



Reviving multilateralism and improving global governance—Responding to new global challenges



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Outline

- i. Defining multilateralism and global governance,
- ii. Investigating the effectiveness of the current global governance through a sample of some of the most pressing global challenges/topics
- iii. Assessing the voice of emerging markets in the global governance system and providing recommendations for increasing their voice.





Defining multilateralism and global governance

“Operating through architectures of organizations, institutions, and bespoke mechanisms, often based in treaties and international law and grounded, fundamentally, in the U.N. Charter”

Effectiveness of the current global governance system

Is the multilateral system working?

Inequality

- The focus of MDBs and the UN on decreasing poverty, represented by the MDG of ending extreme poverty, has corresponded to rising incomes in emerging economies and lower inequality between countries.
- Multilateral system has been less successful in influencing within-country inequality, which has risen since the mid-1980s

Climate Change

- Global governance system has attempted to tackle climate change through many initiatives and agreements (e.g, 1997 Kyoto protocol, 2009 Copenhagen accord, 2015 Paris Agreement, COP26)
- This approach has not been successful in reaching the targets to reduce global warming or cut emissions

Jobs, technology, productivity

- How the above are addressed by EMDEs and the multilateral system will determine if EMDEs grow with/faster than advanced economies or face stagnation
- Multilaterals are well-placed to assist developing countries in creating policies that promote technological readiness, however this has not been central to their agenda.

Reasons for lack of effectiveness

- (i) Weak mapping between multilateral institutions and the needs of EMDEs
- (ii) Insufficient embedding of issues currently relevant to EMDEs and anticipation of new ones in the dialogue with multilateral shareholders
- (iii) Minimal support of coordination on these topics between EMDEs and multilaterals.



Western standards and high transaction costs

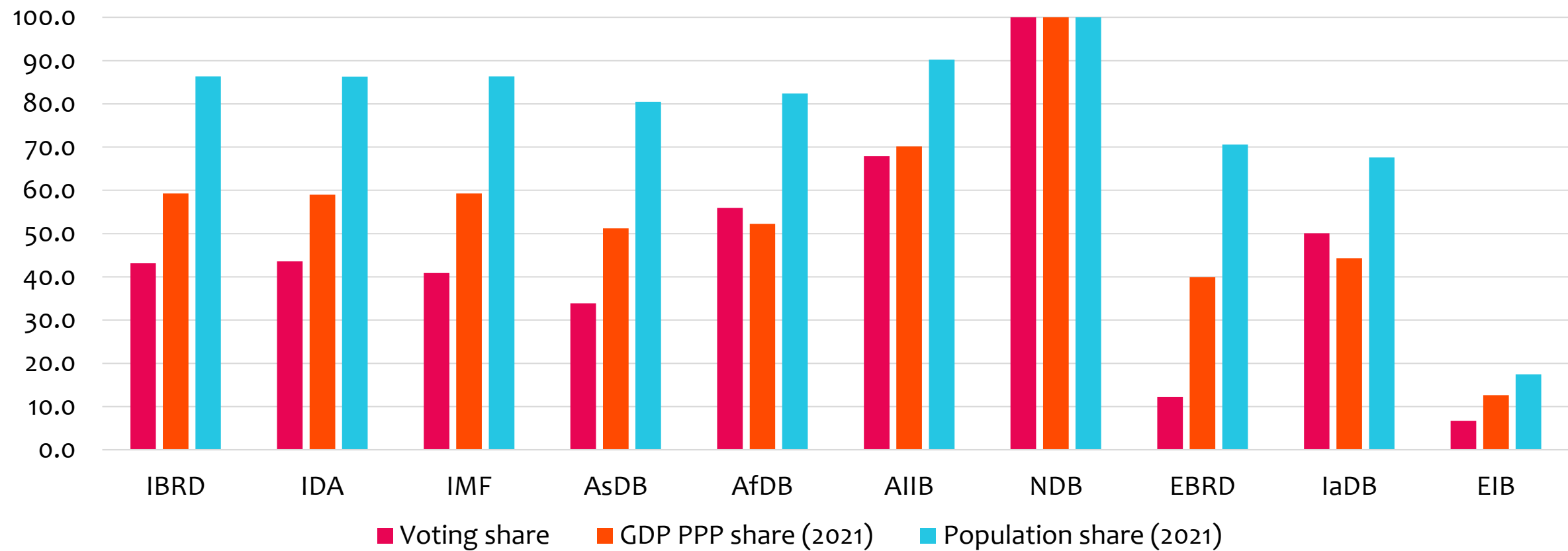
The influence of advanced economies in determining the standards of multilaterals has increased the financial and non-financial costs for emerging markets and developing economies in working with MDBs and other institutions.



Voice of emerging markets in the global governance system

EMDE Voting share compared to share of population and GDP

Share of Emerging and Developing Members



Voice of emerging markets in the global governance system

Creation of Special Purpose Multilateral Institutions and new MDBs

Special purpose institutions

- Established to address specific concerns that were not being (sufficiently) addressed by established multilaterals:
 - In the health field: Gavi, the Vaccine Alliance and The Global Fund for AIDS, TB and Malaria (GFATM)
 - New institutions were also created in the environment and climate change field: GEF in 1991, GCF in 2010, and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), created in 2017

New MDBs

- New MDBs have also been established with the goal of giving an increased voice to emerging markets.
 - The AIIB was founded in 2015 and NDB in 2014 are headed by emerging market countries – China in the case of AIIB and the BRICS nations on a rotating basis in the case of NDB.
 - They have the highest voting shares held by emerging market and developing economy countries of any of the MDBs.

The shortcomings of the multilateral system, particularly regarding EMDEs, could be addressed by:

- (i) Reorienting their policy work and lending programs to match more closely the issues of current concern to EMDEs rather than the interests of development supporters in advanced economies
- (ii) Reducing the transaction costs for EMDEs in the work of the multilateral system
- (iii) Giving a louder voice to EMDEs in the multilateral system.



The significant challenges faced by the world, the failure of the current multilateral system in addressing these challenges, and the distrust of the current global governance system require a rethinking of the multilateral and global governance architecture

One option to capture these changes in a new system is to hold another Bretton Woods Conference – Bretton Wood 2.0.

This will take a monumental, coordinated effort and may be a triumph of hope over experience given the quality of leadership in G7 and G20.

