

Essay

Reforming Multilateral Institutions in the 21st Century: India's Agenda

Lakshmi Puri

"I am ready to prove here that throughout the whole of India, there runs a mutual and cordial string of eternal faith in the perfection of humanity.... And let that faith be spread over the whole world."

– Swami Vivekananda

India's quest for an ideal global governance and an international cooperation system, draws inspiration from its faith in perfectibility referred to by the great sage and humanist Swami Vivekananda. It is no wonder then that India's presidency of G20 prioritised the theme of reformed multilateralism to make it current and fit for purpose for the 21st century.

There are five major 'projects', or enterprises, of humanity that multilateralism can advance. The first is working for peace and security, including early warning, conflict prevention, peace-building, peace-making and peace-keeping, disarmament, especially in respect of Weapons of Mass Destruction, and counterterrorism. The second is strengthening of democracy, the promotion and protection of human rights. The third is Sustainable Development in its economic, social and environmental dimensions and climate change action. The fourth is humanitarian, disaster and crisis prevention response. The fifth 'project' is to be able to get Technology 4.0 and its successor waves and applications to be wisely assessed, fairly harvested and governed, and used to leapfrog and telescope progress in the other four 'projects' of humanity. It must end lawlessness, for example, in cyberspace and prevent technologies from being misused for global bads.

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These 'projects' must be conceptualised, governed and delivered as Global Public Goods (GPGs), effectively, inclusively and impartially for the benefit of all of humanity in keeping with India's one Earth, one Family, one Future vision. In particular, it must benefit the Global South—the developing and least developed countries—representing over two-thirds of the world population and the majority of the aspirational humanity that is struggling to eliminate poverty, achieve accelerated economic growth, well-being and sustainable development for all. It is essential to ensure that no one is left behind and GPGs reach “the farthest first” in keeping with the Gandhian ideals of Sarvodaya and Antyodaya, and Agenda 2030 for Sustainable Development.

The Evolution of the Global South

The Global South moniker used from 2000 onwards, in contradistinction to the Global North epitomised in the G7, marked the increased participation and share of a number of developing countries in the world economy, trade, investment, technology, global governance and norm-setting. It evolved from the 1960-1970s conceptions of Raul Prebisch termed as “core - periphery”, and currently “North - South”, wherein the countries emerging from colonial rule were relegated to the periphery of International trade and economy by the industrialised developed countries in an exploitative international division of labour, rules and power relationships. India has been a leading member of the South embodied in the Group of 77 (now with a membership of 134 countries) and has led many a battle in defence of the interests of developing countries in multilateral fora, including the UN and its agencies such as the United Nations Conference on Trade and Development (UNCTAD), General Agreement on Tariffs and Trade (GATT), the World Trade Organization (WTO), World Bank and the International Monetary Fund (IMF).

The emergence of the Global South has in time heralded the “Centering of the South instead of the bordering of it.” This coincided with the formation of the G20 with the inclusion of the ten largest developing economies in this plurilateral club for global consultation, coordination and cooperation on economic, financial and sustainable development issues. The credo of the Global South has been to focus on interdependence not dependency, fairer, more just and equitable multilateral trading, financial and monetary systems, and international order, and a more beneficial win - win globalisation.

The Global South seeks genuine international cooperation on the selection and provisioning of GPGs and mitigation of global risks. It avers that everyone must have a say in setting the rules for managing and delivering them and insists on participatory decision making, adequate means — financial and technological, effective institutions, modalities and mechanisms, establishing who does what, each according to capacity and weight for the benefit of all and priority setting between markets and the state. Northern countries were asked to assume genuine global leadership and responsibility, embrace global solidarity, avoid global crises, not inflict global 'bads' and provide a favourable external environment for the South's sustainable development.

The Multilateral System

The multilateral system anchored in the United Nations, with its universal membership, encompasses the Bretton Woods Institutions (BWIs)—IMF /World Bank Group, the GATT/WTO and a spaghetti bowl of over 60 Departments, Funds and Programmes, specialised agencies and entities.

The UN system marked its 75th anniversary in 2020 and soon faced three major litmus tests. The first of these was the World War like catastrophic effect of the COVID-19 pandemic, health and biosecurity crisis that caused 7 million deaths worldwide, lasted three years, and devastated economies and societies, especially in the developing countries. The UN, particularly the World Health Organization (WHO), was found wanting on several counts—unable to give timely warning, fix the origin of the virus or adequately mobilise international cooperation and coordinated response on vaccine equity. In its midst, the lightning takeover of Afghanistan by the Taliban marked the end of the much-vaunted war on terror and left the UN picking up the pieces of a grave human rights and humanitarian crisis. Then came the Ukraine-Russia conflict turning into a NATO-Russia one with real risk of a nuclear Armageddon. The UN was unable to prevent and mediate and the UN Security Council (UNSC), riven as it was on Permanent-3 versus Permanent-2 lines and veto use, was paralysed except for holding debates on the conflict. The veto initiative and anti-Russia resolutions were passed in the UN General Assembly (UNGA), UN Human Rights Council (UNHRC) and other UN fora with the aim to name and shame without ending the war. The UN did manage to broker the much-needed humanitarian corridor and the Black Sea grain initiative. However, the Multilateral Financial Institutions (MFIs) were not able to respond adequately to the three Fs crisis—food, fuel and fertiliser—that specially affected developing countries.

The last three years, therefore, have been a fateful time to look back on what was achieved in the five major enterprises of humanity. The unprecedented global poly crisis—overlapping and simultaneous—posed an existential challenge to the UN. Its supporters worried about the organisation becoming irrelevant and meeting the fate of its predecessor—the League of Nations. It triggered an introspection on why, what, how it fell short and proved inadequate to be the knowledge hub, conscience keeper and supporter of the disadvantaged countries. Its credibility as the setter of global norms and standards, convener, advocate and movement builder, impartial arbiter and crisis response mobiliser and coordinator also came under a cloud. They highlighted the urgency and vital necessity of reform and overhaul of the UN system and the MFIs if they are to serve their original noble purpose and also adapt to the needs of a fast-changing world.

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What Ails Multilateral Institutions

In recent years, as UN Secretary-General (UNSG) Gutierrez has admitted, there are too many multilateral problems but too few multilateral solutions, that the UN lacks scale, ambition and teeth and where it has teeth, it lacks the appetite to bite! He also fretted about it being “gridlocked in colossal global dysfunction.” All of these are the symptoms of a deeper malaise.

It is important to note that multilateral institutions—the UN and BWIs—are not monolithic. We need to reform the way the ‘three UNs’ work , i.e., the member states, especially the major powers and their geopolitical and geo-economic dynamics; the Secretariat, its capabilities, impartiality and independence; and “we the people” of the UN charter that includes global public opinion, media, civil society, private sector and academia. These must work harmoniously together to genuinely provide global public goods in respective areas, fair rules of the game for global governance and for the conduct of member states and all relevant stakeholders.

These institutions and their structures, decision-making and work methods have long become outdated. They were created in 1945 as part of post-war order by and for the victors of World War II at a time when there were 51 member states. Now there are 193. There has been a dramatic dispersal of capabilities and responsibilities around

the world in multiple countries of the South. Over the decades, the colonial order has been dismantled, but not the colonial mind-sets, and power dynamics within multilateral institutions has remained impervious to change.

The multilateral system went through the pulls and pressures of the Cold War-I and from 1990 a unipolar world. Now, once again the spectre of Cold War 2.0 haunts, with China becoming a systemic, ideological, strategic and military competitor and pole to Western liberal democracies, the recrudescence of Russia - US/Europe confrontation and the old East-West divide. Multilateral institutions have become structurally sclerotic, their procedures and processes archaic and debilitated. Their inability to reform or democratise decision-making have undermined their legitimacy. Intractable non-state actors such as powerful corporations whose reach and net worth are bigger than the GDP of most countries, shape shifting new technologies, new areas of governance like the Blue Economy. The "virtual imperialism" of the internet, digital, fintech and new media platforms, especially social media, dominate narrative setting and facilitate mind and resource capture. Together, they pose new multidimensional risks to the provision of global public goods. The existing multilateral dispensation is ill-equipped to assess and govern, given these challenges.

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The principle of sovereign equality of states, transparency and accountability is flouted in key decision-making bodies. Global governance institutions, structurally as well as informally through processes and procedures, are dominated by the leading powers. Major budget contributors have controlling stakes in them. In the 15-member UNSC, the veto-wielding 'Permanent five' have control over its decision making and the Secretariat. Entire continents — Africa, Latin America and Asia, and the Small Island Developing States (SIDS) have been left out and over 5 billion people are unrepresented in permanent membership. The IMF and the World Bank too have weighted votes, skewed quota system and Special Drawing Rights (SDR) allocation formula, convertible currency norms, lending policies and decisions influencing finances and markets. In the WTO those with the largest trade share and budget contribution wield power and 'consensus' is often forged through non-transparent green room consultations.

This raises the question of institutional capture, and whose UN/MFIs is it anyway, who runs it and for whose benefit. Is the common good and interests of weaker countries, whose champion and succour the UN is supposed to be, sacrificed at the altar of the interests of powerful countries and the gaming of systems by them? WHO and its COVID-19 stance is a recent case in point.

The way the heads of UN organisations and BWIs are chosen and appointed often constrain them to follow the directions of major controlling interests. A more broad based selection and a single longer term for them could make them function effectively without fear or favour. The leadership and composition of the Secretariats should reflect equitable geographical representation. It should command world-class human resources, technically qualified in key areas to give objective assessments so that the UN and the BWIs do not have to rely on motivated powerful country expertise. Enough human and financial resources need to be deployed in critical frontier areas like ocean governance or cyber security.

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UN Security Council Reform

“Today's era must not be of war,” said PM Modi and the G20 and other global leaders echoed the sentiment. For this to happen we need to recreate a 21st century UN fit for peace and security purposes at this very perilous juncture, which some have compared to the 1939 moment! The External Affairs Minister of India, therefore, proposed a New Orientation for a Reformed Multilateralism (NORM) during India's presidency of the UNSC last year.

The UNSC is the apex UN organisation with the ability to wage peace, including through authorisation of economic sanctions and military action under Articles 41 and 42 of Chapter VII of the UN Charter. This veritable cockpit or control tower is P5

driven and now polarised along P3 and P2 lines. It is hoped that these recent shocks will motivate even the P5 to reconsider their opposition to UNSC Reform and bring the unconscionably long 30-year quest to its fruition.

Reforms need to include the following elements:

- 1) Increase the number of non-permanent members and permanent members to provide equitable representation to countries from all continents, populations and regions that add value—greater diversity of experience and wisdom, political sagacity, sustainability, better decision-making and effective actions on the ground.
- 2) Give up the veto or abolish or discipline it.
- 3) Better calibrate the relative roles of the UNGA and the UNSC.
- 4) Better codify and formalise, and make more accountable the working methods, procedures and functions of UNSC and its subsidiary bodies. Create an independent and able Secretariat.
- 5) Provide regular budget, predictable, stable funding for Peace and Security architecture and its functions.
- 6) Empower and enable regional organisations to work with global and national ones.
- 7) Immediately engage in transparent, text-based, time-bound Intergovernmental negotiations in the UNGA on UNSC Reform without engaging in the chicken and egg semantics of first consensus on having negotiations or negotiations for consensus. The members need to just plunge into the text with a view to arrive at a decision and launch a reformed UNSC at the UN Conference of the Future in 2024 wherein a New Agenda of Peace is to be adopted. Otherwise, we stare at blocism and paralysis, reigniting of 'old wars', starting new conflicts and even a World War III.

The global counter-terrorism architecture has become much more robust than before but still has a long way to go at a time when the world needs to refocus on this crucial security issue. A major weakness is that the UN Counter-Terrorism Centre (UNOCT) and its supporting Secretariat — the Counter-Terrorism Committee Executive Directorate (CTED)—are almost entirely donor funded. This must change with the provision of a regular budget and stable funding so that the narratives, policies,

operations and programmes are according to objective criteria and demand-driven, not politically motivated, capricious or donor-driven.

The QUAD has rightly expressed concerns about attempts to politicise the workings of the UN sanctions regime and called on all states to maintain the objective and evidence based working methods of the UNSC Sanctions Committee.

Reform of Multilateral Development Banks

The World Bank and regional development banks suffer from being too small to succeed. Their resource bases are smaller than bilateral institutions and sovereign wealth funds, and account for only 10 percent of development finance advanced to developing countries and only USD 40 billion in climate finance. Amid a 21 percent decline in bilateral Official Development Assistance (ODA) there is a crisis in concessional financing for both Sustainable Development Goals (SDGs) and climate mitigation and adaptation. There is a dire need to recapitalise the Multilateral Development Banks (MDBs) to meet these needs and keep their promise of 2015 to help finance SDG achievement by moving from billions to trillions by leveraging private finance. There is a need to end the significant under-financing of funds for GPGs, including the Green Climate Fund.

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The International Finance Corporation (IFC) by rebooting standards for social and environmental assessments, and Multilateral Investment Guarantee Agency (MIGA) by providing political risk insurance to investors in developing countries, must play important roles in unlocking private finance for developing countries.

Similarly, the MDBs need to undertake significant reforms, including greater coordination among them to streamline financing processes, avoiding duplication and fragmentation. They need to create new financing instruments tailored for specific sectors or regions, and develop more effective risk assessment and management frameworks. They need to evolve new approaches, such as outcome-based financing and the adoption of blended financing models that leverage public finance to mobilise private finance.

IMF Quota and Voice Reforms

The G20 presidency is taking place at a crucial juncture with respect to the voice and quota reforms to improve the legitimacy, representativeness and efficacy of the

IMF. A new quota formula for vote share has been mandated to be finalised by December 15, 2023 as part of 16th General Review of Quotas so as to increase the share of low-income and under-represented countries. India can get G20 to weigh in to conceptualise the guiding principles that resonate the needs of the Global South in terms of IMF's vote share. The Formula for SDR allocation needs to be reviewed and unused SDRs leveraged for needy developing countries. During the COVID-19 liquidity crunch, USD 655 billion worth of SDRs were issued by the IMF, of which 38 Least Developed Countries (LDCs) and 28 developing countries received only USD 21 billion.

IMF resources are too small—only about USD 1 trillion or one percent of global GDP—to respond meaningfully to a global crisis. The funds need to be enhanced. The IMF must become more proactive in surveillance of the global monetary and financial system to ensure financial stability and monetary cooperation. It must not exercise self-censorship in the crucial task of scrutinising developed country economies. It needs to review its priority areas of support and revise its templates on capital account convertibility and excessive conditionalities. External debt stock of low and middle income countries now stands at over USD 9 trillion. Countries under debt distress have doubled to 56 percent of the total.

In 2020 the G20 launched the Debt Service Suspension Initiative (DSSI), which has met with limited success. A new debt-restructuring framework, rather than the current case-by-case approach, is needed. The IMF and the World Bank should develop such a framework in consultation with OECD Development Assistance Committee (DAC), key non-DAC players such as China (which accounts for 30 percent of the total debt of 48 countries) and India—the two major non-DAC donors, and private creditors. It is time that WTO norm setting should be aligned to and aim at achieving Sustainable Development Goals (SDGs). For example, the Agreement on Agriculture must reflect the SDG on food security. The Most-Favoured-Nation (MFN) feature, single undertaking, and decision by consensus must not be undermined by a slew of plurilateral agreements and joint statement initiatives. The Dispute Settlement Mechanism (DSM) has to be revived and the Appellate body must be restored. Trade monitoring function needs to be strengthened and voluntary sector-specific transparency measures for improving trade opportunities could be proposed. The transparency of the Secretariat must be improved. India has proposed key priority areas for reforming the WTO through common understanding and has called for a definitive timetable for taking forward the

12th Ministerial Conference (MC12) outcome on WTO reform to MC13. Furthermore, India has focused on capacity building for developing countries.

Reform of the WHO

India aims to reform the global health architecture through reforms at the World Health Organization (WHO) in order to ensure that it is fully equipped and prepared to face challenges such as the COVID-19 pandemic. Indian proposals for reforms of the WHO aim to improve the governance of the organisation, and its pandemic response capacity by devising an objective criterion with clear parameters for declaring Public Health Emergency of International Concern (PHEIC). India also seeks to improve the access to vaccines, drugs and therapeutics in the Global South by establishing frameworks and protocols for benefit sharing and making Global Public Goods available to all through measures such as a waiver of Trade Related Aspects of Intellectual Property Rights (TRIPS).

The Way Forward

We know what is wrong, what is broken, what is dysfunctional or weak, but no consensus exists or can easily be mustered for reform, especially as the Cold War 2.0 type geopolitical contestations and economic turbulence are at their peak. However, we must keep alive that hope and endeavour—each country individually and as an international community—to ignite the power to reform, rebuild and renew. Reform cannot be put off without risking a global conflagration, an irreversible economic meltdown, a climate change catastrophe and failure to achieve the Sustainable Development Goals, which are the lifeline for the survival of the human race and planet earth.