



## – Network News –

**Paris, 14 October 2008** - On the eve of our annual conference, I would like to take this opportunity to give you some news from our Network. The conference will take place from 20 to 22 November in Paris at the invitation of the French National Assembly and the French presidency of the EU. The theme of this year: climate change, food and global financial crises should be one of great interest to all our members.

As you know, I took over as PNoWB Chair in April following the resignation of Betty McCollum. As a Board, we are grateful to Betty for her leadership. She was unfortunately unable to continue as Chair in light of the increasing demands of her official duties in the Congress and the upcoming U.S. elections. However, Betty continues to serve on the PNoWB Board.

At the same time, I would like to take this opportunity to introduce key team members. Jerome Evrard just joined the PNoWB Secretariat as conference counsellor. He will support Zuleikha Salim Said in the organization of our annual conference. Also, our key partner at the World Bank Group's European Office, the Parliamentary Relations team is now led by Jakob Kopperud following the departure of Jean-Christophe Bas. Jean-Christophe has been a staunch supporter of PNoWB and

we are grateful to him for his efforts in developing the Network and establishing relations with the World Bank.

As Chair, my most important duty is now to preside over the restructuring of PNoWB. To this end, board members met in Chantilly in June in order to draft a strategy for the Network over the next three years. At the core of this is work on the revision of the elections procedures and the role of PNoWB Chapters. This was indeed part of the mandate given to the board at the 2007 annual conference in Cape Town. Most of you will already have received the invitation to comment on the draft. For your information I enclose the concept paper on the Chapters and your comments are appreciated.

Last but not least, the World Bank President participated on 6 October in an event hosted by the Peterson Institute for Economics in Washington DC. It announced "Zoellick on fighting poverty in a global economic crisis". I believe all of us are interested in this subject before our annual conference so please analyze and exercise your judgment on the enclosed remarks.

**Hugh Bayley**

Chair, Parliamentary Network on the World Bank  
Member of the House of Commons (UK)

## - People focus -



Hugh Bayley is the current PNoWB Chair. He is from the United Kingdom and is a Member of Parliament for the City of York since 1992. He sits on the Select Committee on International Development and is a founder member and Chair of the UK Parliament All Party Africa Group. In 1997, Hugh was appointed Parliamentary Private Secretary to Secretary of State for Health. In 1999, he became Junior Minister at the Department of Social Security. Hugh Bayley was appointed as Chair of the Westminster Foundation for Democracy by Jack Straw in 2005 and is also the Chair of the Parliamentary Labour Party International Development Committee.

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Jerome Evrard just joined the PNoWB Secretariat as a Counsellor. He is a political affairs and public diplomacy specialist. He served at the French embassy in Macedonia during the 1999 crisis and the NATO Stabilization Force in Bosnia in 2002. He then joined the United Nations and was deployed from 2003 to 2006 as a political adviser to the heads of missions in Liberia, Haiti and Ivory Coast. Moreover, he supported the investigations

of the Security Council on environment and trafficking of diamonds issues. He reached the private sector in 2007 and focused on public affairs, communications and crisis management for corporate clients and institutions. Jerome Evrard is an international auditor of the African Forum of the French Institute for High Studies on National Defence.

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Jakob Kopperud heads the Parliamentary Relations team at the World Bank Group's European Office in Paris. He took over from Jean-Christophe Bas in September 2008. The Parliamentary Relations team, PNoWB's main World Bank interlocutor, facilitates policy dialogue with parliamentarians worldwide and helps connect them to relevant Bank units and Country Offices. Jakob has worked for the World Bank for the last five years, being responsible for the day to day relations with the Nordic countries. Before his commitment to the Bank, he worked for the Norwegian ministry of Foreign Affairs, amongst others, as information advisor to then Minister of International Development, Ms. Hilde Johnson.

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# – Network Chapters –

## Draft Discussion Document on the Status and Role of Chapters in PNoWB - 3 July 2008

### 1. Context

- 1.1. While there has been increasing recognition within PNoWB, in recent years, that the Chapters are important, there has not been sufficient clarity on their status, functions and roles, and how precisely they should relate to the PNoWB Board and PNoWB as a whole. Of course, the provisions in the PNoWB Articles of Association provide a guide, but it is questionable whether they are adequate, especially in the context of the challenges confronting PNoWB.
- 1.2. Both in the formal and informal discussions at the PNoWB 2007 Annual Conference it emerged that there was a need for clarity on the role of the Chapters and their relationship to PNoWB as a whole.
- 1.3. At its first “retreat” in June 2007, the PNoWB Board passed the enclosed (Annexure A) resolution on Chapters.
- 1.4. This document seeks to provide a framework for widespread discussion within all quarters of PNoWB and among all our members on what the role of PNoWB should be in preparation for the next Annual Conference of PNoWB to be held in Paris in late 2008. A version of this document that is agreed on will be adopted by the PNoWB Annual Conference.
- 1.5. The Board also feels that the entire Articles of Association should be reviewed to make them more suitable for PNoWB’s current needs. This review of the status and role of Chapters will feed into the process of the overall review of the Articles of Association, which will also be put to the 2008 Annual Meeting for consideration.
- 1.6. It must be stressed that this discussion document is no more than that: a discussion document. You must feel fully free to engage with it and express your views. We must seek collective consensus on any changes we finally decide on.
- 1.7. *Please email your comments on this document by using Microsoft Word’s “tracking system” or highlighting your comments by underlining them or in some other way to [zsalimsaid@pnowb.org](mailto:zsalimsaid@pnowb.org) by 1 October 2008.*

### 2. Constitutional Provisions Relating to Chapters

- 2.1. The relevant provisions of the Articles of Association and By-Laws on Chapters are enclosed (Annexure B).
- 2.2. As can be seen, the provisions are not particularly clear. And the terms “local” and “regional” as they apply to Chapters are used interchangeably.

2.3. The Board identifies the following as the key provisions in the Articles and By-Laws:

- Chapters can be either “Local”, confined to a single country, or “Regional”, include several adjoining countries.
- The Association “designates the local and/or regional structures which are entitled to take part in the activities of the Association as Local Chapters of the PNoWB.” The Board has the sole authority to “confer the status of Local Chapters”. In other words, a Chapter can only function legally if the majority of the Board members take a decision to formally recognize a Chapter. The decision on this has to be “consistent with generally accepted principles of democracy, the common values of human rights, and with the rule of law”. It shall be “in compliance with the commitments, standards, case law, comments and reports applied and implemented by the international organisations and institutions, such as The Council of Europe, the Organisation for Security and Cooperation in Europe, and the European Court of Human Rights”. (Although it is not clear what the relation is between the *Association “designating”* and the *Board “conferring status”*.)
- Chapters do not have a legal personality separate from the Association (meaning the PNoWB as a whole). They do “not have authority to act in the name of the Association”. The Association will not be “exposed to any liability or exposure which may result directly or indirectly from any action” of a Chapter that has not been approved by the Board.
- Members of the Chapters must be members of the Association. A Chapter comprises a minimum of 5 MPs from the same country.
- Essentially, Chapters are “informal discussion groups acting within the scope of the Association”. The Board may also decide to create a Chapter to “study questions or pursue specific activities relating to the purpose of the Association”.
- The Association “may define the rules, principles and guidelines governing the relationship among members of the Local Chapters”. The Board “shall define the terms and conditions which will govern the local Chapters”.
- The Chairperson and Deputy Chairpersons of the Association participate in any meetings of the Chapters.

2.4. In its resolution of 9 June 2007, the Board identified the minimum conditions that a Chapter must meet to be recognized as a constitutional Chapter as the following:

- The adoption of a Constitution.
- Legal registration, as applicable.
- An elected committee in good standing.
- Annual reports on the activities and finances of Chapters to the PNoWB Board.

- 2.5. In the resolution, the Board also notes: “the Board understands the West African Chapter to, at present, be the most advanced in meeting the requirements of a constitutional Chapter. The Board commits itself to assisting other existing Chapters to achieve the minimum conditions necessary to be constitutionally acceptable.”
- 2.6. The resolution also “reaffirm(ed) its decision at the Cape Town (2007 Annual) Conference that no new Chapters are to be established until the existing Chapters are consolidated and there is greater clarity on the role of Chapters.”

### **3. Towards Stronger and More Democratic Chapters Over Time**

- 3.1. **NEED FOR GREATER CLARITY ON OVERALL ROLE OF PNoWB IN NEW CONDITIONS:** Given current conditions, there is a need to review the role and functioning of PNoWB, as well as the way it is structured. Such an overall review is underway, and proposals in this regard will be brought to the next Annual Conference for consideration. As part of this, as explained in section 1.5 above, the Articles of Association and the By-Laws are being reviewed. The role of Chapters will have to be located in the context of the overall review of the role, functioning and structures of PNoWB as a whole. At one level, until we are clear about the broader role of PNoWB in the current conjuncture, we cannot be altogether clear about the role of the Chapters, but, also, by shaping a clearer role for the Chapters we may be able to contribute to greater clarity on the overall role of PNoWB as a whole.
- 3.2. **DISTINGUISH BETWEEN LOCAL AND REGIONAL CHAPTERS:** A Local Chapter should be a Chapter comprising members in a particular country. A Regional Chapter should be made up of members from more than one country. We should be flexible: although we should encourage the formation of Local Chapters before a Regional Chapter is formed, we should also allow for Regional Chapters to be formed first, but encourage the Regional Chapters in these cases to assist the formation of Local Chapters within their regions.
- 3.3. **CONTINENTAL CHAPTERS?** Of course, this would be a long-term aim, and may sound too ambitious, given the current challenges confronting PNoWB, but should the Articles not also provide for Continental Chapters? What would be the value of this?
- 3.4. **MINIMUM NUMBER IN A CHAPTER:** At present, a Chapter needs minimum of 5 members. It is suggested that this figure be retained. Or should it be increased? If so, why?
- 3.5. **PARALLEL SYSTEM OF PNoWB MEMBERSHIP:** PNoWB membership should be made up of individual members and Chapters. The long-term aim – of course, probably a very long time away from now – should be for PNoWB to comprise an umbrella structure for Local, Regional and Continental Chapters and in such a system individual MPs would join PNoWB through Chapters.
- 3.6. **ROLE OF CHAPTERS:** Essentially, the role of Chapters is to fulfill the aims of PNoWB in a particular country or region. Local Chapters should encourage the formation of Regional Chapters and vice-versa. They should not be seen, as they are in terms of the current Articles, as “informal discussion groups acting within the scope of the Association”. Chapters should, over time, become the base of PNoWB and provide it with its mandates and leadership. Given the difficulties PNoWB has been having over the years, it may well

be that the answer is to build strong Local and Regional Chapters – and it is through the Chapters that the main work of PNoWB should take place. The Association should then play a more co-ordinating role. Of course, strengthening the Chapters will be rather difficult and time-consuming, not to mention financially taxing, and will have to occur incrementally, but is this not the way to go? Without strong Chapters how effective or sustainable can PNoWB be?

- 3.7. RELATIONSHIP BETWEEN LOCAL AND REGIONAL CHAPTERS: As mentioned in 3.2 above, there should be a measure of flexibility about what comes first: Local or Regional Chapters? Ideally though, the base of the PNoWB as a whole, in the long term, should be Local Chapters. Ideally, in the long term, it is Local Chapters that should provide the mandates and shape the leadership of the Regional Chapters. So Regional Chapters, in the long term, should derive from Local Chapters. In the meanwhile, we need to develop some guidelines on the relationship, and decide what, if any, provisions in this regard we want in the Articles.
- 3.8. RELATIONSHIP BETWEEN CHAPTERS AND THE ASSOCIATION: The Association should ultimately decide at a General Meeting on whether a Chapter is recognized or not. In between General Meetings, the Board should take decisions on this, but these should be subject to ratification at the next General Meeting. As is the case in the current Articles, Chapters should not have a separate legal personality. The Association should not take responsibility for any action of a Chapter that it or the Board has not approved of. The Chapters must provide Annual and other regular reports to the Board on their activities and use of funds.
- 3.9. FUNDING OF CHAPTERS: The Association needs to develop guidelines on the funding of Chapters. These should essentially be based on the following considerations:
  - For Chapters to be effective and sustainable they should rely on their own fundraising.
  - To ensure the necessary consistency, co-ordination and cohesion, Chapters have to receive prior approval from the PNoWB Board for applications for funding from any donor or other agency.
  - Within its constraints, where possible, the Association will seek to facilitate funding for Chapters.
  - Due recognition has to be given to the different funding challenges facing Chapters in the countries of the North and South.
  - Within the capacity, funding and other constraints of the Association, consideration will, where possible, be given to assisting Chapters with “seed capital” (to facilitate the launch of new Chapters) provided these Chapters show the necessary potential to be self-sustaining. Preference will be given, in these limited cases to Regional Chapters in order to encourage greater co-ordination between Local Chapters.

3.10. OTHER ISSUES: Are there other issues relating to Chapters you would like to raise?

#### **4. INCREMENTAL CHANGES**

- 4.1. Obviously, some of the issues raised above will have to be translated into amendments to the Articles of Association, but others constitute aspects of an *overall policy* on the status and role of Chapters and a *programme* to strengthen Chapters over time. We will have to decide on what goes into the Articles, the policy and the programme.
- 4.2. Obviously too, as mentioned in 3.1 above, we can only be more clear about the status and role of Chapters if we are more clear about the status, role and structure of PNoWB as a whole. But no doubt, if there is consensus on some of the issues raised above, it will help towards more clearly defining some of the issues relating to the identity of PNoWB as a whole.
- 4.3. Of course PNoWB is very challenged at the moment. But precisely because of this we need stronger and more democratic Chapters. Of course, it will be extremely difficult to achieve this. But provided we have a reasonable, incremental approach, phased in over a 10 year period or so, it is possible that we can achieve significant progress in this regard. We can, at least, try. What alternative is there?

#### **ANNEXURE A**

##### **PNoWB Resolution on Chapters - June 9, 2007**

This meeting notes:

1. Essentially, this June strategy retreat had to focus mainly on:
  - a. The need to re-elect office bearers of the PNoWB Board in view of it being established that the decision to elect co-chairpersons of the Board at the Cape Town PNoWB Conference did not comply with the PNoWB Articles of Association;
  - b. To consolidate the unity of the Board and further clarify its role; and
  - c. To create the basis for a more coherent and strategic role for PNoWB and more clearly define its relationship with the World Bank.
2. The Board recognizes that it is bound by the "Resolution on Restructuring of PNoWB" adopted at the Cape Town Conference and will report back on its implementation at the next PNoWB Conference.
3. In view of the very specific aims and tasks of this Strategy Retreat the meeting included only directly elected members of the Board.
4. The Board discussed the role of Chapters in PNoWB and the Resolution adopted at the Cape Town Conference and decided that:

- a. The Chapters have a very crucial role to play in PNoWB and the intent of the Resolution is definitely welcomed.
- b. After consideration of the PNoWB Articles of Association, there are several challenges identified in Implementing the Resolution
- c. In terms of the current Articles of Association, it is the PNoWB Board that authorizes the existence of Chapters, and in terms of this, the minimum conditions that a Chapter must meet to be recognized as a constitutional Chapter are:
  - i. The adoption of a Constitution.
  - ii. Legal registration, as applicable.
  - iii. An elected committee in good standing.
  - iv. Annual reports on the activities and finances of Chapters to the PNoWB Board.
- d. In terms of 4 c) above, the Board understands the West African Chapter to, at present, be the most advanced in meeting the requirements of a constitutional Chapter. The Board commits itself to assisting other existing Chapters to achieve the minimum conditions necessary to be constitutionally acceptable.
- e. The Board recognizes that the PNoWB Articles of Association and Bylaws providing for Chapters need to be revised and updated to facilitate the formation of Chapters, and more clearly define their role and their relationship with the PNoWB.
- f. The Board encourages all PNoWB Chapters and individual members to provide their views on how to revise and update the Articles of Association and Bylaws providing for Chapters.
- g. Reaffirm its decision at the Cape Town Conference that no new Chapters are to be established until the existing Chapters are consolidated and there is greater clarity on the role of Chapters.
- h. Board Members Yunus Carrim and Santiago Castro are mandated to consult with the existing Chapters and the World Bank's Parliamentary Team to prepare a paper on the role of Chapters in PNoWB for presentation at the next Board meeting and propose amendments to the PNoWB Articles of Association and Bylaws to be considered at the next PNoWB Conference.
- i. The above Board members are mandated to organize a tele-conference with both the West African and East African Chapters within a month of today to convey the above views to these Chapters because of the very specific concerns they have, and to ensure that their concerns are addressed. .

## **ANNEXURE B**

### **SECTIONS OF THE PNoWB ARTICLES OF ASSOCIATION AND BY-LAWS RELATING TO CHAPTERS**

#### **ARTICLE 19 - CREATION OF LOCAL CHAPTERS. INITIATION OF CREATION OF LOCAL CHAPTERS. STATUS OF LOCAL CHAPTERS**

Local and regional structures wishing to participate in the activities of the Association may acquire, at their option, the status of local chapters of the PNoWB ("**Local Chapters**").

The Association designates the local and/or regional structures which are entitled to take part in the activities of the Association as Local Chapters of the PNoWB.

The Board shall have sole authority to confer the status of Local Chapters to regional structures wishing to participate in the activities of the Association in accordance with the following provisions.

Local Chapters do not possess legal personality separate and apart from the Association, their scope shall be limited to being informal discussion groups acting within the scope of the Association.

The Local Chapters shall not have authority to act in the name of the Association. Being deprived of legal personality, Local Chapters shall not be Members of the Association.

It is specified that the Association shall not incur or be otherwise exposed to any liability or exposure which may result directly or indirectly from any action taken under the umbrella of a Local Chapter, which has not been subject to the approval or validation by the Board.

Local Chapters are governed by the Articles of Association and the By-Laws, whose provisions are binding upon their members.

The Board may, subject to the following conditions and those further conditions as shall be specified in the By-Laws, confer the status of Local Chapter on an existing local or regional structure, and/or authorize the constitution of a Local Chapter, and/or decide to create Local Chapters in order to study questions or pursue specific activities relating to the purpose of the Association.

The Association may define the roles, principles and guidelines governing the relationship among members of the Local Chapters set up under the umbrella of the Association.

The Board of the Association shall define the terms and conditions which will govern the Local Chapters set up under the umbrella of the Association.

The activities pursued by each Local Chapter, within its scope, are reported to the Board.

The Chairperson and the Deputy Chairpersons of the Association may attend the meetings of a Local Chapter and shall be entitled to express their opinion.

Any Parliamentarian wishing to participate in one of the Local Chapters shall be a Member of the Association.

Each member of a Local Chapter shall be a Member of the Association.

## SECTION OF THE PNoWB BY-LAWS DEALING WITH CHAPTERS

### ARTICLE 8 - CREATION OF LOCAL CHAPTERS, INITIATION OF CREATION OF LOCAL CHAPTERS, STATUS OF LOCAL CHAPTERS

Local and regional structures wishing to participate in the activities of the Association may acquire, at their option, the status of local chapters of the PNoWB ("**Local Chapters**").

The Board shall have sole authority to confer the status of Local Chapters to regional structures wishing to participate in the activities of the Association in accordance with the following provisions.

The decision of the Board shall be made on a case by case basis, by a majority of the members of the Board present in person or by proxy, on the basis of criteria consistent with generally accepted principles of democracy, the common values of human rights, and with the rule of law.

Such criteria shall be in compliance with the commitments, standards, case law, comments and reports applied and implemented by the international organizations and institutions, such as the The Council of Europe, the Organization for Security and Cooperation in Europe, and the European Court of Human Rights.

To acquire the status of Local Chapter, a local or regional structure shall consist of five Parliamentarians belonging to the same country.

Local Chapters do not possess legal personality separate and apart from the Association, their scope shall be limited to being informal discussion groups acting within the scope of the Association.

The Local Chapters shall not have authority to act in the name of the Association. Being deprived of legal personality, Local Chapters shall not be Members of the Association.

The Board of the Association shall define the terms and conditions which will govern the Local Chapters set up under the umbrella of the Association.

The activities pursued by each Local Chapter, within its scope, are reported to the Board. Any Local Chapter shall present a transparent plan.

Any Parliamentarian participate in one of the Local Chapters shall be a Member of the Association.

Each member of a Local Chapter shall be a Member of the Association.

# - R. Zoellick's speech -

## **Modernizing Multilateralism and Markets**

by Robert B. Zoellick, President, World Bank Group, October 6, 2008

Prepared remarks at the Peterson Institute event "[Zoellick on Fighting Poverty in a Global Economic Crisis](#)"

### **I. Looking Back—To See Ahead**

How will people in 2018 look back on this year?

It depends on what we do.

September was a hard month in a precarious year. A meltdown in financial, credit, and housing markets. The continuing stress of high food and fuel prices. Anxieties about the global economy.

Over the past year, most developing economies grew robustly despite the turmoil. In fact, major developing countries powered an alternative engine of growth. In 2007, they averaged a record 7.9 percent in GDP growth and in 2008 perhaps a still impressive 6.6 percent.

But this is not shared by all. Soaring food and fuel prices are plunging the most vulnerable into a danger zone.

People are hurting. Families are worried about what coming days will bring.

The events of September could be a tipping point for many developing countries. A drop in exports, as well as capital inflow, will trigger a falloff in investments. Deceleration of growth and deteriorating financing conditions, combined with monetary tightening, will trigger business failures and possibly banking emergencies. Some countries will slip toward balance of payments crises. As is always the case, the most poor are the most defenseless.

While American eyes are on the intersection of Wall and Main Streets, there is much more to the story. The response to these crises will have to be larger and global.

Voices around the world are blaming free markets. Others are asking about the failures of government institutions. Many will point fingers at the failings of the United States, as the architect of today's global economy.

We cannot turn back the clock on globalization. Nor can we let the crisis of today blind us to the opportunity of tomorrow.

We must learn the lessons from the past, as we build for the future. We must modernize multilateralism and markets for a changing world economy.

Ours must be globalization where both the opportunities and the responsibilities are more widely shared. Without that, we may design a new architecture, but it will be a house of cards.

Multilateralism, at its best, is a means for solving problems among countries, with the group at the table willing and able to take constructive action together.

I am a mechanic in multilateralism. For over 20 years, I have been involved in trying to make the international system work. Next week, at the Bank-IMF Annual Meetings, I will turn to the implications of the last 12 months for the World Bank Group. But today, with a crisis in progress and an election within weeks, I will sketch a larger drawing.

## **II. Transformation in the Global Political Economy**

To understand today's crisis, we need to consider what has happened over at least the last 20 years.

Today's globalization and markets reflect huge changes in information and communications technology, financial and trade flows, mobility of labor, worldwide interconnectivity—"the death of distance," and vast new competitive forces.

But even those transformations do not capture the biggest change: Over the past 25 years, the world market economy has grown from about 1 billion to 4 or 5 billion people. The world's labor force engaged in export markets has grown to over 800 million. These are amazing increases in a relatively short period.

The competition of globalization, the huge expansion of the global labor force, and relatively low commodity prices combined to create something else: a Golden Era for the central bankers. The price dampening effects of these shifts made central bankers look like technocratic wizards—and we liked their magic.

Loose monetary policies and abundant liquidity led investors to "chase yield"—and one another. Investors lent and leveraged against seemingly ever-rising asset values, without attention to credit risk, earning power, or cash flows. Investors did not plan to hold the assets long enough to wait for earnings. Even when they did, the investor share was "guaranteed" by assurances "backed by" those same high asset prices.

With the burst of the internet bubble and Japan's long real estate and banking crisis, the liquidity deluge spilled over to developing countries, especially those whose currencies were pegged to the dollar. Commodity prices fell with the collapse of the Soviet Union, leading to under investment, especially in oil and metals, and then rose dramatically as developing economies hungered for inputs. Fuel and food became increasingly linked, both because the share of energy used in food production and transport increased, and consumers of food and

energy have become competitors: a food for oil crisis in the making. And this year we saw it erupt.

The higher prices could push some 100 million people in developing countries back into poverty. We risk a second round of inflation, balance of payments crises, and tight budgets.

The sources of international capital pools have been shifting, too. The commodities boom, especially for energy, led to huge returns, ending up in sovereign wealth funds. Burnt by the trauma of 1997–98, some developing countries resolved never to risk that anguish again and managed exchange rates to create immense reserves. These savings seeded other sovereign funds.

Changes in labor forces, financial liquidity, commodity markets, and sovereign funds reflect an even more significant transformation: New economic powers are on the rise.

The engagement of rising powers with the global economy has made them "stakeholders" in the global system. China is now the world's third largest trading entity. As the middle class grows in Asia, these savers will become important investors in corporate equities in developed countries, further strengthening global links.

These rising powers want to be heard. They want to know what their role in making the new rules for the global economy will be. Having demonstrated their competitive success, these rising powers are suspicious that the more established stakeholders will hold them back, whether through old rules of trade and finance or new rules for climate change and the environment.

The developed economy "stakeholders," in turn, both benefit from—and are threatened by—the changes. Rising developing economies offer multiple poles of growth that assist their recoveries and offer new possibilities, but they also serve as fodder for scaremongers. Indeed, with growth rates averaging about 6.6 percent between 1997 and 2007, some 25 countries in sub-Saharan Africa, with almost two-thirds of the region's population, offer a vision of yet another pole of growth that might be developed over the coming decades. This could be a great achievement, not only for overcoming poverty and for development, but also freeing untapped talents and energies.

But it will be an achievement left unrealized unless we have the vision and the courage to stand up to the challenges of economic isolationism at home, and to offer the leadership to help make it happen. The financial and economic pains and fears will reinforce a tendency to pull back. Some feel that the rules of the game—dealing with bailouts, exchange rates, trade, immigration, and foreign aid—leave them out, even if people with higher incomes seem to be able to take advantage of the changes. Many worry that the old "safety nets" to help people adjust to change are woefully out of date. This agenda—not just the aftermath of financial rescues—must be seized by new leaders.

### **III. Storm Clouds over Multilateralism and Markets**

The events of this year are a wake up call.

There are storm clouds over multilateralism and markets.

As food prices soared, agricultural markets started to break down under political pressures. Some 40 countries imposed bans or restrictions on exports of food. Others imposed price controls, broke contracts, and halted trading. The United Nations strained mightily to get countries to double their contributions to food assistance for those most in need. Poor nations struggled to get seeds and fertilizers to farmers. They tried to patch together "safety nets" for the most vulnerable. Poverty, hunger, and malnutrition increased.

As the global system for agriculture ran aground, the World Trade Organization drifted into dangerous waters. The Doha Round has hit the rocks.

The Climate Change negotiations organized under the UN Framework Convention on Climate Change will be made more difficult by the WTO's discord, which will exacerbate the tensions between developed and developing economies. Under the best of circumstances, this negotiation will be an uphill struggle.

Furthermore, the "cap-and-trade" climate change bill that failed in the US Senate this year points to the next challenge for multilateralism and markets. To avoid putting industries subject to carbon caps at a competitive disadvantage, the bill invoked trade protections against exporters that did not face carbon limits.

While needs are growing, the international aid system is not keeping pace.

Donors bring ideas, energy, and resources, but they also can overwhelm national ownership by developing countries, harming the effectiveness of aid. In 2006, there were more than 70,000 aid transactions with an average project size of only \$1.7 million. Last year, the average developing country hosted 260 donor visits. Vietnam had 752.

National governments are drawn increasingly to provide aid with their flag, not through multilateralism that encourages coherence and building local ownership. Even so, the G-7 as a whole is far behind its Gleneagles' commitments to boost development assistance.

Private financial markets and businesses will continue to be the strongest drivers of global growth and development. But the developed world's financial systems, especially in the United States, have revealed glaring weaknesses after suffering titanic losses.

The international architecture designed to deal with such circumstances is creaking.

Perhaps the most striking change since my experience in the US Treasury in the 1980s is the loss of fortunes of the G-7. This group once played a valuable role coordinating policy, with agreements such as the Plaza and the Louvre Accords. But the economic summits long ago placed a priority on ceremony over policy. I still harbor hope that the meetings of finance ministers will offer a multilateral navigator in dealing with global financial and economic problems. But the forum falls far short of the need.

#### **IV. A New Multilateral Network for a New Global Economy**

Even as the United States and the world dig out of the present hole, we need to look further ahead: We will need a New Multilateral Network for a new global economy.

The Bretton Woods generation left two legacies: first, international institutions and regimes—in various states of service and repair. Second, and more important, that generation left an intellectual, policy, and political commitment to act multilaterally to turn the problems of an era into opportunities.

Some are calling for a 21st century approach, but many are falling back to mid-20th century models.

The New Multilateralism, suiting our times, will need to be a flexible network, not a fixed nor unitary system. It needs to maximize the strengths of interconnecting and overlapping actors and institutions, public and private.

We have seen that the more adaptable national economies handle the inevitable shocks and changes most effectively; applying that experience, the multilateral system needs to build in flexibility. It also needs to use markets and incentives for private sector organizations and individuals, profit-making and civil society nongovernment organizations.

The New Multilateralism should be respectful of state sovereignty while at the same time recognizing that many issues do not respect state borders.

This New Multilateral Network needs to be pragmatic. Its baseline work is to foster cooperation by encouraging exchanges of perspectives on interests, both domestic and international. Often just sharing information is a start.

Then we should encourage a search for mutual interests. Sometimes mutual interests can be fostered with incentives—and international institutions can become catalysts for action. Practical problem-solving builds a culture of cooperation.

Our New Multilateralism must build toward a sense of shared responsibility for the health of the global political economy. This means—chiefly and critically—that it must involve those with a major stake in that economy, those willing to share in the responsibilities along with the benefits of maintaining it.

We must redefine economic multilateralism beyond the traditional focus on finance and trade. The changing world economy demands that we think more broadly. Today, energy, climate change, and stabilizing fragile and post-conflict states are economic issues. They are already part of the international security and environmental dialogue. They must be the concern of *economic* multilateralism as well.

#### **V. Priorities**

## ***A New Steering Group***

The New Multilateralism will still depend principally on national leadership and cooperation. Countries matter.

The G-7 is not working. We need a better group for a different time.

The G-20, though valuable, is too unwieldy in moving from discussion to action.

We need a core group of finance ministers who will assume responsibility for anticipating issues, sharing information and insights, exploring mutual interests, mobilizing efforts to solve problems, and at least managing differences.

For financial and economic cooperation, we should consider a new Steering Group including Brazil, China, India, Mexico, Russia, Saudi Arabia, South Africa, and the current G-7.

Such a Steering Group would bring together over 70 percent of the world's GDP, 56 percent of world population, 62 percent of its energy production, the major carbon emitters, the principal development donors, large regional actors, and the primary players in global capital, commodity, and exchange rate markets.

But this Steering Group would not be a G-14. We will not create a new world simply by remaking the old. It should be numberless, flexible, and over time, it could evolve. Others may be added, especially if their rising influence is matched by a willingness to help shoulder responsibilities.

This new Steering Group should meet and videoconference regularly to foster group responsibility. The deputies should have frequent and informal discussions. An active network of bilateral consultations within and beyond the group will support it. We need a Facebook for multilateral economic diplomacy.

The IMF and World Bank Group, perhaps with the WTO, can help support this Steering Group. We can identify emerging problems, supply analysis, suggest solutions, and draw on our own broader membership to propose coalitions to address issues.

The Steering Group members will still need to work through established international institutions and regimes, which include other states. Sovereignities will be respected. But the core group would increase the likelihood that countries draw together to address problems that are larger than any one state.

We need this mechanism so that countries are not left to fail—with all the human, economic, and political consequences this entails for both them and their neighbors. We need it so that global problems are not just mopped up after the fact but anticipated. We need it to develop the habit of dialogue and the necessary relationships of trust *before* the crisis hits. We need it to shape multilateral solutions.

## ***International Finance and Development***

We have seen the dark side of global connectedness. We need to navigate toward the light.

The first task will be close to home. Next year, there will be a major effort in the United States to overhaul the failed system of financial regulation and supervision. There will need to be improvements in clearing and settlement. Rules on transparency, capital, leverage, accounting, and increasingly important, liquidity, must be modernized.

We must ask why so many thoroughly regulated and supervised institutions got into trouble. Any risk-based model, no matter how sophisticated and well supervised, depends critically on the assumptions. What happens when the assumptions fail?

The changing conditions that trigger failure will increasingly be dependent on shifts in the *world* economy. Just as the crisis has been international because of interconnectedness, the reforms will need to be multilateral.

The Financial Stability Forum (FSF), ably chaired by Mario Draghi of the Bank of Italy, has started to tackle these issues. But the FSF concentrates on the OECD countries. Whether through an expanded FSF, a stronger FSF-IMF linkage, or the Steering Group, these financial supervisory issues will need to be addressed in a broader multilateral context.

We must bolster an IMF early warning system for the global economy, focused on crisis prevention and not just crisis resolution.

September's financial shock waves in the United States are reverberating in the global economy. The stark reality is that developing countries must prepare for a drop in trade, capital flows, remittances, and domestic investment, as well as slowdown in growth.

Countries with sound fiscal and balance of payments positions should be encouraged to spur domestic demand through consumption and investment. But others have little fiscal space, risky current account deficits, balance of payments problems, financial danger, or all four. The Fund and the Development Banks will need to assist. For some larger countries under threat, the Steering Group and friendly countries should act in concert with the Fund and the Banks to offer support linked to policy reforms that will return the country to sustainable growth.

The IMF must also have an ongoing role in the world's exchange rates system, beyond surveillance. As Jean Pisani-Ferry wrote recently, a large part of the developing world is not yet ready for independent floating of their currencies, because of incomplete financial liberalization and anxieties about uncontrolled adjustment. The IMF, backed by the Steering Group, can offer more options, including pegs linked to currency baskets or commodities. Over time, we need to prepare for an international finance system with multiple reserve currencies, with others connected by various pegs.

The New Multilateralism must put global development on a par with international finance. Until we build a more inclusive globalization, the world will remain unstable, no matter how big the financial rescue packages.

Economic multipolarity offers stability and opportunity, just like a diversified portfolio of investments. But to boost more inclusive and sustainable growth, we need to think about aid differently.

Two weeks ago at the United Nations, international partners raised \$16 billion for development projects. This money is vital, and we need more if we are to meet the Millennium Development Goals.

But we also must broaden our approach. We must listen to the growing number of Africans who are telling us they want markets and opportunities, not aid dependency. Private capital and markets will remain the drivers of growth. We must look beyond projects and programs to new ways of doing the business of development. We need innovative instruments and intermediation to: help connect sovereign wealth funds to equity investments in Africa; build local currency bond markets in emerging markets; manage development risks through insurance facilities for weather and catastrophic events and to help small farmers; demonstrate the viability of public-private financing partnerships to develop infrastructure; and broaden types of assistance, from advance commitments to develop life-saving pharmaceuticals to debt or rate buydowns.

While we build markets and institutions for the medium and longer term, the New Multilateralism needs mechanisms to move much more quickly and effectively to help those who are most vulnerable when crisis hits. One example is the World Bank's new \$1.2 billion rapid financing facility for those endangered by high food prices.

Another example could be the reform of humanitarian food assistance. With a modest modernization of donor support to the World Food Program—such as core or multi-year funding and a credit line—we could apply financial market tools to help the WFP manage liquidity, market, and operational risks. Working with the World Meteorological Organization, the WFP and the Bank could better prepare, cut costs, and respond more quickly. We also need a worldwide agreement not to apply food export bans or prohibitive taxes to humanitarian purchases, as well as an agreement to release national reserve stocks should an excessive price increase occur due to hoarding or speculation. These risk management tools are the 21st century equivalent to building big food stocks for security in eras past. But we need political leadership to break through old bureaucratic models.

The World Bank Group must also adapt more quickly to meet new needs of its clients and interests of its shareholders. We need to better align our governance with the realities of the 21st century. To look beyond our initial steps for changing voice, representation, and responsibility, I will assemble a High Level Commission to consider the modernization of World Bank Group governance—so we can operate more dynamically, effectively, efficiently, and legitimately in a transformed global political economy. I am delighted that Ernesto Zedillo has agreed to lead this work. I have asked Ernesto to work with colleagues looking at governance issues at the IMF.

In 1944, at Bretton Woods, the Founding Fathers of economic multilateralism seized a moment to build a better future. We must be no less ambitious today.

## ***The WTO and the Global Trading System***

The Doha global trade negotiations in the WTO are gasping on life support. It is vital that the WTO and an open global trading system not be buried with them.

Trade negotiations will continue elsewhere. Recent research has shown how FTA negotiations can support broader opening of markets. But FTAs and preferential arrangements that are not broad-based could weaken global liberalization. They need to be linked to global disciplines. And the multilateral system remains the only option for lifting the heavy hand of trade-distorting support for agriculture, still running at some \$260 billion per year.

Litigation in the WTO creates winners and losers. If not balanced with win-win negotiations, a WTO associated only with litigation will likely lose support. WTO members will need to consider how to continue to foster global liberalization.

One option is to shift trade facilitation from a negotiation to a development plan. There are opportunities to cut costs of trade far in excess of those imposed by tariffs and other trade barriers. The World Bank's "Doing Business" trading and "Logistics" indicators offer the diagnostic groundwork. Regional bodies such as APEC have pointed the way in practice.

We can help countries simplify and harmonize procedures and documentation across a supply chain. Countries can apply risk management techniques in border inspection and customs clearing, backed by electronic processing. And we can strengthen capacity, technology, and the availability of trade finance.

The original multilateral logic behind the GATT negotiations, which led to the WTO, was the "bargaining tariff." Even though it should be in a country's economic interest to lower tariffs and cut costs, political interests required "trading off" barriers that were defended by protected groups.

A new trade facilitation and development agenda puts the self-interest of lowering costs of trading to work for a multilateral interest of encouraging more integration, efficiencies, and opportunities—meaning, more jobs, more growth, less poverty. As the exporters and importers do more business, they may be able to increase their voice for liberalizing negotiations, too.

This is multilateralism by practical steps, moving ahead where it is possible to do so.

## ***Energy and Climate Change***

The New Multilateral Network must also interconnect energy and climate change.

World energy markets are a mess. Producers, fearful of collapsing prices, are wary of new investments. Consuming countries want lower prices for consumers, but prices high enough to encourage conservation, efficiencies, alternative supplies, and new technologies. And the most vulnerable countries and people are victimized by the whole confusion—as they are hit by high prices, price volatility, and climate change.

Most oil production is now controlled by national oil companies. These suppliers do not respond to market signals in the same way as private producers.

We need a "global bargain" among major producers and consumers of energy. The International Energy Agency organized OECD consumers, but does not include all the rising powers. A few years ago, China suggested that the major energy consumers organize to deal more effectively with the producers' cartel. This is an idea worth considering, though with a broader purpose.

At a minimum, such a bargain should involve sharing plans for expanding supplies, including options other than oil and gas, improving efficiency and lessening demand, assisting with energy for the poor, and considering how these policies relate to carbon production and climate change policies.

Developed countries need to create and bring new technologies to market, to help both developed and developing countries. Developing countries need to reduce costly subsidies and increase efficiencies, while coping with social instabilities. And everyone should have an interest in preventing energy resources from triggering national security threats.

Part of the bargain will be to provide an opportunity for developing countries to make longer-term investments to reduce vulnerability to high and volatile fuel prices while supporting the poor with safety nets. Energy access needs to be a critical complement to clean energy investments. Over one and a half billion people in the world do not have access to electricity, including about three quarters of the population of sub-Saharan Africa. At the request of key shareholders, the World Bank Group is developing an Energy for the Poor initiative to help the poorest countries meet energy needs in efficient and sustainable ways.

We might consider taking the global bargain further. There could be a common interest in managing a price range that reconciles interests while transitioning toward lower carbon growth strategies, a broader portfolio of supplies, and greater international security.

Multilateral understandings about energy futures—leading to clear pricing for carbon—might also be vital for the UNFCCC negotiations on climate change. Countries are fearful that in a world of uncertain energy costs, technologies, and supplies, a climate change treaty will limit their growth or flexibility to adapt. A bargain among key producers and consumers might counter these risks, making it easier to commit to cut carbon.

A climate change accord also will have to be supported by new tools. We need new mechanisms to support forestation and avoid deforestation, develop new technologies and encourage their rapid diffusion, provide financial support to poorer countries, assist with adaptation, and strengthen carbon markets.

Two weeks ago, to help provide additional resources for these challenges, the Bank hosted a pledging session that raised \$6.1 billion for new Climate Investment Funds.

The Steering Group should help push action on energy, the environment, and financing to assist the UN negotiations and the practical implementation of a treaty.

## ***Fragile States: Securing Development***

Nowhere is the New Multilateral Network needed more than in the fragile and post-conflict states where the "Bottom Billion" live.

Too often, the development community has treated states blighted by fragility and conflict simply as harder cases of development. Yet these situations require looking beyond the analytics of development to a different framework of building security, legitimacy, governance, and the economy. This is not security or development as usual. Nor is it about what we have come to think of as peace-building or peacekeeping.

Securing development is about bringing security and development together first to smooth the transition from conflict to peace and then to embed stability so that development can take hold over a decade and beyond. Only by securing development can we put down roots deep enough to break the cycle of fragility and violence.

Our appreciation of how best to secure development—to synthesize security, governance, and economics to be most effective—is still modest. We face critical gaps in international capabilities.

Ultimately, the most important element in fragile or post-conflict states is the people of those countries. But it will take much stronger and longer-lasting multilateral assistance to help these people shift from being victims to becoming the principal agents of recovery. Beyond assistance, it requires new networked relationships between peacekeeping forces and development practitioners and a new approach to security.

## **VI. Conclusion**

Next month, the United States will elect a new president. That president will need to move beyond the firefight of financial stabilization. Dealing with the economic aftermath will be one of the foremost responsibilities of the next administration.

That work is not about America alone. Both candidates have spoken about strengthening the sinews of America's ties with the world. How the next American president will do this matters.

Fate presents an opportunity wrapped in a necessity: To modernize multilateralism and markets.



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