

Report on the 131st Brown Bag Lunch

Theme: Reforming the role of the UN – towards achieving the MDGs

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Lecture by Mr. Simon Maxwell

I want to talk today about one of the topics we have in common, the role of the United Nations (UN) in meeting the MDGs. I know that this is a topic very close to the heart of many Japanese for many different reasons, including of course the political issues to do with the role of Japan in the UN and the possibility of Japan becoming a member of the Security Council.

There is a very big political discussion about the future of the UN. Today I want to talk more about the development side. I want to make the case that the development side has been neglected, and I want to try and use some theory from development studies in order to try and understand why that should be the case and what we might do in the future.

I am not going to talk a great deal about the MDGs because everybody knows the MDGs and everybody who is in our business understands that reducing poverty by half by 2015 is an overarching target. But it is perhaps worth saying that 2005, especially for those of us in the United Kingdom is described (somewhat ironically) as the 'year of destiny'. This is because there are so many development issues coming together over the course of this year. We began at the end of last year with the High-Level Panel on Threats, Challenges and Change, set up by Kofi Annan, that has led into his new report *In Larger Freedom* which will form the basis for the Millennium Development Goals Summit in New York in September.

We have the Sachs report, which has contributed to that discussion. Of course it would be very foolish of me not to mention the Africa Commission, which was launched in Tokyo the day before yesterday, among others by former Prime Minister Mori and Agnes Chan, who gave a very moving account of her experiences in Darfur.

At a more technical level, there has been a very important high level forum in Paris on

aid effectiveness, dealing with issues of donor coordination, harmonization and alignment. The decision has been made greatly to increase the resources available to the World Bank through the International Development Association (IDA) renewal. Those of you who have seen the news this morning will know that we are very much focused on the G8 in Gleneagles, with our Prime Minister currently in Washington trying to persuade President Bush to provide even more aid and debt relief and trade liberalization for Africa.

In Europe we are very obsessed at present with the problems of the constitution, but apart from that we have a new Commission with a new energy for development, a new development policy being written, and a very important decision being made about the budget for the European Union up to the period to 2013, which will have an impact on international development. The trade talks in Hong Kong in December are also important. Underlying all of this, we should also note the initiatives by Gordon Brown to try and develop an international financing facility.

This slide we have already used more than once in Tokyo this week, summarizes what it feels like to be working in the United Kingdom on these issues. Here we have a small cart loaded with the trade and aid agenda and the International Faculty of Finance (IFF), and this is me, here, trying desperately to manage the overload. What we say to ourselves is, do not panic. There is a way to resolve many of those problems. The way to resolve the problems is to focus on the role of the United Nations.

Now, I could have put some different answers to the problem on this slide. I could have said that the way to solve the problem was to focus on the role of the World Bank or even the Japan Bank for International Cooperation (JBIC) or the Japan International Cooperation Agency (JICA), or other bilateral aid agencies, or the European Union. But actually I want to make the argument to you that there is no body, no group of bodies in the world that has the range of functions, the potential, but also the problems that currently face the UN development system.

I have listed on this chart the various roles that the UN plays in development. It has a research function. Of course it has a very important role in setting targets and in building consensus. It is very active in international treaties. It sets standards internationally on health and safety, labor standards and so on. And it provides an important database, and information collection and dissemination—a coordination function. All of these are in effect global public goods. We know that there is now quite a

literature on global public goods, which are necessary, which will always be underprovided by the private sector, which only the public sector can at least finance and usually provide, and that in our world the UN is responsible for delivering. These are essential instruments for our collective wellbeing in the 21st century.

In addition, the UN has an important role in direct action. In humanitarian affairs, through the Office for the Coordination of Humanitarian Affairs, on environment, but also in development through the work of its various agencies. Now, it would be possible for these direct development actions and human security actions and peace keeping actions and environment actions to be undertaken by different bodies—by the bilaterals, by the EU, by the World Bank. But we need the UN involved in those activities because it provides diversity in the international system that would not otherwise exist and because multilateral aid in general has economies of scale and political advantages compared to bilateral aid.

This is an important point which is perhaps worth dwelling on for 60 seconds, which is that if you look at the aid system in particular, it is a slight exaggeration and a caricature but it is nevertheless a point worth making, that there is one very large player, which is the World Bank, and by comparison everybody else is relatively small. We have used the analogy of the supermarket and grocery sector to say that the World Bank is like Wal-Mart which is a dominant global player. Not only because of the money it has at its disposal, but also because of the intellectual capacity. By comparison, all the other aid agencies are small corner shops. Wal-Mart, and the corner shops. If you were a regulation competition commissioner in Japan or anywhere else, you would regard that industrial structure as being inequitable and unsustainable.

Just as competition authorities normally require there to be two or three competing companies in a sector, whether it is telephones or software, the same ought to be true of the aid business. We need more competition in the aid system and one way to provide that is to have a strongly functioning UN. If you like, this is the most important value judgment in my presentation, and one we may need to debate at the end, that there should be a powerful role for the UN, not just in global public goods, but also in direct provision of development humanitarian and environmental services.

Surprisingly, the UN is actually a very small part of the international aid system. These figures are for 2002 and show that the UN is only 8% of aid compared to a very surprisingly high percentage for bilateral aid. 69% of all aid is bilateral. This to me is

one of the biggest mysteries in development cooperation. Those figures should be reversed. There should be 69% in the multilateral system and only 31% in the bilateral system. We might want to come back to that.

So the UN is a relatively small player. There are some reasons for that of course, and one of those is that the UN, during the time of the great settlement in the 1950s was debarred from financial aid. There was a great debate in the 1950s about who should have the IDA. Should it be with the UN, should it be with the World Bank? It ended up with the World Bank, and the UN was given a few crumbs of comfort, like the World Food Program (WFP) and the UNDP, originally the Special Fund.

So there is no great finance coming through the UN. The UN is mostly providing technical cooperation, humanitarian relief and some other things. So if we look at the ODA that is going to the UN, it is the red line. If we look at how much of that is actually spent in developing countries and is provided as real aid to developing countries, the figure is only about US\$3 billion a year, and the total aid volume is now around US\$70 billion so you can see that is quite a small percentage.

A very interesting question for us is what is going to happen to aid volume in the coming years, because if all these pledges to double aid, to reach 0.7% of GNP come to fruition, it is very likely that aid will go from US\$70 billion to US\$100 billion, US\$110 billion, US\$120 billion, possibly quite quickly. An interesting and important question is whether the UN will still be at US\$3 billion in a US\$120 billion aid world, or whether it will play a bigger part. Even a proportional part at the same level would be much bigger than it is now.

Where does the money go? Well, much of it is through the relief agencies; the United Nations Relief and Works Agency (UNRWA) for Palestine, the United Nations High Commissioner for Refugees, and then the United Nations Children's Fund (UNICEF) is also very big. Most of the others are quite tiny, especially all the specialized agencies—Food and Agriculture Organization (FAO), United Nations Educational, Scientific and Cultural Organization (UNESCO) and so on. If we take out these rather special cases of the UNRWA, and to some extent the WFP, the genuine development work of the UN is really a corner shop; a little tiny boutique with the big supermarket Wal-Mart across the road.

This poses very many interesting dilemmas for people working at the country level in

the UN. I have been in countries where the UNDP resident representative takes it upon herself or himself to try and be the spokesperson for the international community, to the government, brokering assistance frameworks. But actually this is like the poorest person in the street going to the supermarket and trying to be the owner of the supermarket. If you do not have the money in your pocket, then there is not much point in going shopping.

Despite the fact that it is relatively small, of course, the UN is an enormously complicated set of institutions. Let us leave aside the question of whether the World Bank is or is not part of the UN system, a question that is very much debated. Here we have all the funds and programs which are under the control of the Secretary-General—UNDP, United Nations Development Fund for Women (UNIFEM), UN Volunteers, UN-HABITAT, Environment Program and so on. And then we have all these specialized agencies which you know very well—FAO, UNESCO, World Health Organization (WHO) and all the others—each of them very important, each of them with their own governance, their own boards, their own independent budgets and usually their own political orientation as well. Whatever else we might say about this system, it is complicated.

Coming to Japan, I have realized how very complicated Japanese development cooperation is, and I am told there are 30 different government agencies providing aid to developing countries. Japan is very complicated by comparison with the United Kingdom, but the UN is even more complicated than Japan, and that is saying something.

There are many problems of coherence, of overlap, of duplication, and of course of uneven performance, as you would expect in a system that is this big and this complicated. A colleague who worked in a UN agency said he was amazed to discover that this agency decided that it should produce a big statement on its subject of interest once a year – but did not produce just one major statement of its policy each year, it produced three, and two of those were in the same week. As a result, of course, all three of the reports were completely lost. If you take the system as a whole, exactly the problem is that we have major statements of policy each year, from this one, and all the way up, and all the way down, right over to the other side of the chart.

Nobody ever says about the World Bank that this is an organization that does not have a vision and a program. Indeed many people criticize the World Bank for its vision and its program. But with the UN it is pretty well impossible to see a coherent vision and program because of the complexity. So it is surprising, that in 2003 this is what Kofi Annan said about the UN system, “The system is not working. We need to take a hard look at our institutions and they may need radical reform.” He was talking mainly about the security agenda, but he has also been very concerned over the years about the content of the development side.

He is not the first person to make that observation about the UN. As part of my research on this, I assembled some of the previous attempts. There have been many studies, including many initiated by Kofi Annan himself within the secretariat, but also of course the Commission on Global Governance, the big influence of the Nordic UN Reform Project in the 1990s, various internal activities, the Helsinki Process which is reporting this month, I think, the Commission on Human Security, of which Madame Ogata was the leader, the World Commission on the Social Dimension of Globalization published last year by the International Labour Organization (ILO), and now the High-Level Panel, the Sachs report, and the Secretary General’s report *In Larger Freedom*. There is no lack of vision.

Indeed, I went back and looked at what all these documents said about the reform of the UN. There is a structure to all these reports. In fact you can write a computer program that would produce a report on the future of anybody. You start out by listing problems—environmental, security, terrorism, poverty, global threats. Then you make a list of principles, and then you come up with some proposals. If there are any young people in the audience this is my advice, you could produce a report on the future of the UN in two hours, simply by following those three chapter headings.

Everybody has principles. These are the ones that I found in those reports: respect for life, equity, respect, human rights, tripartism, tolerance, respect for nature, medium term predictability, impartiality, the list is a long one. It is also the case that there have been very many specific ideas. Kofi Annan produced his reforms under the title of Track One and Track Two. There have been ideas about an Economic Security Council, reform of the Security Council, new roles for the economic and social council (ECOSOC), turning it into an economic and social security council, of course governance of the World Bank and the International Monetary Fund (IMF), coordination, UN House, United Nations Development Assistance Framework (UNDAF), many such

proposals.

But here is the key proposition that I wish to make. The interesting question, especially for those of us who are researchers is not why we need the UN. That case is very easy to make. The question is not what reforms of the UN, because we have had many proposals along the way. The really interesting question is, “How?” How do we go from a UN system which Kofi Annan says is not working and which needs radical reform to a system which matches the very high aspirations that we have for the UN. Not what? not why? But how? That is a research question.

As I thought about that question, I was led to the theory of collective action - in political science, in organization theory, in common property resource management, in organizational management, and also actually in biology. The theory is extremely useful, with the theory of public goods, with issues about social capital, with the famous work on thin and thick rationality. Sarah Gillinson surveyed this literature and produced what I think is a very useful introduction to collective action theory which you will find on our website. It is called “Why Cooperate? A Multi-Disciplinary Study of Collective Action,” ODI working paper number 234. A very interesting and easy read and I commend it to you.

With Sarah Gillinson’s working paper in my hand, I made a list of the conditions that were necessary for collective action to be successful. There are some very interesting points on this list. First of all, the individual and the collective should have roughly overlapping interests. There should be a high degree of trust. There should be clear incentives and benefits for people to participate, and there should be quite significant costs if people defect from the collective. There need to be social norms which foster cooperation. Very important, the powerful need cooperation. Cooperation will not work if the powerful do not feel they have something to gain from it. There are issues from game theory and prisoner’s dilemma exercises about long time scales and there are issues about economies of scope when you have cooperation across many different issues.

Just one example, which I like because it illustrates for me very nicely the kind of role that social sanctions play. I do not know whether this applies in Japan or not, but if you have an office and the office has a kitchen and the kitchen has tea bags so that people can make tea, usually people do not steal the tea bags from the office kitchen. Certainly that is true in ODI. I hope it is also true in FASID. Nobody steals the tea bags. Why not?

This is a collective action problem because if you are in the kitchen stuffing tea bags into your pocket to take home for your starving children, and one of your colleagues walks in and catches you, everybody in the office will know, nobody will speak to you, and your reputation will be ruined forever. The only person, according to the literature, who can steal the tea bags in the office kitchen and get away with it, is the director. So we might try an experiment in FASID and see whether or not this is a correct conclusion.

Why do I think these conditions are interesting? Because almost none of them apply in the international arena. Think about the recent examples of failures of international cooperation. Iraq is probably a very good example. Some powerful countries felt they could not follow the UN with impunity and effectively there were no sanctions. Kyoto, a very important international treaty, but not all countries decided to participate. There were no sanctions. The international criminal court, not all countries have decided to participate, and there are no sanctions. The convention on the rights of the child, many other human rights instruments, not everybody has participated, and there are no sanctions.

It seems to me we live in a world where there is not always a high degree of trust, the parties are not relatively equal, it is possible to walk away without sanction from exercises in collective action and the powerful sometimes think that they do not need cooperation in order to survive. They are probably mistaken in that, but there is a feeling, and there is a political science literature on this, Bob Kagan and others, that Europe, for example, very much likes rules and institutions, whereas say, the United States does not like them so much, and that is because the United States is strong and Europe is weak.

Now I am not a political scientist and I am actually not so much a specialist in international diplomacy. I come to this from the development side. But I think this is a very intriguing set of conditions. For those of you who are in the foreign policy arena I would be very interested to hear your reaction to these conditions, and whether or not they provide us with a way of understanding why collective action is sometimes so difficult in the international system.

What might we do about that? The answer of course is not just to give up. The answer is to try and find solutions which enable us to do collective action more successfully and particularly to apply those to the reform of the United Nations on the development side.

From this literature and from thinking a little bit about this topic, I developed an eight step program. This sounds like one of those books about diets. Eight steps for a thinner you. Or eight steps for more intelligent children. This is my eight steps for reform of the UN and for better international institutions. I am not going to talk in detail, given the time, about each of these, but there are some interesting insights as we go through.

First of all it is really difficult to deal with problems of collective action if everybody has to be involved. It is probably best to have a relatively small group. That is the lesson, for example, of studies of collective action of natural resource management, but also of business associations. When you get a business association where everybody knows everybody else, then you get a high degree of trust developing and it becomes easier to manage the transactions involved in developing collective action. So at the World Trade Organization (WTO), we have a green room in which certain selected countries negotiate important issues and everybody else is excluded. Lots of people complain about that, but it seems to me as a principle it is not a stupid way to approach negotiation by keeping the core group small.

Security Council reform. Why do we have both a General Assembly and a Security Council? Because it is very difficult to manage decision making with over 180 people in the room. We need a small group that can work together. But the interesting question is, how big is that group best constructed? Is it the current, whatever it is, 16, should it be 24, or should it be larger? That is a very important decision which is not much discussed in the context of Security Council reform where people are much more focused on countries wanting to be members of the group rather than what is the ideal size for the group.

Second, the importance of building trust. Of course, cooperation works better when there is a high degree of trust. But trust does not just happen. Trust does not appear. Trust has to be built. This is like being married, if you like. You have to build a relationship and build trust over time. We often laugh when presidents go for a walk in the woods, as, was it Presidents Reagan and Gorbachev, or Brezhnev, I cannot now remember, famously did the walk in the woods summit. Or when groups of delegates go out for dinner together or do something which is outside work together, or find ways of understanding each other better. This is about an investment in better collective action and we need to think strategically about what those investments are and how to make them.

The literature shows that there are serious benefits when collective action is repeated across a number of different domains, for example village organizations which not only manage the water, but also manage the grazing land and woodland. This is because the transaction costs are spread across a number of different activities.

Network closure is about the importance of the social penalties for not participating; the tea bags in the kitchen.

Let us be selective in the issues we choose so that we are not wasting a lot of energy on issues where actually there is no community of interest and where the rich do not have the same interest as the poor, or where there will be no penalties for stepping out. Choose the right issues. Be selective. Which of the issues on the current UN reform agenda are the ones which give the biggest benefits to the most people?

Then we come to the issues of positive and negative incentives. It is often the case that the discussion jumps very quickly here to using penalties, sanctions, increasing the cost of defection. I think it is better to start with positive incentives and to try and find ways in which people can be encouraged to do the right thing. This is of course very political. There were many cases during the build up to the Iraq war where senior diplomats from the United Kingdom, the United States and other countries, were to be seen visiting the capitals of other security council members in the developing world, offering large amounts of aid or other inducements to persuade them to accept the security council resolutions. This is what countries do. They provide positive incentives to behave better, to take different action. Of course the incentives that are offered may be completely in a different sphere to the ones that are currently being debated, so the aid was not about Iraq directly but it was a way of encouraging support for a certain line on Iraq.

Increase the costs of defection. I cited some examples earlier on where one large country had not participated in certain international agreements and there were no penalties whatsoever. A number of the examples I cited were related to the United States but I want to make it quite clear that this is not a way of attacking the United States. This is something that just happens with many countries. But there are one or two examples where the United States provides a convenient case study.

It was very interesting when the trade talks collapsed at Cancun, that a number of countries then very quickly signed bilateral trade arrangements with the United States particularly, and of course that is a way of making it much more difficult to reach

multilateral arrangements later on. Some issues feature in bilateral trade talks and others do not.

Finally on this list, step eight of the program, collective action needs to be managed; there need to be institutions to manage change.

It does seem to me that an eight step program like this leads us in some new directions.

Let me come then to the question of the current reform agenda and ask the question, are we using the eight step program as well as we can? We have *In Larger Freedom*, Kofi Annan's report which will be discussed at the Millennium Summit in September and is currently receiving a great deal of attention in the foreign ministries of the world. Much of that is about non-development issues. Of course Security Council reform is the big topic, but also some important issues for those of us who work on development. Examples are: the responsibility to protect, which is really about the question of when it is right to intervene in situations like Darfur; the reorganization of the Commission on Human Rights in order to form a smaller and more tightly focused Human Rights Council; the Peace Building Commission; the Democracy Fund; ECOSOC as a development cooperation forum with some new roles.

My verdict on this list is 'quite good, but, as they say on your school report, 'must try harder'. Because it seems to me this does not actually take us nearly far enough in terms of dealing with the structural problems of the UN agencies and the UN development system. We have been sidetracked, I think, by the focus on security, the Security Council issue particularly, and the peace building issue away from addressing the core problem of the UN development system. We have allowed what for us is a very important part of the collective action tapestry to be neglected. I think it is not too late to rescue that, at least to some degree in 2005.

What would be better? There are some issues that many people would like to see on the agenda, of which probably the biggest is governance reform of the Bretton Woods Institutions, and that means particularly the voting rights on the boards of the IMF and the World Bank. That is a big one which will be very difficult to address and I think is not mentioned in *In Larger Freedom*. The whole relationship of the Bretton Woods Institutions to the UN needs to be addressed.

I am very curious to know why it is that there is no financial funding window through

the UN. I can see a strong case for it in terms of the arguments I made earlier on about Wal-Mart and the corner shops. I think it meets the conditions that are outlined in the previous slides for successful collective action. There are various ways in which it might be done.

The issue of budgeting and coherence in the system is a very important one. My analysis of the problem with the UN specialized agencies is that we suffer from having too many independent governing boards with too many independent budgets, and the Secretary General as the *primus inter pares* rather than the overarching *supremo* of the UN development system.

My own view is that the way to solve that is to bring the financing back into the center and have the UN operating a bit like a national government with all the funding coming through one place and going out again. Some of the people I very much respect think that diversity is more important than centralization and I would be very interested in hearing views about that.

But at the end of last year, Hilary Benn who is the Development Minister in the United Kingdom gave a very important speech on part of that agenda, particularly dealing with the humanitarian side. What he said was that Office for the Coordination of Humanitarian Affairs (OCHA), suffered from many of the problems of systemic dysfunction that I described earlier on and that the way to handle that was to give OCHA fiduciary responsibility for managing the funds in emergencies.

He proposed creating a US\$1 billion emergency fund that would then provide the funding for the UNICEFs, the World Food Programs, United Nations High Commissioner for Refugees (UNHCR), and others engaged in humanitarian emergencies, but would give OCHA the instrument it needed to provide the positive incentives and the negative incentives to drive the system. There is a reference to that proposal but not yet full hearted endorsement in *In Larger Freedom*, but it is an illustration of where you are led to by thinking about collective action problems in UN reform—how do you increase the strength of these various levers in the system.

Now, I want to finish on this note by saying that the first several steps of my ladder were about where the leadership comes from, how the understanding can be built and how the trust can be developed to make these changes possible. My proposition is that we need leadership on this topic, and that the leadership needs to come from a few

countries which have a strong commitment to the UN, working with a small group of like-minded donors.

I think Japan is such a country. I think Japan could play a very important part in 2005 in building support for a reformed UN development system, working with allies in the OECD countries but also in the developing world, building on the collaboration and trust that already exists through your foreign policy. I think, if I may be so bold as to say so, that given your aspirations in the international arena, this would be a worthwhile, legitimate, and important contribution Japan could make.

It is important also that civil society take a role in this. Again the tea bag in the kitchen example is highly relevant. I ran a workshop on this subject for heads of UN agencies and politicians at the World Economic Forum in Davos last year. I asked them the question, "How does change happen?" They said to me, "Actually, you know, one of the most important thing is to have a very strong civil society pressure. If there is a big demonstration on this, if there are briefing papers circulating from the agencies and the NGOs, if the people want something, it becomes very difficult to deny them." So we have the G8 and we have the MDG Summit, I wonder whether there is not a role for the civil society in my country but also in yours, to be analyzing this question of the UN and setting a standard that we should aspire to.

Finally, this is the last point I want to make. The question of whether we are ready in September to make far reaching proposals, or whether we need a slightly longer term process. In thinking about this, I was led back to one of the first times that this question was addressed, which was in the late 1960s in a report called the Jackson Report, published I think in 1969. The Jackson Report was the report which restructured the whole of the United Nations development system. I read it again three or four weeks ago. Almost everything it says is still true, and almost all the requests that it makes and the suggestions it makes are still highly relevant.

I think we need a new Jackson Report for the 21st century which looks holistically at the UN development system and which enables us to have specific proposals for discussion if not at this year's General Assembly, because it is now too late, but at next year's General Assembly. Again, I think there would be a very interesting role here for Japan if Japan was interested in taking this issue forward, because in all these discussions what matters most is leadership. Leadership is probably the scarce resource in this system.

Why is all this necessary? Why do I think that the collective action theory can help us? Why do I think this is urgent? Why do I think there is a role for Japan? The answer is that we live in a world in which there are great problems and great inequalities in which only through collective action will we be able to solve these problems. Only if we have genuine collaboration across countries with sometimes different interests will we get to solutions which are applicable to all of us.

We cannot live without the UN and that is true, just as much in development as in everything else. We have two choices facing us in the future. Whether the international system will be devoted to the poor or not, and whether it will be more multilateral or less multilateral. The biggest risk we face is that because of the pressures of the war on terror and security and because of the inequalities in the world, we will move into this corner of the diagram, where the focus is moving away from the MDGs and away from poverty and where countries are increasingly acting alone without any restraint and without any collaboration. Of course I think the place we need to be is in this corner, where we are working together on the key global problems including poverty reduction. My proposition to you is that we cannot do that without the UN.

Questions and Answers

Question 1

With regard to the UN resident coordinator system, I got the impression from your comments that there are some difficulties in that system because of finance involved. But with regards to the need to have a coherent system, a UN development system working at the field level, and also the expectation of the member countries to have a strong UN with good coordination and collaboration, what do you think would be the optimum arrangement that will have an impact? Any revision to the present system? Any alternative system? That is one.

The second question is, with regards to the last slide where you mentioned a central budgeting system for the UN development system, what would be the reasons and elements working for that and against that? Thank you.

Mr. Maxwell's Answer to Question 1

First of all, I confess that I spent the first seven years of my career working in UNDP as a junior professional officer in Kenya and then as assistant resident representative in India, and I am a UNDP man in this discussion. But I think there are severe limits to the role that any resident coordinator can play, given the complexity of the system.

Now the emphasis in recent years has been very much on field coordination; building a coherent UN development system from the bottom up. The expression of that has been found in the attempt to produce a single UN Development Assistance Framework, UNDAF, in strengthening the role of the resident coordinator, and in creating UN House as a single building in which all the UN agencies are located. In fact I was walking in Tokyo the other day and I see you have a UN House in Tokyo, so congratulations on that.

But that is not enough. I think it is very difficult to go further without addressing the problems further up the system. Go back and read the Jackson Report because it makes exactly that point. It says the UN does not have a brain. I do not know whether Jackson meant there was no brain at all, or whether there were too many brains, let us be charitable and say he thought there were too many brains, and I think that is true. There is a lack of coherence in the system. The UN system, Jackson was right, needs a brain.

What Jackson proposed was of course a very central role for UNDP. UNDP would be the financing window through which the specialized agencies would derive their funding. Indeed when I worked for UNDP in 1970, I started in Kenya, UNDP was the financing window. The indicative programming system, the IPF, the country programs were all directed to that end. But that system has eroded, and donors, governments, including, I am sure, your government as well as mine, are partly responsible for that because they have encouraged a lot of diversification and they have put many trust funds into place which provides special funding for programs that they like. That makes an institution impossible to manage.

We work a lot at ODI on how to do budgeting more efficiently in countries. We talk about having a single budget process with donors supporting that through budget support. We lecture countries about doing that. When it comes to the UN, we follow exactly the opposite strategy.

So I am in favor of centralization. I think UNDP should be the Ministry of Finance of the UN system. Why do people say we should have more diversity? Well, very often it is because people think that particular agencies are so wonderful they should not be touched. Secondly, people say, “well if you unify the system you make it much more prone to being captured or pressured by particular authorities.” I think that is an interesting risk, and it is another collective action problem. We need to find a way of designing the system so it is robust in the face of risk. That is not an unusual institutional design problem. Of course it would be a mistake, simply to set it up in such a way that it becomes prone to all the problems that could occur. So we need institutional robustness built in.

Question 2

My question is simply a point of clarification. At page three, Kofi Annan referred to the institutional management. We need to take a hard look at our institutions themselves, and you referred to the institutional issues at the eighth point of doing better at page nine. Establish institutions to manage change. I am not so clear about the concept of the institutions you referred to. Does it mean, sort of social, kind of management, managerial norms, or just the organizations? Thank you.

Mr. Maxwell's Answer to Question 2

There is of course a big discussion and I do not want to venture into the territory of Douglass North on the difference between institutions and organizations. I am a very simple analyst of these issues. What I really mean is that the big changes that need to happen in the UN are to do with the structure of all these institutions. But what I mean by saying we need institutions to manage change, is that we need somehow or another to have a process by which we come to agreed proposals.

The Helsinki Process is an example of that, bringing different stakeholders together around a table from North and South. The Helsinki Process is chaired jointly by the President of Finland and by the President of Tanzania, so North and South. It has civil society voices, and it has government voices, and it is dealing with a range of issues, including reform of the UN.

We have had other examples of this in the international arena, like the World

Commission on Dams. We need a kind of World Commission on the UN, which somehow is creating the institutions by which we agree on what has to be done and then deliver it.

There are of course some possible candidates in the field. The G8 might be one. But then, who is at the G8 is an interesting point. Tanzania is not a member yet of the G8. With respect to development cooperation issues, the main coordinating forum at present is the Development Co-operation Directorate (DAC) of the OECD, but that is OECD countries only and is on the whole mostly focused on bilateral aid and not on these big issues of aid architecture. Aid architecture is an orphan in the international debate it seems to me. So we need a set of institutions that can manage that conversation for us.

Question 3

Indeed I quite agree with the assessment that in the UN system there is no coherence, or little coherence, and there is quite a lot of duplication and overlapping. My question is, firstly, how do you assess the role and function of the United Nations Development Group (UNDG) which was established in 1997?

The second question is, you insist that the financial funding window for the UN should be created. However how can you ensure the good governance or efficiency or effectiveness of the UN system, because now the UN is suffering from the scandal of the Oil for Food Program (OFF). It seems to me with that scandal it is increasingly difficult for us, the government, to convince the Japanese tax payers that more resources should be funneled through the multilateral channels. Thank you.

Mr. Maxwell's Answer to Question 3

Thank you for those questions. The UNDG was part of Kofi Annan's Track One reforms. Track One was about the things that Kofi Annan could do without changing the charter or the big governance arrangements at the UN. So there were a number of things that were put under that umbrella. The UNDG, a cabinet style government, issues about efficiency and administration. By all accounts, the UNDG has been a success for the funds and programs which are under the control of the Secretary General: UNFPA, HABITAT, a few of those. It does not touch where I think the big problem now remains, which is the big specialized agencies. They are not part of the UN Development Group. Of course in management literature we often talk about the problem of managing the

barons, which goes back to the old problem the British King used to have with the barons. Barons are difficult to manage. Anybody who knows anything about organizations will agree with that. So that is the problem for the Secretary General. I would be very happy if these specialized agencies could be brought in.

The question of whether or not the UN is ready to receive a large amount of extra aid is, I think, a very important one. The answer is, not all the money tomorrow morning, but we should give the UN if you like, as we say in English, enough rope to hang itself. Give it the opportunity. Give it enough to start with promises of increases and a trajectory that would build a UN development system over time.

The challenge is then on the UN itself and on its governance to demonstrate that they can do a better job. I think that some of these agencies have made great strides in recent years. UNDP is probably a good one to cite in that connection. The British Department for International Development recently carried out a study of the effectiveness of multilateral institutions and you will remind me, but I think UNDP scored 95%. Mark Malloch Brown sent an e-mail to all his staff saying this is very good, but next time we want 100%.

There is a lot to discuss about that measurement and how it was calculated, but they scored better than anybody else. There is a system, very clear rules for recruitment, results driven approaches, high standards of auditing and accountability, personnel management so that nonperforming staff are eased out of the system, something Kofi Annan wants to do.

The UN is not entirely incompetent across the board so let us not start with that assumption. Let us give them the chance.

Question 4

I think everybody recognizes that the UN needs some kind of reform, and you also explained how the collective action theory does not apply to an international community because the 16 conditions are not being met. With the case of the United States, I think you mentioned several examples like the war in Iraq and the refusal to sign the Kyoto Protocol.

After that you mentioned that the collective action might be done better with the eight

step program, right? I am still a little bit concerned how even with the eight step program we can stop countries like the United States acting unilaterally. Especially because I do not think you can stop such a powerful country acting without any kind of consequences.

Another question that is related is how would ODI advise the British Government to interact with the US Government? Especially now Tony Blair is in the United States. I think you might have heard in the news this morning that they had a joint conference announcing increasing aid to Africa. But clearly they differ in terms of how they want to do it. It is pretty clear that Bush still wants to continue in his own way, without really taking into consideration other countries. So I would like to hear your opinion on how the rest of the world can interact with the United States and try to get them back into a more cooperative atmosphere. Thank you.

Mr. Maxwell's Answer to Question 4

I certainly do not want to be on record as demonizing the United States. I think there are many other interesting countries which have caused us headaches in the area of collective action and some of them in this region have been extremely problematic. The place to start is at the bottom of the ladder, the issue of trust building measures and conversations about what is and is not possible.

I was very interested to learn that Mary Robinson, who of course was the commissioner for human rights, when she stood down, formed a new institution on ethical globalization, and based herself not in Ireland or in Europe, but in the United States. She spends her time traveling around the back parts of the United States. Why? Because she is building a constituency, and she is helping to explain and build understanding and build trust in ways that perhaps do not always exist.

The UN has established the Millennium Campaign which is the international version of the Make Poverty History campaign which is very strong in the United Kingdom, which is working very closely with the churches in the United States because the churches are a very powerful way of bringing moral values to bear on government.

However, we should not be naïve. There will be differences of interest. It is very important to say that the theory of collective action does not suggest that everybody has to think exactly the same or derive exactly the same benefits from every piece of

collective action. People go into a negotiation because they will get something out of it: not because they get everything they want but because they are better off than if they did not enter it.

The United States is a very, very important player. President Bush said in the press conference this morning, first of all they have increased their aid to Africa by three times, but secondly they provide 25% of all the aid to Africa. By the way, the research evidence is that aid increase is faster under Republican administrations than it does under Democratic administrations. So no demons, but start with trust building measures. This is not a five minute project or a five year project. Let us build collective action over time.

How do we at ODI work on this? We have a lot of work about building networks of research institutes and think tanks around the world. That is one of the reasons why we are in Japan—to find colleagues to work with. Our counterpart in the United States is the Center for Global Development and I did a seminar there last year about building stronger links between Europe and the United States. This year in 2005 we are having joint meetings where they are flying over to us to speak to the United Kingdom, and we are flying over to them to speak at a meeting in the United States. We try to have not separate conversations but one conversation. This is an example of building institutions for collective action, paying the transactions costs because that is the only way in which you can move forward.

Question 5

In the United Kingdom, you have a very generous Minister of Finance, Mr. Gordon Brown. He stressed that the contribution to poverty reduction is a moral duty of rich countries and he increased the budget of ODA in particular for Africa. Generally speaking the Minister of Finance is very defensive and they try to control or curb or cut the budget proposal including the ODA. Why is he so generous? Is it due to some political motivation for him, personal motivation, or is there any other reason? You have very close contact with him, in this occasion I would like to listen from you.

Mr. Maxwell's Answer to Question 5

Actually I do not have a 'very close contact' with Gordon Brown, although there are two or three things to say. First of all development cooperation is a tiny share of any

government's budget. The budget in the United Kingdom is 500 billion pounds a year, the aid budget is about 5 billion pounds. So you can double aid and you would not even notice. And that is probably true in every developed country—0.7% is not a very ambitious target for a modern developed country. We would like Gordon Brown to be much more generous. He is committed to 0.7% to by 2013, and wants to use the international financing facility as a way to double aid but pay for it after 2015. There are many campaigners in the United Kingdom who were saying, would it not be good to have 0.7% more quickly? There are also some campaigners who think that aid is not the only solution and many other things need to be done.

Why is it such an issue in the United Kingdom is a question that we are often asked when we go outside. There are I think a number of different reasons. Some people are very cynical about it and they say, "Gordon Brown wants to compete with Tony Blair. Tony Blair is doing the Africa Commission so Gordon Brown is going to do something else because there is a competition between the two men." I do not believe that. I have heard them both speak about this topic and I believe both of them care very deeply about the problems in the developing world. That is a moral issue but it is also something else. It is also a practical issue. The political manifestos make this point very clearly that we ought to do more for the developing world because it matters. But if do not, we will have more instability in the world, more problems with migration, more problems with disease, possibly more problems with terrorism. It is in our own interest. The report of the Africa Commission is called *Our Common Interest*. Now that is a message worth repeating. For those people who perhaps do not care so much about the moral case, it is our interest to do something about reducing poverty in the developing world.

I think we should never underestimate the benefits we derive from strong political leadership. For us in the United Kingdom to have Blair and Brown, and Hilary Benn, the International Development Secretary, allied to an enormous alliance of NGOs working on international development is an extraordinary moment. We have lots of debates about what to do and how to do it and priorities, but the fact of the matter is that because there has been such emphasis on this, it has really been taken out of the political arena.

The election in the United Kingdom in May was very interesting. Nobody discussed development because they all agreed. Nobody was saying, "Cut aid to developing countries." Nobody was saying, "This is not an issue," nobody was saying, "Let us not

bother to reform the common agricultural policy and improve trade.” Nobody was saying, “Let us not cancel the debts.” All the parties had policies on development, they were pretty well identical. Development has been de-politicized because it has been seen as such an important issue. That is a remarkable position to be in. It would be wonderful if the same were true in all the OECD countries. I do not know whether it is true yet in Japan.

Question 6

As already you know, Arnold Toynbee made a very critical prophesy before about the UN. Based upon nations’ interest in profits he saw not so much hope for the UN, but in the future, maybe a kind of developed social civic organization founded based upon an organization such as the UN could have much hope, he said. We are now thinking about the alternative organization different from the UN. What do you think about this kind of trend currently?

Mr. Maxwell’s Answer to Question 6

I imagine you must mean organizations like the WTO, which are not part of the UN, and many others. The UN is a family. It is a family unified by certain principles and certain commitments. When it comes to issues like negotiating treaties, there may be scope for different family members but they need to be part of the same family. I can see many advantages myself to bringing the WTO firmly into the UN system, for example. Because otherwise, you then end up with lots of problems of coordination and going off in different directions.

The worst situation of all, it seems to me, is to build institutions and then not fund them properly and not take them seriously, so that you look at something and you see the superstructure is in place, the scaffolding is in place, but in the middle there is nothing or there is a very weak institution. To build the UN which has the character we want superficially, but which is hollow, is the worst outcome of all because it stops us making progress in the directions we need to do. We need to be brave. Either we believe this or we do not believe it. If we believe it, then Japan and other countries should take the lead in helping us to make sure that there is no hollow center, that we have a genuine collective body in the UN which is properly supported and which is as rich and diverse as it needs to be.