International Organization for Migration—a new member of the UN family

The International Organization for Migration—the lead global agency on migration—joined the UN system as a related organization in September 2016, precisely when the international community faced the task of coordinating a holistic approach to the global challenge of large movements of migrants and refugees. It embraces areas as diverse as migration, humanitarian assistance (including food security), public health and labour markets. With its new status, cooperation with UN agencies, funds and programmes will be deepened on substantial issues as well as in such areas as administrative cooperation, reciprocal representation and personnel arrangements.

As part of a regional response to the Syrian crisis, the International Organization for Migration provided assistance for 4 million people in Iraq, Jordan, Lebanon, the Syrian Arab Republic and Turkey.¹ It has room for cooperation with the Office of the High Commissioner for Refugees and other specialized UN agencies, funds and programmes. It is expected to play a key role from a migration perspective in the long-term normalization of the crisis, providing services in prescreening, counselling, medical processing, training, transport, reception and integration.²

Notes

1. IOM 2016a, 2016b. 2. UNHCR 1997.

Source: Human Development Report Office.

detecting illicit flows. This is feasible if existing registries from main markets are centralized and expanded to include derivatives.⁶⁷

On-demand information (for example, one government requesting information about some taxpayer) is not effective, since it has to go through an investigation with limited information (precisely why information is being requested). But an active global mechanism is feasible. In 2010 the US Congress passed the Foreign Account Tax Compliance Act, which requires financial institutions in the world to inform US tax authorities of assets held by US citizens.⁶⁸

Integrated information systems can reduce illicit financial flows, enabling authorities at both ends of the flows to act against them. For instance, the destination of illicit flows from Africa is concentrated in its main trading partners (Canada, China, Europe, India, Japan, the Republic of Korea and the United States).⁶⁹ Given the institutional weakness of most African countries, their trading partners could boost transparency.

Increase technical capacity of countries to process information and implement active policies against tax evasion, tax avoidance and illicit flows

To make the globalization of information work in favour of public policies, governments require preparation. Even if information about foreign assets becomes readily available as the result of a data revolution, its effectiveness will depend on adequate and systematic analysis. So international cooperation should support the development of technical capacity in this area.

Making the global economy sustainable

The Paris Agreement on climate change is a milestone but will not be enough in itself. Experts agree that countries' current pledges to reduce greenhouse gas emissions (intended nationally determined contributions) will not keep global warming below the critical level of 1.5°–2°C above preindustrial levels.⁷⁰ In fact, if all countries were to keep to their pledges, the global mean temperature would rise 2.4°–2.7°C by 2100.⁷¹

Yet curbing global warming is possible. Coordinated global action has worked well in the past, as in moves to halt ozone depletion in the 1990s. The 1987 Montreal Protocol on Substances That Deplete the Ozone Layer and subsequent compliance by signatory states led to a sharp decline in atmospheric chlorine, which depletes the ozone layer.⁷² Then, however, both the problem and the solution appeared much more straightforward. Now the world has a clear diagnosis of the problem associated with greenhouse gases, but the solution is not as clear and even less incentive-compatible. Still, things may be changing: A proposed plan to raise global investment in energy efficiency and to expand renewable energy from the current 0.4 percent of GDP a year to 1.5–2 percent of GDP a year would reduce carbon dioxide emissions 40 percent over 20 years, to levels consistent with a limited increase in temperatures, and have positive net macroeconomic effects.⁷³ With enough political commitment, these targets are feasible.

Technological development has already allowed the decoupling of economic growth and carbon dioxide emissions in 21 countries, including Germany, Spain, Sweden, the United Kingdom and the United States.⁷⁴ World economic growth in 2014 and 2015 was not accompanied by emissions growth.⁷⁵ So there is space for a good equilibrium. If countries have access to those technologies through new investments, a decisive investment plan can overcome the feared tradeoff between faster economic development and lower greenhouse gas emissions.

Environmentally sustainable policies are not only the right thing to do for future generations, they are also an effective way of promoting human development now. An aggressive investment plan is likely to have a positive effect on job creation, based on estimates in Brazil, China, Germany, India, Indonesia, the Republic of Korea, South Africa, Spain and the United States. In India increasing clean energy investments by 1.5 percent of GDP a year for 20 years will generate a net increase of about 10 million jobs annually, after factoring in job losses from retrenchments in the fossil fuel industries.⁷⁶

Continuing advocacy and communication on the need to address climate change and protect the environment are essential to gather

Technological development has already allowed the decoupling of economic growth and carbon dioxide emissions in 21 countries

Today's new realities and aspirations call for improved representation of developing countries in the governance of multilateral organizations

support from governments, corporations and individuals. Technological advances and better knowledge of impacts on the environment have provided the tools to correct ways of living, consuming and producing. This correction will come with a cost, including inevitable job losses in polluting industries. But the 2015 Human Development Report exposed different ways to respond to this challenge, such as targeted social policies and the development of new professional skills for affected workers.⁷⁷

A good balance requires access to technology, economic incentives aligned with green investment, and resources to invest. Indeed, efficiency and sustainability depend on identifying the “right” social costs of the different types of energy and on tackling failures in credit markets.

One promising option is to expand access to credit through national and multilateral development banks. Germany is a world leader in energy efficiency thanks to the decisive action of Germany's state-owned development bank, KfW. Its loans and subsidies for investment in energy-efficiency measures in buildings and industry have leveraged voluminous private funds. And the recently created New Development Bank, which is expected to emphasize sustainable development and renewable energy, has explicitly committed to giving priority to clean energy projects. In 2016 it approved its first package of loans worth \$811 million to Brazil, China, India and South Africa.

Assuring greater equity and legitimacy of multilateral institutions

With today's new realities the time has come to examine the governance structures of multilateral institutions.

Increase the voice of developing countries in multilateral organizations

There has been progress over the last few years with the recapitalization of the IMF and multilateral development banks to face the financial crisis, but most developing countries remain under-represented. The UN Security Council should open more space for developing countries. Today's new realities and aspirations call for improved representation of developing

countries in the governance of multilateral organizations.

Improve transparency in appointing heads of multilateral organizations

The appointment process of heads of multilateral organizations should be more transparent. The lack of transparency limits the opportunity to shape each organization for future challenges. In 2016 the United Nations made some progress on this front, with the election of the Secretary-General preceded by public declarations of candidacies and public informal dialogues with member states. This progress should continue with more robust processes in all multilateral organizations.

Increase coordination and effectiveness to achieve people-centred goals

The performance of multilateral institutions should be assessed on people's agency and well-being. The multilateral system is committed to achieving the Sustainable Development Goals by 2030. This powerful agenda might require institutional adjustments, such as reshaping entities to strengthen coherence, increase accountability and ensure synergy, or binding mechanisms to make effective the common but differentiated responsibility of countries. The advancement of disadvantaged groups in many parts of the world depends heavily on the consistent work of multilateral organizations (box 5.8).

Ensuring well funded multilateralism and cooperation

The international community should expand the resource envelope for global action, including global financing for national development and for institutional public goods.

Strengthen multilateral and regional development banks

Multilateral and regional development banks can address the lack of resources to support poverty eradication, the knowledge gaps in policymaking, the market failures affecting the financing of socially valuable projects

Global institutional developments promoting women's inclusion

Global institutions supporting gender equality and women's empowerment have evolved over the last three decades. In addition to the continuing work of the Commission on the Status of Women (since 1946) and the 1979 Convention on the Elimination of all Forms of Discrimination against Women, two important processes have been under way.

First, the institutional architecture has been expanded since the 1995 Beijing Platform for Action, which defined strategic objectives and actions by governments, regional organizations, multilateral organizations and private sector and civil society organizations. In July 2010 the United Nations Entity for Gender Equality and the Empowerment of Women, also known as UN Women, was created to consolidate the mandates of four previously separate entities in the UN system and to lead, coordinate and promote the accountability of the UN system in its work on gender equality and women's empowerment.

Second, the normative work on gender equality and women's empowerment has been progressively mainstreamed through different instruments, following the rights-based and evidence-based premise that improving the situation of women is not only a moral imperative, but also a prerequisite and an effective—and indispensable—development tool. In 2000 the UN Security Council approved the landmark resolution 1325, stressing the key role of women in preventing

and resolving conflicts through peace negotiations, peacebuilding, peacekeeping, humanitarian responses and postconflict reconstruction. In 2015 it approved resolution 2242, strengthening the agenda for Women, Peace and Security within the UN system and defining the accountability of all peace actors, including UN peacekeepers.

The dual role of gender equality and women's empowerment—as a means and end of human development—has been consistently reflected in the global development agenda. In the Millennium Development Goals and in the 2030 Agenda and the Sustainable Development Goals, gender equality and women's empowerment appear both as standalone goals and part of most development objectives. This view, in turn, has trickled down to other multilateral, regional, national and local government entities, supported by a global network of civil society organizations.

A majority of developing regions have achieved gender parity in primary education, and gaps have narrowed in secondary and tertiary education. But in most areas progress has been too slow and uneven.¹ One important global institutional challenge is to generate accurate and updated sex-disaggregated statistical data and information for all countries, particularly in lagged statistical areas such as time use, essential for comprehensive analysis of the economic and noneconomic situation of women and men in a rapidly changing world.

Note

1. UNDESA 2015e.

Source: Human Development Report Office.

(local, national, regional or global) and financial instability.

The World Bank Group is the most important multilateral development bank (with around 50 percent of multilateral development bank disbursements over 2004–2012).⁷⁸ Founded to address market failures in international capital markets, it now has the primary goal of reducing extreme poverty. It is also a knowledge bank, collecting and disseminating data and ideas.

Multilateral and regional development banks played an active countercyclical role in the financial crisis of 2008, a role to be strengthened. For example, the multilateral development banks increased their lending to developing and emerging countries 72 percent between 2008 and 2009, precisely when private capital markets were contracting their flows of resources.⁷⁹

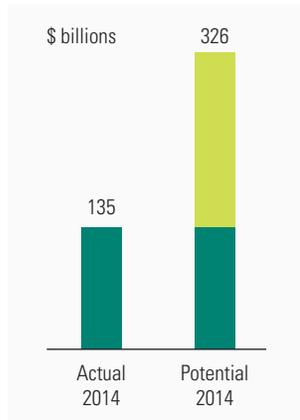
They reacted quickly to the paralysis in private trade financing, committing to \$9.1 billion, on top of the \$3.2 billion they were already providing. The Group of 20 agreed in 2009 to support the recapitalization of multilateral development banks.⁸⁰

Development banks can catalyse long-term private financing and thus leverage public resources. For example, in 2012 the European Investment Bank doubled its paid-in capital by €10 billion, which increased its lending capacity by €80 billion. Given typical cofinancing of at least 50 percent by private investors, this opened financing space of €160 billion.⁸¹ If multilateral development banks diversify, they can accommodate broader objectives in line with the Sustainable Development Goals. In the last few years two very large multilateral

Multilateral and regional development banks played an active countercyclical role in the financial crisis of 2008, a role to be strengthened

FIGURE 5.6

Developing countries would add \$191 billion to official development assistance by meeting their contribution target of 0.7 percent of gross national income



Source: Human Development Report Office calculations based on UNSD (2016).

development banks have been created: the Asian Infrastructure Investment Bank, supporting an infrastructure-led view of development and a regional emphasis (box 5.9), and the New Development Bank, emphasizing sustainable development and renewable energy.

Increase official development assistance from traditional donors

Developed countries should increase their contributions to official development assistance, meeting their commitment of 0.7 percent of gross national income (supported in the Addis Ababa Agenda and a target under Sustainable Development Goal 17). Meeting this target would have added an estimated \$191 billion to actual official development assistance in 2014, an increase of 141 percent (figure 5.6). Meeting this Sustainable Development Goal target would be crucial to achieve other Sustainable Development Goals, in particular in the least developed countries—unable to mobilize domestic resources or access private international capital markets.

Expand the participation of developing countries through South–South and triangular cooperation

With the rise of donors that do not form part of the Organisation for Economic Co-operation and Development—Development Assistance Committee, the landscape of development cooperation has been changing, with South-South cooperation and triangular cooperation gaining importance. The first is a long-standing form of international cooperation with its roots in the 1970s; the second emerged at the end of the 1990s. In both forms developing countries share skills, knowledge and resources to meet their development goals. Triangular cooperation includes either a Development Assistance Committee donor or a multilateral institution, facilitating funding, training and management. As suggested by the Paris Declaration for Aid Effectiveness,⁸² developing countries should assume ownership of technical cooperation projects and carefully select areas of cooperation and partner countries according to their needs.

BOX 5.9

The new regional development bank—for infrastructure in Asia

Regional development banks provide technical and financial assistance to developing countries through technical cooperation, grants and low-interest loans. Traditionally the regional development banks have included the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development and the Inter-American Development Bank. The Asian Infrastructure Investment Bank, a major new institution, emerged in January 2016.

Considering the substantive challenge of reaching the Sustainable Development Goals by 2030, the regional development banks complement global cooperation. They can disseminate region-specific knowledge, align their programmes and projects to region-specific challenges and appear as more legitimate regional actors than global institutions. The Asian Infrastructure Investment Bank is the first major regional development bank funded mainly by the region's emerging economies. Of \$85.9 billion in subscriptions, China contributes 34.7 percent, India 9.7 percent and the Russian Federation 7.6 percent. This reflects a shift towards a

greater role for emerging countries in development finance, with potentially important implications for global governance, including more diverse sources of finance for developing and emerging country borrowers as well as more favourable lending conditions.

The Asian Infrastructure Investment Bank's mandate is slightly different from that of other development banks in that it emphasizes investing in infrastructure and other productive areas rather than directly targeting poverty reduction and social protection.

The expansion of regional development banking is a major step in development policies, but also a management and governance challenge. Griffith-Jones (2016) underscores clear targets in the context of clear development frameworks; good governance to increase efficiency and promote alignment with national development strategies; correct incentives for bank staff and for borrowers to ensure that loans maximize development impact and ensure a minimum commercial return; transparency of operations; and technical assistance to limit adverse social and environmental effects in operations.

Source: Human Development Report Office.

South–South cooperation has become popular because of several comparative advantages of developing countries

Although financial contributions from most non–Development Assistance Committee donors are not officially reported to the Organisation for Economic Co-operation and Development, some estimates provide insights on the increasing amount of these financial flows to developing countries. Saudi Arabia, as the largest non–Development Assistance Committee donor in financial terms, provided \$13.7 billion in 2014, followed by the United Arab Emirates, with \$5.1 billion the same year. China increased its aid flows from \$2.6 billion in 2010 to \$3.4 billion in 2014, and India from \$708 million to \$1.4 billion. Substantial resources also came from Qatar (\$1.3 billion in 2013), the Russian Federation (\$876 million in 2014), Mexico (\$529 million in 2013), Brazil (\$500 million in 2010)⁸³ and South Africa (\$148 million in 2014). Smaller countries such as Chile and Costa Rica have also contributed (\$49 million and \$24 million, respectively, in 2014), especially in triangular cooperation agreements with other donors.⁸⁴

South–South cooperation has become popular because of several comparative advantages of developing countries. First, given their own very recent path to development, they are more

familiar with recent development challenges. Second, many southern countries share the same development contexts and perspectives background as their cooperation partners. Third, some South–South cooperation projects may be more cost-efficient than traditional technical cooperation. Shorter distances between partner countries can reduce travel costs, while fees for translation are saved when the two partner countries speak the same language (table 5.2).

Triangular cooperation has benefits similar to those of South–South cooperation. An example of triangular cooperation is Germany’s support for Brazil and Peru to create a Centre for Environmental Technology. The centre trains experts in air technology, the Clean Development Mechanism, regeneration of degraded areas, energy efficiency, renewable energy and innovations in environmental technologies.⁸⁵ It was jointly funded by the German Regional Fund for the Promotion of Triangular Cooperation in Latin America and the Caribbean and the Brazilian and Peruvian governments.

Another example of triangular cooperation is Brazil’s Centre of Excellence against Hunger. A joint initiative between the World Food

TABLE 5.2

South–South cooperation advantages in Asia and Latin America

Comparative advantage of southern partners	South–South cooperation example
Expertise through recent path to development	Based on India’s outstanding capacities in information and communication technology, the Indian government established the Indian Technical and Economic Cooperation Civilian Training Programme. The purpose is to share expertise in information technology, telecommunication, management, renewable energy, small and medium-size enterprise, rural development and other specialized disciplines. Financed with some \$32 million by the Indian government, 10,000 participants, mostly from the least developed countries, were trained in 2014–2015. ^a
Alignment thanks to regional background—and cost-efficiency	Argentina and Colombia are cooperating in the peace negotiations between the Colombian government and the Fuerzas Armadas Revolucionarias de Colombia. The two countries are working on a database with genetic profiles of people who disappeared during the conflict to identify and register victims. This work aims at establishing justice and reparation for the victims’ families. The common regional background, including the same language and similar culture, can be useful in this delicate work.

a. Asia Foundation 2015.
Source: Human Development Report Office.

Programme and the Brazilian government, the centre makes the successful Brazilian strategy of addressing Zero Hunger available to other developing countries. Brazil had reduced the number of people suffering from hunger from 22.8 million in 1992 to 13.6 million in 2012.⁸⁶ The centre, launched in 2011, aims to improve food security, social protection and school attendance (through school feeding) in developing countries—mostly in Africa but also in Asia and Latin America—through training, workshops, technical missions and national consultations.⁸⁷

Explore options for funding global public goods

In view of conflicts, insecurity, financial volatility and environmental degradation, awareness of the need to provide global public goods is increasing, but collective action problems encourage states to free ride. That is why such goods are hugely underfunded.

One option is the traditional mechanism of UN financing, included in the Charter of the United Nations: “The expenses of the organization shall be borne by the Members as apportioned by the General Assembly.” In 2014 assessed contributions accounted for around 29 percent of UN system revenues, more than half of which were devoted to peacekeeping operations.⁸⁸ Given the growing share of earmarked resources, enhanced mandatory assessed contributions can be explored to increase the global collective capabilities to, for example, deal with crises—such as climate mitigation and adaptation—that have global repercussions. Contributions can be an incentive device, linking them to the generation of negative externalities, such as carbon dioxide emissions.⁸⁹

The Adaptation Fund established under the Kyoto Protocol of the United Nations Framework Convention on Climate Change is financed in part by government and private donors as well as from a 2 percent share of proceeds of Certified Emission Reductions issued under the Protocol’s Clean Development Mechanism projects. Since 2010 it has committed almost \$360 million to climate adaptation and resilience activities in 61 countries.⁹⁰ The collapse of carbon

prices has greatly reduced this mechanism’s revenues.

A global financial transaction tax to increase funding for developing countries has been proposed by some entities (such as the UN Department of Economic and Social Affairs). As discussed earlier, this would increase the cost of purely speculative financial transactions. Some of the revenues could go towards global public goods.⁹¹ About 30 economies have some form of financial transaction tax. The European Union is the closest to adopting a comprehensive approach, including 10 member states, but has yet to make a final decision.⁹²

Other innovative ways to fund global public goods include taxes, fees and levies; funds from private companies; public sources from developing countries (including South–South cooperation); and partnerships that combine sources. UNITAID, established in 2006 by the governments of Brazil, Chile, France, Norway and the United Kingdom, aims to prevent and treat HIV and AIDS, tuberculosis and malaria. Through traditional contributions and an additional tax on airfares, it raises around \$300 million a year.⁹³

Globally defending people’s security

Rising geopolitical instability, challenging globalization and reappearing nationalism and xenophobia in many countries make it more important than ever to bring the world together through multilateral organizations. The existing multilateral institutions have a long-established legitimacy and functioning capacity to convene states around common actions. But they require substantial reforms to address today’s issues.

Discussions are under way to ensure that the United Nations provides a forum to reach multilateral decisions promptly in response to major global problems—and that it possesses the means to implement decisions effectively. Some of the proposed solutions are restructuring current mechanisms towards prevention rather than towards mere reaction, prioritizing field operations and coordinating better internally and with civil society and the private sector. In a special contribution, Carol Bellamy, chair of the Governing Board of the Global Community Engagement and Resilience

The existing multilateral institutions have a long-established legitimacy and functioning capacity to convene states around common actions. But they require substantial reforms to address today’s issues

Fund and former executive director of United Nations Children's Fund, argues that preventing violent extremism has worked its way onto the global development agenda (see special contribution).

Improve mechanisms to ensure an adequate response to crisis

The 2014 Human Development Report pointed out that today's fragmented global institutions are not accountable or fast-acting enough to address crises. They typically work in an ad hoc manner with neither the mandate nor the resources to tackle modern threats. Each global institution has its own structural problems and drawbacks.⁹⁴ For example, the United Nations was founded explicitly to uphold the collective security of sovereign states, a structure that no longer matches today's security threats. It thus suffers from structural legacies of the Cold War—such as Security Council vetoes—that restrict multilateral actions. Humanitarian organizations, which are usually the first to respond to human suffering in the aftermath of natural disasters, see themselves restricted in conflict prevention and resolution because of their need to preserve absolute impartiality towards the belligerents and nondiscrimination towards the victims. They may stay away from peace processes in order to assure their ability to continue their work in case conflict prevention fails.⁹⁵

Such problems highlight first, the need for institutional adequacy and coherence, and second, the need for commensurate resources to tackle these modern threats. Global and multilateral institutions require fundamental reforms that can endow their international efforts with both legitimacy and capacity—boosting their means of implementation.

The international community should be able to act in cases of evident deterioration of human conditions, particularly in crisis situations. The 2014 Human Development Report argues that the responsibility to protect should be expanded beyond mass atrocities to include other intense deprivations in the human security of particular vulnerable groups.⁹⁶

Strengthen global redress mechanisms

For human security the rule of law imposes dual accountability on the state. First, the state has an obligation to victims of violence to bring perpetrators to justice. Second, when agents of the state break the law they too must be held to account. Yet it is precisely in war-torn societies that the rule of law is absent and difficult to rebuild, leaving the demand for justice unmet.

That is why advocates of human rights saw the establishment of the International Criminal Court as one of their major victories. More than a decade later the assessment is sobering. Prosecutions have been few, slow and difficult, with patchy support and cooperation from member states. There is no clear evidence to suggest that the court's action has had a deterrent effect—and enhanced protection and empowerment of victims. On the contrary, the court has encountered severe resistance from governments and local communities.⁹⁷ In 2016 Burundi and South Africa announced their withdrawal from it.⁹⁸

Adequate, well equipped and well accepted global redress mechanisms are indispensable for resolving cross-broader issues, such as genocide, ethnic cleansing, refugees, migrant workers, humans trafficked and claims on international or territorial waters. Yet the international forums for deliberating these shared global challenges remain mired with historic deficits in participation and accountability. Global mechanisms to deal with international crimes need to be strengthened, by reasserting country commitments to accountable, collective action at the global level and by holding member states accountable for compliance both in commitments and in action.

Promoting greater and better participation of global civil society in multilateral processes

Greater people's participation should be ensured in multilateral decisionmaking, making it inclusive, equitable and truly global. It should also be based on facts and reason, to produce positive changes in policies.

The international community should be able to act in cases of evident deterioration of human conditions, particularly in crisis situations



Preventing violent extremism and promoting human development for all: A critical issue on the global development agenda

“Preventing violent extremism” (PVE) has gradually worked its way onto the global development agenda and now seems set to become a permanent fixture.

Initially there was scepticism among many in the development community, but it has gained much wider legitimacy, for example, through the work of the 35 member state Global Counterterrorism Forum (GCTF). At the same time the fact the PVE agenda emerged from a counterterrorism community was a further concern. While welcoming the effort to correct the security-heavy counterterrorism policies of the past, there remained a suspicion that PVE was no more than a fig leaf and that efforts to engage development would simply continue to instrumentalize it.

While the development community is still far from fully converted, a number of recent advances may alleviate concerns. First, the UN Secretary-General has embraced PVE and its relevance to the global development agenda, publishing his Action Plan to Prevent Violent Extremism in January 2016 and calling on all UN agencies to respond. Second, this builds on a clear recognition of the interdependency of security and development in the Sustainable Development Goals. Third, the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) has recognized PVE contributions by donors as eligible for official development assistance (ODA) status. As a result, some of the most significant development donors—from the UK Department for International Development (DFID) through the Swiss Agency for Development and Cooperation (SDC) to the US Agency for International Development (USAID)—are now funding PVE activities at scale.

Existing research on what causes and may in turn prevent violent extremism—while still in its infancy—nevertheless points up the potential relevance of development interventions. While one of the challenges of PVE remains that its drivers are context-specific and extremely localized, exclusion and marginalization are constants. How to lift the obstacles to human development generated by exclusion and marginalization is one of the themes for this Human Development Report; and it is clear that doing so

will also help prevent violent extremism. The sorts of interventions that have been demonstrated to be most effective, for example, include empowering women and girls, educating children especially to think critically, and creating positive alternatives such as apprenticeships and jobs.

Beyond the individual and community levels, the linkages between development and violent extremism at the national and global levels are also becoming clearer. Despite media attention to atrocities committed in a growing number of rich countries, it is worth remembering that the impact of violent extremism is felt disproportionately by poor communities in poorer countries. Rapidly developing countries like Egypt, Kenya and Tunisia are losing a significant proportion of their GDP because of the reduction in tourism in response to concerns about extremism and terrorism. The 2015 Global Terrorism Index estimated that the global economic cost of terrorism (including direct and indirect costs) was over \$50 billion in 2014, thereby also making a strong business case for private sector engagement.

The Global Community Engagement and Resilience Fund (GCERF) has been at the forefront with initiatives to prevent violent extremism through promoting human development. They are conceived and developed by affected communities and include activities for raising awareness of violent extremism, mobilizing action against it and creating positive alternatives. In its first two years the fund has distributed about \$25 million to support local initiatives to build community resilience against violent extremism in Bangladesh, Kenya, Kosovo,* Mali, Myanmar and Nigeria. Such initiatives also seek to bridge different perspectives on security and development among stakeholders and ensure national ownership, doing no harm and protecting the communities that participate.

The challenges of integrating PVE with human development should not be underestimated. But perhaps for the first time in my career, human development for all may actually be attainable. I am strongly committed to contribute to lift a significant barrier that remains in the way of this epochal achievement. Preventing violent extremism is a critical development goal.

Carol Bellamy

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* References to Kosovo shall be understood to be in the context of Security Council Resolution 1244 (1999).

Expand mechanisms for participation of civil society in multilateral institutions

Efforts have already been made to encourage civil society in multilateral institutions, such as including nongovernmental organizations in international debates as observers or consultants. Some civil society organizations

participate in international initiatives, alongside governments and intergovernmental organizations. Consider the Busan Partnership for Effective Development Co-operation, which counts the Bill & Melinda Gates Foundation and the civil society network Better Aids among its signatories. Such participation mechanisms should be developed further to ensure that the

civil society organizations involved represent a wide range of interests.

Enhance the transparency and accountability of multilateral institutions

Information and communication technologies provide new tools for civil society and concerned individuals from around the world to monitor the commitments and results of multilateral institutions. Some multilateral institutions recently published databases online so that the public could use them for monitoring and advocacy, starting with the United Nations in 2008,⁹⁹ the World Bank in 2011¹⁰⁰ and the European Union in 2012.¹⁰¹ Other mechanisms include online petitions to address multilateral bodies on specific issues. To support these new forms of civil participation, more people must possess computer skills and have access to the Internet.

Promote and support inclusive global civil society networks focused on specific groups

Networks of women; young people; ethnic minorities; persons with disabilities; lesbian, gay, bisexual, transgender and intersex people; and displaced workers make their voices stronger in the global arena and facilitate peer-learning of best practices to promote inclusion in every country. Civil society has

been praised for its positive impact on women's participation in public and political life (box 5.10).

Increase the free flow of information and knowledge through active transparency mechanisms

In the long term both market and multilateral institutions will benefit from the accountability ensured by a well informed civil society. Well regulated markets collect and disseminate information about prices, wages, taxes paid and service quality. Similarly, multilateral initiatives are standardizing open government practices, such as the Open Government Partnership, which has 70 member countries.¹⁰² Multilateral organizations must themselves be accountable not only to member states, but also to civil society.

The International Aid Transparency Initiative is a global benchmark for multilateral organizations to publish relevant information on their programmes. Open government data initiatives publish raw data on freely accessible websites; in 2014, 86 countries provided government data in machine-readable structures, such as Microsoft Excel.¹⁰³ The United States launched the Open Government Initiative in 2009,¹⁰⁴ joined by the United Kingdom in 2010,¹⁰⁵ Kenya in 2011,¹⁰⁶ Ghana in 2012¹⁰⁷ and Japan in 2013,¹⁰⁸ to cite a few.

Multilateral organizations must themselves be accountable not only to member states, but also to civil society

BOX 5.10

Civil society and women's participation

Women are less represented than men in traditional political forums. In 2015 women held 22.5 percent of national parliamentary seats worldwide. When women face discrimination in formally entering political or public life, civil society presents them with alternatives for participation. Of the 11,554 UN online volunteers who contributed their skills for peace and development in 2015, 59 percent were women.¹ Civil society organizations have been advocating for gender equity and raising awareness of women's rights violations for decades.

The role of civil society in gender initiatives is now fully recognized by multilateral institutions. The United

Nations Entity for Gender Equality and the Empowerment of Women regards civil society as one of its most important constituencies, playing "a pivotal role in advancing gender equality and the empowerment of women"² In 2016 the Commission on the Status of Women agreed to increase resources and support for women's and civil society organizations to promote gender equality, the empowerment of women and the rights of women and girls. The United Nations Development Programme's 2014–2017 Gender Equality Strategy also plans to support women's networks and civil society movements to bring gender equality perspectives into policymaking and legal reforms.

Notes

1. UNV 2016. 2. UN Women 2014.

Source: Human Development Report Office.

The transformation of global institutions can expand human development for everyone

Protect the work of international investigative journalism

Freedoms of expression and of information are fundamental human rights recognized in the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights. They are also instrumental in human development and human security. Free and competent media can ensure transparency, accountability and the rule of law, promote participation in public and political discourse and contribute to the fight against poverty. Yet freedom of the press has been under attack worldwide in recent years, with investigative journalists risking their freedom and sometimes their lives for their work. The United Nations recommends making freedom of expression possible through:¹⁰⁹

- A legal and regulatory environment that allows for an open and pluralistic media sector to emerge.
- Political will to support the sector and rule of law to protect.
- Laws ensuring access to information, especially information in the public domain.
- Media literacy skills among news consumers to critically analyse and synthesize the information they receive to use it in their daily lives and to hold the media accountable for its actions.

The media have uncovered war crimes, asymmetries in global markets, abuses of privacy

on the Internet and problems in international organizations, information essential for improving national and global institutions.

Conclusion

The transformation of global institutions can expand human development for everyone. It is a process that requires a delicate balance among the regulation of markets, the governance of multilateral organizations and the participation of an increasingly interconnected global civil society. The three are linked, and their reciprocal accountability is crucial to undertake reforms. Global markets are a great source of dynamism, but they need to be properly regulated to work for the majority. These regulations in turn need to be rooted in legitimate multilateral processes, where the interests of developing countries are central and where the voices of people contribute to the deliberative process. These transformations at the global level are essential for achieving human development for everyone.

Chapter 6 builds on the national policies and global reforms to propose a five point action agenda. It also looks forward to identify the substantive work on human development that needs to be undertaken to extend the frontiers of knowledge on human development for everyone.