III. GOVERNANCE RESPONSIBILITIES IN A GLOBALIZING WORLD

A. Introduction

53. The Committee was informed of the decision of the General Assembly to have a further round of hearings on globalization in September 2001 and was already aware of the high-level international intergovernmental event on financing for development, scheduled to take place in March 2002, as well as the World Summit on Sustainable Development, in September 2002. With these forthcoming events in mind, the Committee decided to pursue its earlier proposal to consider the subject of governance at the national, regional and multilateral levels. The Committee examined this issue, focusing on some of the areas addressed in the Secretary-General's report to the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development (A/AC.257/12) and on selected areas relating to the World Summit on Sustainable Development.

54. In the United Nations Millennium Declaration of 8 September 2000, world leaders resolved to create an environment—at the global and national levels alike—which was conducive to development and to the elimination of poverty (see General Assembly resolution 55/2, para. 12). They underlined that this required good governance, both in each country and at the international level. Within this overall framework, however, many questions still remain unanswered. One basic question is which governance functions should be national and which should be regional or global. Some could, in fact, be assigned to the subnational or even the local level. Beyond the issue of the "optimal regulatory area", a variety of forms of governance exist at each level and, in recent years, there has been considerable evolution in thinking on these matters. Moreover, there are differences and preferred assignments according to the domain of activity and the pertinent policy area.

B. Why global governance?

55. Economic and social development depends on the provision of both private and public goods. Where potential private benefits from the production of goods and services are less than costs or where private benefits cannot be appropriated, there is a private disincentive to their production. If public benefits are high, this might create a rationale for the public provision of such goods and services (such as the provision of national defence or a judicial system). Moreover, where there are positive international externalities in the production of such goods (such as environmental protection in other countries), there may be a case for the provision of transnational or global public goods. With rapid globalization, externalities—both positive and negative—have increased and the concept of "global public goods" has assumed correspondingly greater importance in recent decades.[12]

56. The choice of the most appropriate model for the provision of global public goods depends on the need to balance economic, social, environmental and political considerations to make global activity efficient and publicly accountable. The choice is also sensitive to the manner in which national sovereignty is seen to be affected and the extent to which countries are prepared to agree to forms of collective or shared sovereignty.

57. To create a global or multilateral governance structure, countries collaborate in one of three ways:

(a) Through global institutions, which ensure transnational governance, often through conflict avoidance and resolution and/or dispute-resolution mechanisms. The World Trade Organization is one such example;

(b) Through multilateral associations of regulators, which agree on common standards, and rely on their members to implement

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12 It is important to distinguish between final global public goods (which represent outcomes) and intermediate global public goods (which represent a process of facilitation). While stable climatic condition is akin to a final global public good, peace and financial stability represent examples of intermediate global public goods. Global or multilateral governance structures are further examples of intermediate global public goods, and constitute an area where an increasing need is being felt.

these standards in each country. The Bank for International Settlements (BIS) and the International Organization of Securities Commissions (IOSCO) are examples;

(c) Through associations of trade organizations or other national interest groups, which agree on "good practices" and work for their adoption within their member countries. The International Telecommunication Union (ITU), the International Chamber of Commerce (ICC) and other organizations play such a role. Accounting and auditing standards for corporations represent an example of this.

58. Global governance structures could be usefully applied in the area of international capital flows. Included here would be policies governing FDI, such as competition policy and bankruptcy law, taxation and trade policies, as well as the regulation and supervision of banks and financial institutions. In each of these policies, an improvement in governance might require a reallocation of roles among global, regional, bilateral and national governance structures. Such a reallocation of roles should be determined by social and distributional requirements as much as by the need for greater economic efficiency.

59. Regardless of whether governance is exercised at the national, regional or global levels, the following general issues need to be considered:

(a) **Transparency of governance**, both public and corporate, increases accountability, thereby strengthening the credibility and public understanding of both policy choices and private-sector initiatives. This, in turn, would facilitate the effective implementation of policies and ensure the pursuit of public-private sector partnerships. In particular, greater transparency in the implementation of economic policy helps build confidence in government policies. For example, the consolidation of open tendering procedures in the case of public works and of public procurement practices can enhance transparency and produce a favourable private sector response. Transparency also minimizes the scope for corruption, money-laundering and illegal transactions;

(b) **Fiscal transparency** can make a major contribution to good governance by ensuring that the public is aware of and understands the objectives, actions and consequences of proposed fiscal measures, such as the introduction of a value-added tax. Fiscal transparency makes Governments accountable for the implementation of fiscal policy, and thereby strengthens the credibility and public understanding of macroeconomic policy choices.[13] Fiscal transparency is also important in achieving macroeconomic stability and high-quality growth;

(c) **A stable economic and regulatory environment** at all levels of governance is conducive not only to the mobilization of resources for development but also to efficient private sector activities; this pertains, for example, to competition, industrial organization, market-based pricing, exchange and trade regimes, banking systems and related activities;

(d) **Sound management of resources** must be ensured through effective public sector operations, publicly accountable institutions (for example, the treasury, central bank, public enterprises, civil service, and the official statistics function), efficient administrative procedures (for example, expenditure control, budget management and revenue collection), transparency of private-sector activities and democratic oversight.

Within this general framework, governance responsibilities can be assigned to either the global, regional or national level, with each having a comparative advantage in certain aspects and functions of governance.

C. Assignment at the global level

60. Economic globalization has redrawn the boundaries of economic activity. This has made it more difficult to separate national and multilateral interests, raising a series of implications for nation State policy-making. Furthermore, globalization, particularly

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13 At the national level, in particular, attention should be paid to increasing the efficiency of government activity and establishing sound public finances, including good administration of tax laws, simplification of procedures, elimination of abuse through exemptions, the consolidation of all extrabudgetary accounts within the budget, the early publication of the budget, and adequate reporting on the outcome at the end of the fiscal year.

through international trade and capital flows, has eroded the autonomy of national policy-making as well as the effectiveness of domestic policy tools. For this reason, in many instances, Governments have voluntarily transferred national competencies to regional or multilateral institutions (for example, trade relations or monetary arrangements). Because of this process, various forms of international regulation of economic activity appear to be necessary, primarily when activities transcend boundaries and national competencies have been transferred to the regional or international level.

61. Flows of FDI are now growing at a faster rate than international trade. Recently, this growth in FDI has been underpinned by a wave of transnational mergers and acquisitions and consequent increases in global firm concentration in an increasing number of industries. This requires a revision of investment and competition policies at the global level.

1. Developing core principles for investment

62. If countries are to receive FDI in sectors and industries where they have a comparative advantage, they need to create a conducive investment climate and confidence (a) that there will be no expropriation of assets; (b) that, if assets get nationalized under any contingency, fair value compensation will be paid; and (c) that most-favoured-nation (MFN) and national treatment will be provided. Countries have to ensure that the terms under which any FDI flows into a country will not be discriminatory, either because of the country of origin or because domestic investors are provided with better terms.

63. Countries have typically negotiated these core principles bilaterally, and over the years several hundred such agreements have been signed. A major difference between these agreements lies in the sectors where exceptions from these core principles have been designated, generally on the grounds of strategic interest. Within the developed countries, there are considerable differences in the specification of such strategic sectors, and developing countries are also unlikely to have uniformity in this matter. Consequently, although attempts have been made by the Organisation for Economic Cooperation and Development (OECD) and the European Union (EU) for a multilateral investment agreement that would possess all

the characteristics of a global public good, it seems more likely that, for some years hence, the core principles for attracting FDI will be put in place through bilateral agreements. The Committee recommends the development, dissemination and application of core principles for foreign investment agreements.

64. Nevertheless, such multilateral agreements are desirable on two counts. First, global economic efficiency calls for a multilateral approach. Second, it is desirable to increase the participation of developing countries in the formulation and design of these agreements and to increase their bargaining power in the process. Experience shows that negotiating core principles at the multilateral level may be difficult. Even with only OECD members participating, the attempt to institute a multilateral investment agreement failed. Given the even greater problems inherent in bringing more than 180 countries to the negotiating table, regional agreements might be a feasible intermediate step towards facilitating the achievement of multilateral agreements in the longer run, while recognizing that in some areas multilateral agreements are a “first best” solution.

2. Governance in the setting of sound financial practices applicable internationally

65. The past decade has seen much progress in the setting of good banking and financial disclosure and financial practices, which have a bearing on the functioning of banking and financial markets. These practices encompass transparency, both in data dissemination, which must be regular and accurate, and in setting objectives for financial soundness and management, and the strengthening of market intermediaries. Thus, banking supervision, securities market regulation and insurance regulation have begun setting increasingly demanding targets for capital adequacy and transparency in financial reporting dissemination. Stronger financial intermediaries reduce the risks of financial volatility, particularly of system-wide repercussions. New norms and standards for accounting and auditing, superior norms and principles for payment systems, and higher transparency in fiscal, monetary and financial policies have emerged, and these are to be welcomed.

66. The design of such codes of conduct and higher standards has been pursued mostly by institutions, Governments and regulators in

developed countries. In the evolution of these standards, developing countries have generally been excluded. This impinges adversely on good global governance and "ownership". For many developing countries, which lack financial market maturity and where institutions are nascent, both the prioritization and the pace at which higher standards are to be adopted would need to vary, depending very much on their historical circumstances and institutional development. By giving inadequate, or often no representation to developing countries, the wider adoption of these core principles, norms and standards is jeopardized and financial flows into some developing countries are less than they otherwise would be. For these reasons, the Committee recommends the effective participation of developing countries in the design and implementation of core principles and standards of global and multilateral governance.

3. Competition policy

67. Any marked liberalization of trade relations requires necessary accompanying measures that inhibit companies from reintroducing analogous, but private, restrictions to market access. The same applies to each country. External trade liberalization is not a substitute for competition policy, if liberalized imports and exports become subject to domestic monopolistic restrictions and practices. Furthermore, replacing a public monopoly with a private one does not necessarily increase social welfare. Competition and regulatory policies therefore need to be put in place in conjunction with the privatization of many State-owned monopolies or enterprises.

68. As a first step, Governments in developing countries should adopt a domestic competition framework that includes basic laws regarding restrictive business practices, abuse of dominant position, and mergers and acquisitions, as well as adequate regulatory enforcement structures that provide private sector access to enforcement authorities on non-discriminatory terms. Developing countries should also examine such practices from the perspective of their impact on long-term development; evidence suggests that open, contestable markets are a factor favouring growth and development.

69. In view of the internationalization of business and the transnational consequences of an increasing number of domestic

competition cases, international cooperation is necessary both to ensure the effective enforcement of antitrust disciplines and to avoid the drawbacks of the extraterritorial application of domestic competition legislation. In comparison with the multilateral trade framework, cooperation in competition policies lags significantly in terms of effectiveness and consistency and needs to be strengthened. However, such strengthening needs to take into account the fact that the objectives of competition policy in developing countries may not always coincide with those of developed countries.

70. Further internationalization of competition policy would have three main positive effects:

(a) The private costs of compliance would be reduced because of the higher level of transparency and a lower procedural burden;

(b) Common rules, coordinated surveillance and enforcement would reduce the costs of regulatory arbitrage, evasion, externalization and extraterritoriality;

(c) Overlapping costs of investigation and compliance as a consequence of multiple and concurrent investigations by different jurisdictions could be reduced.

71. Competition authorities, mostly from developed countries, have been trying to keep pace with the increasing number of transnational business operations by simultaneously pursuing three strategies: (a) the extraterritorial application of their domestic competition laws; (b) the conclusion of bilateral or regional cooperation agreements; and (c) the creation of a worldwide competition regime within the framework of the World Trade Organization. Greater cooperation among competition authorities would enhance the effectiveness of these initiatives. Developing countries, especially small ones, could also begin to cooperate with each other, initially through regional or multilateral agreements in order to restrain restrictive business practices.

4. Collective action to facilitate private capital flows to developing countries

72. To promote and retain flows of private capital, both foreign and domestic as well as resident and non-resident, all interested

parties—host countries, the private sector and international institutions—should work actively together.[14] This is especially applicable to FDI with its twin benefits of new finance and transfers of technology and management know-how.

73. Attracting FDI needs a commitment on the part of the host country to create conducive conditions, including good governance and transparency, sound macroeconomic conditions, and tax and fiscal policies. It also entails the development of appropriate national and/or regional institutions. For example, the set-up of national and regional investment guarantee agencies, co-insuring with MIGA or working independently, should be encouraged to provide insurance against non-commercial risks on attractive terms. Such agencies can be set up as joint ventures with the private banking and insurance sector. Working alongside one-stop investment promotion agencies, such agencies can be effective tools to lower the information and entry costs for investors and raise expected returns to investment, thereby increasing the potential volume and duration of investment flows.

74. Instruments to pool investment risk through diversification can be effective in promoting investment, be it FDI or portfolio investment. Countries and regions should be assisted in developing their financial and capital markets, including collective investment vehicles, such as investment funds, mutual funds, unit trusts and the like; the United Nations Commission on International Trade Law (UNCITRAL), the International Finance Corporation (IFC) and the United Nations Conference on Trade and Development (UNCTAD) should assist in this connection, through technical assistance for the set-up of local stock exchanges, bond markets and capital market institutions, authorities and regulators and the necessary legal infrastructure provisions.

75. Developed countries should assist developing countries in the expansion of their capital markets by listing the latters' securities and instruments at home and abroad. Financial market-related aid

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14 For example, the following institutions play an important role: the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, the International Finance Corporation (IFC), the United Nations Conference on Trade and Development (UNCTAD) and national chambers of commerce and industry.

could take the form of providing a principal and/or an interest guarantee programme for developing-country bond issues.[15] This would reduce perceived portfolio investment risk, provide increased portfolio diversification for international investors and increase financial flows to the developing countries.

76. At the global level, the role of ODA for capacity-building and for enhancing FDI flow should be reconsidered. The United Nations, with the active participation of host countries, including representatives of business communities and non-governmental organizations, could take a leading role in highlighting new areas for potential investment in developing countries and in suggesting new approaches to the design of integrated development programmes that could be incorporated into domestic development strategies. Capacity-building in developing countries and economies in transition to deal with the challenges of structural reforms, institution-building, globalization and external shocks calls for additional efforts by the international community, in terms of financial resources and technical assistance. Financial support given through ODA should concentrate on key areas such as physical infrastructure, human resource development and institutional and managerial capacity-building.

5. International cooperation in taxation

77. Taxation involves important questions of national sovereignty because it relates to the size and activities of the government, a matter of domestic political choice. Nevertheless, national Governments' authority in this area is being challenged by globalization stemming from the increased international movement of the main sources of tax revenue—goods and services, financial capital, firms and people. It is frequently no longer clear under whose tax authority some of these internationally mobile sources of tax revenue fall.

78. The main form of international cooperation to address these issues has long been bilateral tax treaties, primarily aimed at avoiding double taxation. More recently, increasing attention has been

15 The World Bank has such a programme, but it needs to be made larger and especially expanded for African countries.

The European Union's partnership experience

The European Union (EU) experience with its enlargement and integration is a model that could potentially have interesting implications for regional integration of the developing countries.

Following the signing of the Single European Act in 1987, Europe proceeded to deepen its internal market through the dismantling of remaining obstacles to trade, the liberalization of the capital account and procurement practices and gradual tax harmonization. A year later, the European Community's structural funds were reformed so that increased resources could be channelled towards the poorest regions of the Community. Apart from Ireland, these were primarily regions in Southern Europe, especially in Greece, Portugal and Spain, which had entered the Community a few years earlier (Greece in 1981, Portugal and Spain in 1986) and whose income per capita was less than 70 per cent of the Community's average. Structural funds were extended to these countries not only to mitigate the costs that arose from convergence, and more specifically from trade and capital-market liberalization, but also to finance infrastructure investment, human capital development and the restructuring of the productive base of their economies. The procedure involved three phases: (a) the design of a multi-annual (six to seven years) development programme by the countries or regions themselves, setting out priorities and projects by sector and region; (b) negotiations with the European Commission to select the fundable projects or programmes and to finalize the support framework; and (c) the implementation of multi-annual programmes by the countries concerned with the active participation of local administrations and social partners.

Funds transferred through the corresponding Community Support Frameworks to these countries amounted to 6-7 per cent of their gross domestic product (GDP), on an annual basis. In this way, these countries were assisted in adopting and implementing the "Acquis Communautaire" (the entire body of legislation of the European Community), streamline their policies and integrate themselves into the EU without being forced to face a drastic reduction of public investment or social expenditures. More or less the same model has been followed for the pre-accession countries of Eastern Europe through the Action for Cooperation in the Field of Economics and Technical Assistance to the Commonwealth of Independent States (CIS) (ACE-TACIS) programmes.

given to reducing the tax evasion of so-called harmful tax competition among countries. Most of the initiatives in these areas have been launched by OECD member countries and EU. However, many of the resulting agreements have a bearing on developing and transition countries, in particular on their own tax revenues and therefore on the size and scope of their Governments.[16]

79. In light of these developments, the Committee underscores the need for an inclusive global forum to promote and enhance cooperation among national authorities on international tax matters and endorses the proposal of the Secretary-General in his report to the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development (para. 142). Such a forum would enable developing countries to participate in the decision-making process on questions of international tax policy and investment. International cooperation in this area needs to be strengthened, to ensure both that all countries participate effectively in the decisions that affect them and that all taxation is equitable.

D. Assignment at the regional level

80. Regional integration for enhancing economic and social development could play an important role in the following areas:

(a) The mobilization of resources and attracting foreign investment through the effective expansion of markets;

(b) The pooling of financial and organizational resources through the provision of information, the reduction of costs and bureaucratic barriers, and the harmonization of legal environments;

(c) The pooling of risks, for example, through the establishment of regional fiscal stabilization funds;

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16 For example, in June 2000, OECD issued a report to the 2000 Ministerial Council Meeting and Recommendations by the Committee on Fiscal Affairs entitled *Towards Global Tax Cooperation* listing countries identified as "tax heavens", and called on those countries to sign a Memorandum of Understanding. The publication is available at http://www.oecd.org/daf/fa/harm_tax/Report_En.pdf Accessed on 7 June 2001.

(d) Facilitating financial intermediation through the establishment or strengthening of regional institutions and mechanisms;

(e) Facilitating knowledge and skill transfers and creating regional and professional networks that could support effective management of resources and strengthen negotiating positions of developing countries vis-à-vis international institutions;

(f) Enhancing accountability through the setting of regional standards and implementation of multilateral mechanisms for public and professional assessment (peer reviews, public audits etc.).

81. Attention needs to be paid to the experiences in Asia, Europe and the Americas of regional partnerships between developed countries and transition economies. North-East-South and North-South-South partnerships between national and subnational developmental agencies, business communities and non-governmental organizations will enhance the design and implementation of development programmes and investment projects.

82. In order to raise the effectiveness of ODA, the experience of the EU countries in the implementation of regional policy with regard to the least developed regions in the European Community and the transition economies can provide valuable lessons. Similar lessons can be drawn from the experience of Japan and the Association of Southeast Asian Nations (ASEAN) in assisting the transition economies of north-east and South-East Asia. In light of the experiences, additional regional structural and/or development funds could be established. Agreed upon standards, common rules, and multilateral monitoring mechanisms can be subsequently developed for access to these funds and the financing of eligible programmes and projects proposed by developing countries themselves. The Committee notes that, through such a participatory process, truly effective partnerships can be established.

83. Regional networks and centres for economic and business training in host countries, as well as academic exchange programmes, can facilitate local human resource development. They can also promote effective partnerships in multilateral financial projects and economic and social development programmes. Establishment of such networks and institutions could be supported by ODA.

84. Finally, to achieve public accountability of governmental institutions responsible for ODA, as well as of multilateral institutions executing internationally financed development programmes and investment projects, mixed monitoring bodies could be established at the intergovernmental or regional level. These bodies should comprise representatives of donor and recipient countries, independent experts, and representatives of non-governmental organizations. For these monitoring bodies to be effective, public access to information should be provided through the Internet, the media and other channels of public information.

E. Assignment at the national level

85. Effective national governance is fundamental to successful economic policies and to economic and social development. Strengthening national governance requires transparency, public accountability, capacity-building and effective management of resources. Investing in human capital helps to build national capacity and domestic employment opportunities, thus reducing incentives for brain drain. The development of civil society and its participation in national development efforts enhance the Government's capability to address economic and social challenges.

86. Rent-seeking behaviour by officials, frequently leading to corruption, contributes to a misallocation of scarce national resources, exacerbates inequality and discourages foreign capital inflows. Corruption adds greatly to the transaction costs of doing business both for domestic and for foreign businesses, and so impedes development. Increasing accountability through democratic processes and transparency of decision-making are necessary preconditions for investment promotion. Improving property rights and the legalization of assets in the informal economy could greatly enhance that sector's contribution to development. Fair taxation and strong private financial intermediation (banking, insurance etc.) would raise savings and mobilize national financial resources for development.

87. Greater efforts should be devoted to improving coordination and prioritizing development objectives. Ownership of ODA and

other external resources by recipient countries, institutions and individuals is necessary. Since national resources and ODA do not appear sufficient to achieve the high investment rates required in many developing countries in the foreseeable future, fostering the proper conditions for attracting private investment from abroad, curtailing capital flight and building public-private sector partnerships need to be a part of any national strategy for development.

88. Furthermore, to secure FDI flows into countries and regions, political stability and the absence of hostilities are essential. International and regional vehicles for guarantees against political risks should be extended to encourage FDI inflows. A suitable investment climate with stability over time is an obvious prerequisite for investors to absorb normal commercial risks.

89. The standard declarations on the acceptance of national treatment often are not sufficient to attract FDI for the benefit of recipient countries. For this purpose, national Governments can learn from other developing country experiences and emulate best practices. For example, international experience suggests that the establishment of "one-stop shops" for approving all investments proves helpful in reducing transaction and licensing costs.

90. Fiscal transparency and sound fiscal management are necessary at all levels, but are particularly pertinent to national Governments. There should be a sound legal and administrative framework for fiscal management. For instance, taxes, duties, fees, and charges should have an explicit legal basis. Tax laws and regulations should be simple and easily accessible, and clear criteria should guide administrative discretion in their application. The public should be provided with full information on the past, current and projected fiscal activity of government. Budget documentation should specify fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and identifiable major fiscal risks. Budget data should be classified and presented in a way that facilitates policy analysis and promotes accountability. Procedures for the execution and monitoring of approved expenditures should be clearly specified. A public commitment should be made to timely, comprehensive and reliable fiscal reporting, including deviations from the budget. The integrity of fiscal information should be subject to public and independent scrutiny.

F. Global governance and sustainable development

91. Sustainable development is both a holistic and a dynamic concept.[17] It is holistic in that it embraces economic, social and ecological dimensions of development; it is dynamic in that it focuses on present as well as future perspectives. The concept was launched at the United Nations Conference on Environment and Development in Rio de Janeiro in 1992 and found prominent expression in the Rio Declaration on Environment and Development[18] and in Agenda 21,[19] the global action programme, as well as in all the major environmental conventions and multilateral agreements in the Rio process, and in the establishment of the Commission on Sustainable Development, the major institutional outcome of the Rio conference.

92. The heads of States and Governments, in their United Nations Millennium Declaration, reaffirmed support for the principles of sustainable development, including those set out in Agenda 21, and resolved to adopt a new ethic of conservation and stewardship. The Declaration reiterated the need to make efforts to ensure the entry into force of the Kyoto Protocol[20] to the United Nations Framework Convention on Climate Change,[21] to intensify collective efforts for the management of all types of forests, to press for full implementation of the Convention on Biological Diversity[22] and the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa,[23] to stop unsustainable exploitation of water resources by developing respective management strategies, and to intensify

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17 "Sustainable development is ... a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs" (World Commission on Environment and Development: *Our Common Future* (Oxford, Oxford University Press, 1987), p. 9).

18 *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992,* vol. I., *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex I.

19 Ibid., annex II.

20 FCCC/CP/1997/7/Add.1, decision 1/CP.3, annex.

21 United Nations, *Treaty Series,* vol. 1771, No. 30822.

22 See United Nations Environment Programme, *Convention on Biological Diversity* (Environmental Law and Institution Programme Activity Centre), June 1992.

23 United Nations, *Treaty Series,* vol. 1954, No. 33480.

cooperation to reduce the number and effects of natural and man-made disasters.[24]

93. Now, nearly a decade after the major commitments to sustainable development at the United Nations Conference on Environment and Development in Rio, stocktaking seems necessary on the principles, agreements and institutions that were addressed, particularly in view of the upcoming World Summit on Sustainable Development, scheduled to take place in Johannesburg in September 2002.

94. Agenda 21 produced mixed results. On the one hand, a large number of local communities in the developed countries took it as a challenge to engage in a participatory process of redefining strategies of local development and of restructuring their energy and transport sectors; they thus endorsed Agenda 21 with supporting strategies at the national and regional levels (as in EU). On the other hand, Agenda 21 did not find much acceptance or support in most developing countries. There is therefore a strong need for the international community to rectify the deficiencies in starting and implementing the Agenda 21 process, and for the World Summit in 2002 to reactivate this major global initiative.

95. As regards the United Nations conventions signed in Rio and after (namely, the climate, biodiversity, law of the sea,[25] and desertification conventions), there have also been only mixed results. While improving energy efficiency and switching to renewable energy sources have become a major priority in some countries, in others they have not. The Kyoto Protocol has not entered into force and the chance of its doing so appears bleak. While the issue of biosafety was brought forward in the framework of the biodiversity convention, the protection of the world's forests is still insecure. As regards desertification, remarkable success has been achieved in

24 Paragraphs 22 and 23 of the United Nations Millennium Declaration (General Assembly resolution 55/2 of 8 September 2000).

25 United Nations Convention on the Law of the Sea (see *The Law of the Sea: Official Texts of the United Nations Convention on the Law of the Sea of 10 December 1982 and of the Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982 with Index and Excerpts from the Final Act of the Third United Nations Conference on the Law of the Sea* (United Nations publication, Sales No. E.97.V.10).

building capacity in the countries experiencing serious drought, particularly in Africa, and in securing common concern of both developed and developing countries. However, the issue of water shortage is still not understood as a global problem, although some progress has been made in communicating the seriousness of the threat with regard to health and food security in a growing number of developing countries.

96. Another main environmental issue, namely, the decrease in the quality and quantity of soils, has not yet received the necessary attention, although that problem is already very real and not only a potential threat. Recently, some progress has been made on the issue of persistent organic pollutants (POPs) as the multilateral agreement on the means and measures to address the problem has made headway.

97. An intensive debate is under way as regards the institutions that were put in charge of the global aspects of sustainable development, particularly the United Nations Environment Programme (UNEP), the Global Environment Facility (GEF) and the Commission on Sustainable Development. Institutional innovations seem needed; these should include restructuring these institutions, redefining their mandate, strengthening their capacity, and putting them on a sound financial footing. While a consensus seems to exist that the GEF should be enlarged, and that UNEP should be strengthened, the future structures remain open. Experience indicates that form follows functions, and form follows finance. Therefore, the functions of global governance for sustainable development should be discussed, and financing should be decided on.

98. There is, furthermore, the issue of consistency, that is to say, the need to address the problem of cooperation of these major institutions with other environmentally relevant global institutions, particularly the Bretton Woods institutions (World Bank and International Monetary Fund (IMF)) and the World Trade Organization, and their coordination with the various specialized agencies of the United Nations system that have a specified, though limited, mandate relevant for sustainable development, such as the Food and Agriculture Organization of the United Nations (FAO), the World Health Organization (WHO), the World Meteorological Organization (WMO), the United Nations Centre for Human Settlements (Habitat) and others.

99. The Committee notes that the forthcoming Johannesburg Summit provides a particular opportunity to thoroughly discuss the conceptual issues associated with sustainable development, the functioning of the various environmental conventions and multilateral agreements, and those global institutions whose primary and foremost mandate is the implementation of sustainable development.

G. Conclusions

100. The United Nations Millennium Declaration stressed the need for action at the global level to confront the persistent problem of poverty eradication and to ensure that sustainable development might become a reality for all. The Committee wishes to underscore the overriding importance of these objectives, goals rendered even more pressing due to some of the asymmetries of globalization.

101. At the core of global action is good global governance. This, however, must be supported and underpinned—as the United Nations Millennium Declaration implies—by good governance at the regional and national levels.

102. Deepened or enhanced global governance has a number of preconditions. At the present time, the Committee notes that bold initiatives should be undertaken on the following fronts:

(a) There is a need for greater transparency and accountability at all levels of governance;

(b) Innovative partnerships must be forged between various actors and at various levels—particularly between donor and recipient Governments and institutions, between the public and the private sector, and between Governments, social partners and civil society at large;

(c) Coordination failures have to be rectified to ensure the maximum efficiency and effectiveness of international assistance, both financial and technical. Improved coordination of and cooperation among donors is a necessity at the national, regional and international levels. At the same time, however, developing countries need to ensure "ownership" over the development programmes in their respective countries and to use the resources deployed efficiently;

(d) Adequate resources must be secured, especially ODA, and high debt burdens must be reduced;

(e) National and subnational capabilities and capacities need to be mobilized, in particular the informal sector and its knowledge and resources need to be incorporated into the formal economy;

(f) It is important to avoid environmental degradation. To such ends, non-market and subregional activities should be supported;

(g) It would be most useful to develop globally applicable, or just "global", "core principles" in certain areas, and both developed and developing countries should be engaged in this process;

(h) The participation of developing countries in multilateral governance should be enhanced.