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A comparison of global governance across sectors: Global health, trade, and multilateral development finance

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A COMPARISON OF GLOBAL GOVERNANCE ACROSS SECTORS: GLOBAL HEALTH, TRADE, AND MULTILATERAL DEVELOPMENT FINANCE

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Abstract

To what extent do the World Health Organization, the World Trade Organization, and the World Bank remain central today and how much influence do they still wield in shaping the global agenda? While several studies have traced the development of various intergovernmental organizations (IGOs), charting their growth and influence in international affairs, and assessing their prospects, few if any have compared IGOs across various fields. This paper aims to fill this gap by taking a closer look at three different policy fields to better understand the current architecture of global governance, the centrality of IGOs, the role of new and other actors, as well as the strengths and weaknesses of this “new” architecture. The authors find that, first, the emergence of new private players has significantly eroded the centrality of IGOs such that the course of global governance in health, trade, and development finance has changed irreversibly. Second, regional arrangements have overtaken global ones and nonstate actors have assumed more prominent roles. Third, this multiplicity of powerful players has led to some positive outcomes but also greater inefficiencies and redundancies. Fourth, developed countries have been pivotal in eroding the centrality of IGOs, but developing countries are taking on a greater role in global governance. Fifth, the new architecture can be described as one of diversification in global health governance, fragmentation in global trade, and variation in multilateral development finance. Global governance in the 21st century is thus characterized by a proliferation of actors and a decentralization of authority, an erosion of IGO centrality accompanied by a greater role for nonstate actors, developing countries, and by increased regionalism. Depending on the sector of governance, its inherent aims, and the nature of the actors involved, the new architecture may be one of variation, fragmentation, or diversification. While this new architecture is complex and might possibly lead to inefficiencies and redundancies, it allows a greater number of actors to participate, making it more representative of the current world order and making it possible to mobilize more resources to promote development.

Keywords: global development, global governance, global health, global trade, multilateral development banks, public–private partnerships, regional cooperation

JEL Classification: F13, F53, F55, P45
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1. INTRODUCTION

The aftermath of World War II saw renewed faith in international cooperation as a means of addressing increasingly global challenges and achieving peace and prosperity for all. Consequently, numerous international agreements and treaties were signed, paving the way for the establishment of intergovernmental organizations (IGOs) for promoting international public good in almost every sphere of life. In 1944, the International Bank for Reconstruction and Development (IBRD) was established to help rebuild economies devastated by the war. IBRD would soon be known as the World Bank (WB), which would eventually become the world’s largest development institution. In 1947, 23 countries signed the General Agreement on Tariffs and Trade (GATT), which over time evolved into the World Trade Organization (WTO), consisting today of more than 160 members. In 1948, the World Health Organization (WHO) was established as the United Nations’ specialized agency for health. Today, WHO is present in more than 150 countries as the directing and coordinating authority on international health within the United Nations (UN).

The prominence of IGOs like the WB, GATT, WTO, and WHO was such that, as Thomas Weiss and colleagues observed, virtually all scholarship in the field of international organization focused on IGOs up until the 1990s when other kinds of international organizations started coming to the fore (Weiss et al. 2013: 4). When the role of nonstate and nongovernmental actors became more prominent that the term “global governance” was coined. Writing in 1992, James N. Rosenau was one of the first political theorists to identify the need to “clarify the nature of the global order and the processes through which governance occurs on a worldwide scale” (Rosenau 1992: 1). A few years later, Rosenau provided a definition of global governance in the maiden issue of the appropriately titled journal *Global Governance* to include “systems of rule at all levels of human activity—from the family to the international organization—in which the pursuit of goals through the exercise of control has transnational repercussions” (Rosenau 1995: 13). In his view, it encompassed the activities of governments and also included many other channels through which directives and policies emerged. Global governance, he perceived, was marked not only by greater proliferation of mechanisms, increasing interdependence, and disaggregation of authority, but one that also allowed greater innovation. In the same issue of *Global Governance*, Finkelstein offered a simpler definition: “Global governance is governing, without sovereign authority, relationships that transcend national frontiers. Global governance is doing internationally what governments do at home” (Finkelstein 1995: 369).

The mid-1990s thus appear to be the time when, flush with optimism after the end of the Cold War, international relations scholars began to grapple with the prospect of deeper, global cooperation among state and nonstate actors in the pursuit of global good. Still, at least from a neoliberal institutionalist perspective, Bretton Woods institutions such as the WB and the IMF, and the UN system would play a central role in global governance and would serve as coordinating bodies that would set the global agenda. To what extent do they remain central today? How much influence do they still wield in shaping the global agenda? What do they imply for the future of global governance?

Looking at the case of the UN, Weiss et al. argue that (i) the number of public and private international organizations willing and able to participate in global governance has increased unevenly, with nongovernment organizations (NGOs) and transnational corporations (TNCs) accounting for the lion’s share, while IGOs have attained a natural...
limit despite the continuous increase in the latter’s budget, activities, and networks. This growth, according to Weiss et al., has (ii) allowed for the creation of a new architecture of global governance, with multi-sector partnerships playing a much larger role. While nimble and effective, however, (iii) nonstate actors lack formal oversight and can be seen to have unfairly disproportionate influence on certain outcomes. Overall, the diversity of new actors creates opportunities for new partnerships and strengthening old ones, but increased legal codification and more robust orchestration by IGOs is needed (Weiss et al. 2013: 4–5). Do these observations hold true for IGOs other than the UN? How do they manifest in various spheres, for example, in the realm of global health governance, global trade governance, and development finance? While several studies have traced the development of various IGOs, charting their growth and influence in international affairs, and assessing their prospects, few if any have compared IGOs across various fields. This paper aims to fill this gap by taking a closer look at three different policy fields to find further evidence regarding the current architecture of global governance in those fields, the centrality of IGOs, the role of new and other actors, as well as the strengths and weaknesses of this “new” architecture. Furthermore, we provide comparative analyses across these three fields of the different configurations of organizations, with varied types of memberships, legitimized by different types of mandates, decision-making mechanisms, and funding sources.

The authors find that, first, the emergence of new private players has significantly eroded the centrality of IGOs such that the course of global governance in health, trade, and development finance has changed irreversibly. Second, regional arrangements have overtaken global ones and nonstate actors have assumed more prominent roles. Third, this multiplicity of powerful players has led to some positive outcomes but also greater inefficiencies and redundancies. Fourth, developed countries have been pivotal in eroding the centrality of IGOs, but developing countries are taking on a greater role in global governance. Fifth, the new architecture can be described as one of diversification in global health governance, fragmentation in global trade, and variation in multilateral development finance. In conclusion, global governance in the twentieth century is indeed characterized by a proliferation of mechanisms, increasing interdependence, and disaggregation of authority, as Rosenau predicted, and with a much larger role for multi-sectoral partnerships, as Weiss et al. have observed. However, this polycentric architecture is not necessarily problematic. Rather, it helps to leverage more aid for development and is proving to be durable and increasingly representative of the current global order.

2. PART I: GLOBAL HEALTH GOVERNANCE

2.1 Global Health Governance: History of WHO

Global governance for health was first conceived in the mid-nineteenth century during 11 International Sanitary Conferences held between 1851 and 1903. It was an unprecedented collective effort by the war-weary European powers to curb jointly the spread of cross-border diseases following the conclusion of the Napoleonic wars. The gains from these conferences were limited to agreements concluded on quarantine, hygiene, and the establishment of institutions to report on the epidemiological data and outbreak of pandemics. However, more importantly, these conferences formalized the basic principles of international health governance and founded interstate cooperation...
in grappling with epidemics that posed a collective threat (Dodgeson, Lee, and Drager 2002: 10).1

However, the end of World War II was followed by the establishment of humanitarian organizations with different health-related mandates such as the UN Relief and Rehabilitation Administration (UNRRA), the UN International Children’s Emergency Fund (UNICEF), and the UN High Commissioner for Refugees (UNHCR) (Dodgeson, Lee, and Drager 2002: 11). Therefore, while WHO did not pioneer healthcare promotion, it was, arguably, the first UN specialized agency for global health promotion. WHO has since reaffirmed its commitment to universalizing healthcare through programs such as the Health for All initiative in the 1970s and the Renewing the Health-for-All Strategy in the 1990s (Dodgeson, Lee, and Drager 2002: 11).

WHO operates within a two-tier governance structure. Its World Health Assembly, consisting of all member states, is the supreme decision-making body whose decisions are implemented through the Executive Board of 34 technically qualified members elected for 3-year terms who convene annually. The Director-General used to be elected by the Executive Board for five-year terms, but starting June 2017, is elected by all WHO member countries (WHO 2017a). Currently, WHO is prioritizing the development of people-centered and cost-effective national healthcare systems in developing countries to treat and prevent communicable and non-communicable diseases to ensure a healthy lifestyle (WHO 2017b).

In the first three decades following its creation, WHO focused its efforts on assisting developing countries in tackling mainly the most prevalent communicable diseases. For instance, WHO oversaw the eradication of smallpox in 50 countries between 1966 and 1977, a disease that caused over 2 million deaths annually. It was also instrumental in fighting against river blindness, and administering immunization programs against communicable diseases (Fidler 2010: 5). However, the Cold War compromised its ability to operate freely on both sides of the political divide (Loughlin, Kelly, and Berridge 2002). For instance, WHO’s push for better primary healthcare with the Declaration of Alma-Ata in 1978 was thoroughly opposed by the West as an attempt by the Soviet Union and its allies to create a new Economic Order. The following year, the Soviet Invasion of Afghanistan and the Islamic Revolution of Iran also diluted attention on WHO’s Health for All by 2000 initiative intended to provide basic health services to poor populations in developing countries by 2000 (Fidler 2010: 5).

Moreover, starting in the 1990s extra-budgetary funding by some donor countries and multilateral aid agencies exceeded WHO’s regular budget (assessed contributions from member states) (Brown, Cueto, and Fee, 2006). By 2014, assessed contributions from member states were only 20% of the total WHO budget, with 80% coming from donor countries, multilateral aid agencies, private foundations, and individuals (Kelland 2016). About 93% of these contributions were earmarked for donor-prioritized programs. For instance, most recently WHO spent 23.5% of its entire budget on polio eradication program alone, a program spearheaded by the Gates Foundation, which is one of its largest benefactors (Kelland 2016). The earmarked contributions are thus, mostly invested in vertical interventions (targeted at a specific disease), which severely strain WHO’s capacity to develop “integrated responses to countries’ long-term needs of basic healthcare services (Godlee 1995: 179).

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1 The International Committee of the Red Cross and the Rockefeller Foundation’s International Health Division were early efforts to provide relief from epidemics and contributed to the emergence of more institutionalized global health governance.
The ineffective coordination between WHO’s six regional offices in Africa, the Americas, South-East Asia, Europe, Eastern Mediterranean, and the Western Pacific on the other hand, has led prominent health policy experts to deem WHO as “dysfunctional” in many ways and call it “not one but seven WHOs” (Kelland 2016). In the WHO system, the directors of the six regional offices are responsible to the respective countries they head, rather than to the Director-General at the headquarters. The ineffective coordination was painfully evident during the Ebola Crisis in West Africa in 2014, which officials in Geneva deemed as “relatively still small” in April 2014 and declared it a global emergency only two months later in August 2014 when it spiraled out of control (Kelland 2016). The process repeated itself in 2015 when WHO’s regional office in the Americas, the Pan-American Health Organization (PAHO) issued an alarming statement about Zika virus “spreading explosively” that caught the Geneva headquarters’ officials by surprise during their annual meeting when they had to field urgent questions about their response to the outbreak (Kelland 2016).

The inability of WHO to respond in a timely manner to global health emergencies has, thus far severely undermined its legitimacy as a leading global health governance institution. Moreover, its failure in implementing horizontal interventions such as the Health for All by 2000 initiative versus the relative success of vertical interventions such as the eradication of smallpox “fuelled a paradigm shift from horizontal to vertical funding strategies” (Clinton and Sridhar 2017: 15). The preference of vertical interventions in the past two decades has led the United States, G–7 members, and private foundations such as the Gates Foundation to invest heavily in vertical organizations such as the Global Fund to Fight AIDS, Malaria, and Tuberculosis (The Global Fund), the Global Alliance for Vaccines and Immunization (Gavi) and the Global Financing Facility (GFF) (Clinton and Sridhar 2017: 13).

2.2 Toward a Multipolar Global Health Governance

The entry of several new players in the last two decades, such as The Global Fund, Gavi, the Gates Foundation, and the recently launched GFF have heralded a new chapter in global health governance (Table 1).

First, these new players have been entrusted with unprecedented amount of funding and are actively shaping and reforming global health. Second, the governing structure of these international organizations is very different from that of the WHO, as their membership includes both the state and nonstate actors such as NGOs, philanthropic foundations, the private sector, and independent technical experts.

For instance, The Global Fund’s governing board consists of 20 voting and six non-voting members. The 20-member voting board includes eight representatives from donor countries, seven from developing countries (mostly beneficiary countries), and five from NGOs, the private sector (including businesses and private foundations), and civil society combined. The seven members from developing countries come from the six WHO regional offices plus one additional member from Africa. The board members from donor countries on the other hand, vary depending on the individual contribution of each country and normally one seat is shared by several donor countries. The remaining five board members include one member from the developed countries’ NGOs, one from the developing countries’ NGOs, and one each from the private sector, private foundations, and the communities fighting against HIV/AIDS, Malaria and Tuberculosis (Garmaise 2009: 13–14). The six non-voting members on the other hand, include one member each from WHO, the Joint United Nations Programme on AIDS (UNAIDS), the World Bank (which serves as the Fund’s trustee), and partners (such as the Stop TB Partnership, Roll Back Malaria and UNITAID), the Executive
Director of the Global Fund, and one Swiss citizen who resides in Switzerland and is authorized to act on behalf of the Global Fund to the extent required by Swiss law (Garmaise 2009: 14).

<table>
<thead>
<tr>
<th>Name</th>
<th>Year Created</th>
<th>Total Disbursements for Health-related Programs in $US (in the given year)</th>
<th>Number of Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill &amp; Melinda Gates Foundation</td>
<td>2000</td>
<td>1.18 billion (in 2015)</td>
<td>1,420 (as of Jan 2017)</td>
</tr>
<tr>
<td>Gavi, the Vaccine Alliance</td>
<td>2000</td>
<td>1.8 billion</td>
<td>NA</td>
</tr>
<tr>
<td>Global Financing Facility (World Bank, Canada, Norway, Japan, and the United States)</td>
<td>2015</td>
<td>12 billion (total budget as of 2015). Annual budget not available</td>
<td>NA</td>
</tr>
<tr>
<td>Global Fund to Fight AIDS, Tuberculosis, and Malaria</td>
<td>2002</td>
<td>3.65 billion (2016)</td>
<td>700</td>
</tr>
<tr>
<td>World Health Organization</td>
<td>1945</td>
<td>4.54 billion (2016)</td>
<td>7,000</td>
</tr>
</tbody>
</table>


The Global Fund’s board members are selected every two years and meet at least biannually. The board’s decisions require at least a two-thirds majority from the donor countries, developing countries, and NGOs and community members alike. The decisions of allotting grants are often made on the recommendations of an independent Technical Review Panel (TRP), comprised of international experts on HIV/AIDS, Malaria and TB, to the governing board, which are generally accepted by the board members. The Fund’s Secretariat, responsible for its daily operations, is in Geneva (Garmaise 2009: 14).

Gavi, the Vaccine Alliance (Gavi), like The Global Fund, is a public–private partnership (PPP) that was formed in 2000 with $750 million seed money from the Gates Foundation. It strives to improve public health by increasing equitable use of vaccines in lower-income countries. It has four strategic principles that include increasing universal coverage of vaccines, boosting efficacy of immunization delivery in public health systems while making it sustainable, and shaping global markets for immunization products and vaccines (Gavi, the Vaccine Alliance 2017).

Gavi’s governance structure, like that of the Global Fund, also includes state and nonstate stakeholders unlike the WHO membership which solely consists of states. Gavi’s governing board consists of 28 seats, nine of which are unaffiliated (held by independent experts to provide non-partisan feedback and management experience), while one other seat is held by the Gavi CEO. The Gates Foundation, WHO, UNICEF, and the WB each hold a permanent seat, while five seats are reserved for public officials from developing countries and five for representatives from developed countries. The remaining three seats are divided among one vaccine industry representative from a developed country, one vaccine industry representative from a
developing country, and one representative from a Research and Technical Health Institute (Gavi, the Vaccine Alliance 2017).

Gavi either provides grants to the host country or directly to the organizations aligned with its objectives to implement the vaccination programs, or supplies the vaccines directly to them (Gavi, the Vaccine Alliance 2017). So far, Gavi has provided the pentavalent vaccine to over 280 million children in 76 countries, and vaccinated 76 million children against pneumococcal disease, and 36 million children against Rotavirus while immunized 23 million people against meningitis A. Between 2016–2020, Gavi aims to increase cofinancing of its projects with developing countries to $1 billion (Gavi, the Vaccine Alliance 2017). Gavi’s diversity, inclusive decision-making along with its effective coordination in 73 countries seem to be its recipe for success (TOM 2015).

The Global Financing Facility (GFF) launched in 2015 focuses on country-led five-year investment plans for reproductive, maternal, newborn, child, and adolescent health (RMNCAH) (World Bank 2015). GFF’s governing board consists of the Investors Group and the GFF Trust Fund Committee. The Investors Group is tasked with mobilizing resources and co-financing investment cases, health financing strategies, and global public goods relevant to its agenda. The Trust Fund Committee on the other hand, leads financing for catalytic and sustainable health projects (Global Financing Facility 2017).

The Investors Group has 23 members with five members coming from donor countries (including officials from Ministry of Finance and Health), two from the private sector (depending on their contribution), one each from WHO, United Nations Children’s Emergency Fund (UNICEF), and United Nations Population Fund (UNFPA), two from civil society organizations, one from the Executive Office of the UN Secretary-General, one each from Gavi, The Global Fund and the WB, and one from the Global Trust Fund Committee initially (which will be expanded eventually to accommodate the remaining board seats) (Global Financing Facility 2017).

The GFF mobilizes resources from national and international partners in their designated priority areas subject to implementation review by the host country according to their “particular situations and contexts” (Global Financing Facility 2016). Each funding partner follows its own suitable financing strategy recognizing the need for public-private partnerships when required (Global Financing Facility 2017). The GFF has also partnered with the IBRD to raise funds from capital markets to mitigate the funding gaps in developing countries. The GFF commenced its operations for Democratic Republic of Congo, Ethiopia, Kenya, and Tanzania and has expanded to Bangladesh, Cameroon, Liberia, Mozambique, Nigeria, Senegal, and Uganda (Global Financing Facility 2016). Like The Global Fund and Gavi, it is a targeted financing mechanism toward specific health issues, in this case, the RMNCAH (World Bank 2015).

Moreover, private foundations such as the Carter Foundation, Clinton Foundation, and the Gates Foundation have also been instrumental in mobilizing funding and implementing targeted health interventions in the past two decades. The Gates Foundation has been a game-changer since it was established in 2000, by investing US$10 billion in global health research and vaccination initiatives, becoming the third largest contributor to WHO after the United States and the UK (Fidler 2010). It is also one of the biggest contributors to the Global Fund, Gavi, and the GFF both financially and in decision-making as part of their governing boards.

The rise of PPPs in global health governance was driven by the desire to correct perceived market failures in global health deliverables. The high price of vaccines and
critical drugs such as the antiretroviral drugs used to treat HIV/AIDS deprived millions of people from these potentially life-saving drugs in 1990s. The price for antiretroviral drugs in 2000 for example, was between $10,000 to $12,000 (Clinton and Sridhar 2017). During the same year, fewer than 50,000 people could receive these life-saving drugs in Sub-Saharan Africa as more than 2 million people died from HIV/AIDS. While UNICEF, WHO, UNAIDS, WB, UNFPA, and five major pharmaceutical companies with HIV/AIDS medicines were already working to make these drugs more affordable to low- and middle-income countries, the creation of The Global Fund accelerated the trend and brought about a measurable drop in prices in subsequent years. Similarly, most PPPs are now engaged in four critical functions of financing vertical interventions, providing products and technical assistance, and advocacy and knowledge mobilization for improving policy interventions in global health governance (Clinton and Sridhar 2017).

Global health governance has thus become polycentric with the emergence of new health players reducing WHO to “just one of the many players in global health governance” (Kickbusch 2014). This polycentrism requires cooperation between governments, civil society, private sector and foundations, and international organizations to function effectively. Moreover, the disproportionate amount of aid dispensed by newer global health players (Table 1) compared to WHO budget has significantly boosted their norm and agenda-setting roles in international forums (Kickbusch 2014).

While the centrality of WHO as the leading global health organization was initially eroded by G–7 countries that helped form the new global health organizations like The Global Fund, Gavi, and GFF, developing countries are now also increasingly more involved in leading global health interventions. Cuba, for example, is proactively engaged in improving healthcare systems in other developing countries. Since 1960s, Cuba has been sending over 100,000 health professionals to 101 countries, staffing public health infrastructure projects, and supporting 21,000 students from Africa, Latin America, Asia, and the Caribbean who are currently enrolled in Cuban medical schools, not counting those in nursing and allied health professions (Aspen Institute 2007). India has also long led the way in producing cost-effective generic drugs. Ciplo, an Indian pharmaceutical company, provides antiretroviral drugs for HIV/AIDS for $200 annually across the developing world, which is a small fraction of $10,000 charged by global pharmaceutical companies for patented drugs, thus offering relief and hope to millions of poor people affected by this debilitating disease (The Hindustan Times 2017).

However, as developed and developing countries channel more resources into health, the proliferation of new players and their excessive convergence on certain health issues could also create efficiency losses, or “collective action problems” (Fidler 2007). Fidler (2007) calls this “old-school anarchy,” whereby often conflicting national interests hinder collective decision-making in tackling common health challenges such as infectious diseases that simultaneously affect communities across different countries. The problem, he argues, is compounded by the increasing role of nonstate actors and private foundations in tackling disease outbreak, vaccine development, formulating and lobbying disease-specific agendas, and delivering “much of the unstructured plurality present in contemporary global health” leading to an “open-source anarchy” (Fidler 2007). “Open-source anarchy” affects global health governance in myriad ways. First, vertical interventions skew priorities toward donor concerns and could lead to costly duplication between parallel programs (Woodward and Smith 2017). Second, it could marginalize certain diseases and healthcare issues as state and nonstate actors shift their focus to more pressing concerns. For instance, health policy experts contend that
global health governance focuses more on curbing communicable diseases while somewhat neglecting the spread of non-communicable diseases. Third, it could cause a “tragedy of the commons” whereby uncoordinated actions of individual states with self-interests may stall or aggravate net progress on a particular health problem. The treatment of HIV/AIDS in Sub-Saharan Africa is a prime example of a hotchpotch of relief efforts carried out by numerous international organizations, state and nonstate actors with mixed outcomes (Fidler 2007).

Moreover, the pace and scope of global health governance is still marred by the lack of data collection and inadequate healthcare systems in many developing countries. Data collection is essential in identifying vulnerable populations, predicting health risks, and potential disease outbreaks. As the outgoing Director-General of WHO, Dr. Chan remarked: “without these data, countries and their development partners are working in the dark—throwing money into a black hole” (Merion 2015). To resolve this issue, the United States Agency for International Aid (USAID), and WHO have launched the Roadmap for Health Measurement and Accountability to improve and strengthen health data registration in developing countries for disbursing health aid more effectively. The five-point plan includes specific goals such as registration of all births and 80% of the deaths (including their causes) by 2030 to help understand broader demographic trends in a population. The plan also envisages the creation of “real-time disease surveillance systems in place, including the capacity to analyze and link data using interoperable, interconnected electronic reporting systems within the country” (Merion 2015). The rapid innovation in data gathering and communication technologies are also creating cheap and effective methods to collect health data. Bangladesh, for instance, has pioneered the implementation of low-cost modern health information systems, which consist of electronic medical records, cloud-based storage, and user-friendly portals for mobile data entry and analysis of health information since 2008 and could be a good example for other lower- and middle-income countries to follow (Jay and Rojhani 2015). Similar efforts to improve international health data are underway by other players, for example, the Institute for Health Metrics and Evaluation. However, these efforts need to be well coordinated in order to avoid the duplication of efforts and the comparability of data.

Healthcare systems in developing countries are also typically underfunded and suffer from a dearth of qualified health professionals, which impedes the provision of basic health services. For instance, as of 2012, there were only 20 physicians per 100,000 people in many low-income countries, compared to 121 for low- & middle-income countries, and 293 per 100,000 people in high-income countries, respectively (World Bank 2018a). As of 2014, per capita expenditure on health also varied drastically, from $5,221 and $914 for high-income and upper-middle-income countries to $267 and $120 for lower-middle and low-income countries, respectively (Institute of Health Metrics and Evaluation 2016).

The complex problems facing global health mentioned in this section require a better harmonization of different stakeholders to make global health governance both inclusive and efficient. The WHO in particular, needs to adapt to this changing global health governance structures and coordinate the efforts of nonstate organizations to avoid duplication and efficiency losses in vertical interventions (Fidler 2007).

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7 Low-income, low- and middle-income, lower-middle-income, and high-income countries are defined according to the criteria set by the World Bank (World Bank data: “Physicians per 1,000 people”).
3. PART II: GLOBAL TRADE GOVERNANCE

3.1 Global Trade Governance—The Evolution of WTO

The main principles of the current world trade order were established after World War II. The allies, under the leadership of the United Kingdom and the United States, were eager to introduce new international rules to prevent unfettered protectionism that led to the great recession and helped nationalist movements come to power in Germany and other countries. The main idea was to support gradual opening of markets and establish binding international trade rules. In 1947, 23 countries signed the General Agreement on Tariffs and Trade (GATT). GATT membership increased continuously over the next four decades and surpassed 100 by the early 1980s. Increased membership also encompassed a stronger voice for developing countries. The creation of the World Trade Organization in 1995 was the outcome of the Uruguay Round that started in 1986; it was the last successfully concluded multilateral trade round. It extended international trade rules to not only cover trade in goods, but also that in services, as well as intellectual property rights. Since its establishment in 1995, WTO has helped raise global incomes by an estimated $510 billion through trade liberalization alone (Meltzer 2011).

World merchandise trade has also more than doubled since 2000 to reach $16 trillion in 2016 despite dropping 3% ($502 billion) from 2015 (UNCTAD 2017). Moreover, as the share of North–North trade declined gradually from 56% to 36% between 1990 and 2011, the share of South–South trade increased from 8% to 24% during this time. The share of global merchandise trade to developing countries also steadily increased from 41% in 2005 to 52% of the total in 2015, overtaking the share of global merchandise trade to developed countries (Figure 1).

Figure 1: Share of Global Merchandise Trade in 2005 and 2015 between Developed and Developing Countries (%)

Source: WTO 2016.
3.2 Toward Multipolar Global Trade Governance

WTO’s centrality as the prime mover of global trade rules has, however, eroded substantially over the past two decades, mainly because of the proliferation of Preferential Trade Arrangements (PTAs)\(^8\) and Regional Trade Agreements (RTAs).\(^9\) As of January 2018, WTO was notified of 669 RTAs of which 455 were in force during that time (WTO 2018a). It is noteworthy that, developed countries led by the European Union were some of the first countries to initiate PTAs and RTAs.\(^8\) As of January 2018, the EU had concluded 55 RTAs with Asian, African, Latin American, and non-EU European countries, making it one of the largest networks of PTAs and RTAs in the world (WTO 2018b). The US, too, has concluded 15 RTAs such as the North American Free Trade Agreement (NAFTA) and the Central American Free Trade Agreement Plus the Dominican Republic (CAFTA–DR) in the Americas, and with many countries in Middle-East and North Africa (MENA), and in the Asia Pacific (WTO 2018b). In 2015, nearly half (47\%) of US goods’ exports went to the 20 countries which have preferential trade agreements with the US, while the merchandise goods’ exports to US’ partner countries stood at $710 billion (Santosdiaz 2016). Nonetheless, with the election of President Trump—who called NAFTA “the worst trade deal ever” and initiated a US pull out from the 12-member Trans-Pacific Partnership after he assumed office in January 2017—the future of many US regional trade agreements remains uncertain (Santosdiaz 2016).

Over the past few years South–South PTAs and RTAs have risen exponentially. In 2013 alone, of 222 PTAs signed between the countries, 66\% were between South–South countries while only 34\% were between North–South countries. By 2013, excluding EU RTAs, 86\% of the total PTAs RTAs signed until 2013 were between South–South countries with only 13\% between North–South countries (Dahi and Demir 2016). The rise of RTAs is reflected in the rapid increase in South–South trade, which in 2015 accounted for $4.6 trillion out of an estimated $16 trillion world trade in merchandise (UNCTAD 2017).

The increase in RTAs prompted the WTO to form the Committee on Regional Trade Agreements (CRTA) in 2006 to improve their monitoring. The RTAs have diversified over the years to include topics that go beyond WTO agreements, such as competition and investment policy. The overwhelming drive toward RTAs among developed and developing countries reflects their desire for flexibility and speed in achieving trade opening, which is a welcome break from the slow pace of multilateral trade negotiations facilitated by the WTO.

Some experts, however, remain skeptical about the positive impact of preferential and regional trade arrangements on global trade. Roughly one-third of the RTAs await implementation. Second, tariff reduction is more firmly implemented in agreements between developed countries and therefore the benefits accrued from South–South agreements are marginal. For instance, Brown and Stern (2011) note that the utilization rate in ASEAN was very low at below 10\% (Brown and Stern 2011: 336). Furthermore, certification rules for RTAs can increase export costs, invalidating the RTAs’ benefits (Brown and Stern 2011: 337). Third, a sizable number of goods, particularly agricultural products, are often exempt from the RTAs due to protectionist pressures from affected countries.

\(^8\) WTO defines Preferential Trade Arrangements (PTAs) as those trade agreements that have unilateral trade preferences. They include Generalized System of Preferences schemes, as well as other non-reciprocal preferential schemes granted a waiver by the General Council.

\(^9\) WTO defines Regional Trade Agreements (RTAs) as reciprocal trade agreements between two or more partners. They include free trade agreements and customs unions. https://www.wto.org/english/tratop_e/region_e/rtagreement_e.htm
countries (Brown and Stern 2011: 337). Fourth, RTAs could also threaten the economic interests of the non-member countries by lowering competitiveness, which could reduce their preferential treatment in trade (Bohnenberger 2016).

Nonetheless, RTAs are on the rise. While developed countries started the trend, developing countries are now taking the lead. For example, the People’s Republic of China (PRC) has concluded 17 RTAs with regional countries and is brokering a 16-country Regional Comprehensive Economic partnership (RCEP) trade deal that includes India and Japan (Baijie 2015). The rise of these bilateral, regional, and plurilateral trade agreements has clearly created a more polycentric global trade system.

The emergence of large multinational corporations (MNCs) have also fundamentally changed global trade landscape in the past two decades (Roach 2007: 3). Today, many production processes are either regional or global. These MNCs often require local producers to fulfill certain technical standards and regulations. As these standards are private by nature, they may not be subject to WTO rules. However, a growing number of producers in developing countries need to comply with them if they want to participate in global value chains.

Finally, the governance structure of the WTO has frustrated both developed and developing countries. The WTO’s decision-making is based on the one-member-one-vote rule, which makes progress in multilateral trade talks extremely slow. Countries seek faster trade openings, and so, they prefer bilateral and plurilateral trade agreements. For example, during the recent 11th WTO Ministerial Conference in December 2017, sub-groups of WTO members agreed to advance negotiations on new topics, such as e-commerce or micro, small, and medium-sized enterprises (MSMEs). Second, several WTO members, especially developing countries, have also repeatedly complained about being left out of the decision-making process as they lack the necessary expertise and organizational capacity to meaningfully influence negotiations. Typically, a delegation from a lower-income country consists of two people while the European Union for instance, sends up to 140 experts to participate in WTO’s 60 sub-committees, rendering engagement by low-income countries virtually meaningless (Lee, Sridhar, and Patel 2009). Third, emerging market countries such as Brazil, Russia, India, PRC, and South Africa (BRICS), are becoming increasingly influential in WTO negotiations. For instance, the G20 negotiating group (different from the G20 group of nations group) in the 5th WTO Ministerial Meeting in Cancun, led by Brazil, India, and South Africa and backed by the PRC, played an important role in advocating agriculture reforms in developed countries that had traditionally been dominated by the US and the EU. Rather than just blocking the proposal suggested by members from the developed world such as US and the EU, which was rejected by the developing countries, the G20 group provided an alternative framework. The G20 proposed some radical cuts on domestic support provided to the farmers by the developed countries, which included minimizing the amount of non-trade distorting subsidies given to them. They argued for reducing tariffs on all products and having differentiated rates for developing countries to improve market access to these products. This momentous defiance of developing countries towards the US and the EU in WTO history and the coalition between Brazil, India, South Africa, and the PRC was hailed as the “new exemplar of proactive diplomacy of the emerging powers” (Purugganan, Jafri, and Solon 2014).

The changing landscape of global trade poses an existential threat to the WTO as regional and preferential trade arrangements gain increasing importance in global trade governance. As Baldwin notes, without reforms that bring PTA rules “under the WTO’s aegis […] the trend towards eroding WTO centricity will continue and possibly take it
beyond the tipping point where nations ignore WTO rules since everyone else does. There is the risk of drifting back towards a 19th century ‘Great Powers’ world' (Baldwin 2014). Therefore, WTO members need to realize the diversity of WTO’s membership to revise its one-size-fits-all model. One option is to offer trade opening through the so-called plurilateral trade agreements such as the Agreement on Government Procurement. Plurilateral agreements and their market access commitments could include extending MFN status or offering preferential terms to the signatories of the agreement without bypassing the WTO mechanism. Advancing on these multifaceted agreements could restore confidence in the WTO by allowing both developing and developed countries to abide by the core WTO obligations and benefit from only those agreements that better suit their needs.

Moreover, the WTO should not just limit itself to promoting trade openings, but should also enhance its capability to monitor the trade policies of its members. Trade policy reviews are undertaken regularly, typically at an interval of several years. However, a constant inventory of trade remedies applied by WTO members would ensure greater transparency and correspond to today’s business needs.

Furthermore, one of the WTO’s most important responsibilities is settling disputes among its members. However, the dispute settlement body has recently come under threat by the United States as it attempts to block the reappointment of judges to the WTO Appellate Body. The possibility of WTO dispute settlement mechanism becoming ineffectual with the recent US decision could call into question the potency of WTO itself (Helble 2016)

Finally, free and preferential trade agreements that introduce trade rules not covered so far by the WTO rules book, could also replace WTO’s role of expanding trade law. The CPTPP agreed among the remaining eleven TPP members is a good example of this trend. The members agreed on new rules governing e-commerce, including cybersecurity and data localization. It is unlikely that these rules can be easily multilateralized using WTO as a platform (Helble 2017). The future of WTO, therefore, seems more elusive now than ever.

4. PART III: MULTILATERAL DEVELOPMENT FINANCE

Perhaps one of the earliest recorded examples of multilateral development assistance could be traced to 1931 when the PRC, then known as the Republic of China, reached an agreement with the League of Nations on a Program of Technical Cooperation in public health, education, water conservation, transportation, and later, economic development. For Zanasi (2007), this represented a shift from a colonial to an international framework with the League no longer attempting to “civilize” colonial countries but instead extending aid to a sovereign one. The notion “development assistance” is thus a modern concept, which came about only after World War II when former colonies became independent, the relationship between higher-income countries and lower-income ones came to be viewed as one between sovereign nations, and economic development came to be understood as a deliberate endeavor, which can be engineered through policy interventions, rather than a naturally occurring phenomenon.

The establishment of the International Bank for Reconstruction and Development (IBRD), which later became the World Bank (WB), at Bretton Woods in 1944

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10 According to the WTO, plurilateral trade agreements have a narrower group of signatories compared to most WTO agreements, which are subscribed to by all WTO members.
represents the realization of the idea of promoting economic advancement in other countries through multilateral financing. Specifically, the IBRD, as the name suggests, was intended to promote reconstruction in war-torn Europe, but not necessarily, the development of poorer countries all over the world. Historians argue that the WB/IBRD’s lending terms in the 1950s were near market levels such that many poor countries could not afford to borrow from it. Of the $5.1 billion in total lending commitments for development purposes, one-third ($1.7 billion) went to more developed countries such as Australia, Japan, and South Africa (Kapur, Lewis, and Webb 1997: 93). It was only in 1960, after the UN floated the idea of a multilateral trust fund to provide financing to poor countries on concessional terms and increased international pressure, that the WB’s International Development Association (IDA) was created as a trust fund to be replenished by donor governments and administered by the IBRD (Lindbaek, Pfeffermann, and Gregory 1998: 63). In fact, the inclusion of the word “development” in the IBRD’s name is said to have been an afterthought suggested by Ed Bernstein of the US Treasury “for after,” when reconstruction would have been completed and the Bank would need a new mandate (Kapur, Lewis, and Webb 1997: 57).

The World Bank Group (WBG) of today is composed of the International Finance Corporation (IFC) established in 1956 to provide loans, equity, and advisory services to stimulate private sector investment in developing countries; the International Centre for the Settlement of Investment Disputes (ICSID) created in 1965 to provide international facilities for conciliation and arbitration of investment disputes; and the Multilateral Investment Guarantee Agency (MIGA) established in 1988 to provide political risk insurance and credit enhancement to investors and lenders to facilitate foreign direct investment in emerging economies. The IFC is the largest global development institution focused on the private sector. In 2016, its total investment commitments stood at $18,856 million, of which $14,382 million was disbursed (IFC 2017). The ICSID has administered 70% of all known international investment proceedings, and has in fact administered a record number of 258 cases in the fiscal year ended 2017, the most in any single year of its history. As of the end of 2017, it had 161 signatory states, of which 153 are contracting states to the ICSID Convention (ICSID 2017). MIGA has issued more than $45 billion worth of guarantees in support of over 800 projects in 110 member countries. It issued a record $4.8 billion in guarantees to private investors in 2016 with nearly half of all their projects in IDA countries (MIGA 2017). Collectively, the organizations of the WBG invested $61.8 billion in loans, grants, equity investments, and guarantees to partner countries and private businesses in 2016 (WB 2017).

4.1 Regional MDBs: 1950s–1960s

Even before the establishment of the WB’s IDA and IFC, regional MDBs were created to cater to the huge financing needs all over the globe. The first of these was the European Investment Bank (EIB) established by the newly formed European Community under the Treaty of Rome in 1958. From just €10 billion in 1988, annual lending grew to €76.36 billion in 2016, while its capital base grew from less than €30 billion in the early 1990s to €243 billion as of 1 July 2013. The EIB is now the world’s largest multilateral borrower and lender, although more than 90% of its activity is in Europe. In 2016, EIB signed a total of 436 operations worth €67 billion inside the European Union (EIB 2017).

The Inter-American Development Bank (IDB) was established in 1959 by the Organisation of American States. According to Babb, it was created in response to
demand by Latin American countries for greater economic development financing, as well as US concerns about the spread of communism. As such, it was more socially conscious in its lending and had a soft loan window known as the Fund for Special Operations (FSO) since its founding (Babb 2009). IDB is currently the largest source of multilateral financing for Latin America and the Caribbean region with approved lending of $9.3 billion in 2016. As of December 2016, regional developing member countries together accounted for 50% of total votes with Argentina (11.35%), Brazil (11.35%), and Mexico (7.30%) having the largest shares. The US has a large stake with 30% of the shares, while non-regional members together own 15% of the shares including Japan which has 5% (IDB 2017).

The African Development Bank (AfDB) was created in 1963 to strengthen African solidarity, promote sustainable development and social progress, and encourage economic integration of the continent. Membership was open only to African countries until 1988 when non-regional members could also join. Currently, AfDB has 54 African member countries and 26 non-African ones. Regional member countries together account for nearly 60% of voting powers, with Nigeria dominating at 8%, followed by Egypt and South Africa with over 5% each. Among non-regional members, the US (6.5%), Japan (5.5%), and Germany (4.1%) have the greatest voting power. Regional member countries also account for 50% of the voting powers on the board of the African Development Fund (AFD), a concessional window facility established in 1974. Among non-regional member countries, Japan (5.4%), the US (5.3%), Germany (5.2%), France (5.2%), and the UK (5.1%) own the largest shares. In 2016, AfDB approved loans worth $10.77 billion (UA8.04 billion), of which $6.27 billion (UA4.68 billion) was disbursed (AfDB 2017).

The Asian Development Bank (ADB) was established in 1966 with 31 member countries, 19 from Asia and the Pacific and 12 from outside Asia. The idea for its establishment dates to a regional resolution on regional and economic cooperation adopted in 1963 by the UN Economic Commission for Asia and the Far East (ECAFE) and later renamed the Economic and Social Commission for Asia and the Pacific (ESCAP). ECAFE estimated in the early 1960s that the region needed $3 billion in external assistance to achieve its development goals. In addition, it was thought that the proposed ADB, having a regional character, would be better suited to supporting the development needs of smaller, less developed countries which had not been served adequately by the WB (Kappagoda 1995: 14). From $3.4 billion during 1967–1976, lending to Asia and the Pacific region has grown to $140.3 billion during 2007–2016 (ADB 2017). ADB now has 67 members including 48 countries from Asia and the Pacific. As of December 2016, ADB’s 5 largest shareholders are Japan (with 15.6% of total shares), the US (15.6%), the PRC (6.4%), India (6.3%), and Australia (5.8%) (ADB 2016).

Thus, by the mid-1960s, at least 4 other MDBs representing the major regions of the world existed alongside the WB Group. Of these, the World Bank institutions clearly dominated in terms of funding volume (Table 2). While other MDBs had been modelled after the WB in terms of organizational structure, the WB was widely seen as the premier source of development knowledge and expertise.
Table 2: The First MDBs

<table>
<thead>
<tr>
<th>Year Founded</th>
<th>MDB</th>
<th>Original Headquarters</th>
<th>Original Membership</th>
<th>Initial Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1958</td>
<td>European Investment Bank</td>
<td>Brussels</td>
<td>Belgium, Germany, France, Italy, Luxembourg, the Netherlands</td>
<td>$25 million initial capital, 1958 (EIB Annual Report 1958)</td>
</tr>
<tr>
<td>1959</td>
<td>Inter-American Development Bank</td>
<td>Washington, D.C.</td>
<td>Latin American countries only</td>
<td>not available</td>
</tr>
<tr>
<td>1960</td>
<td>World Bank’s International Development Association</td>
<td>Washington, D.C.</td>
<td>Global</td>
<td>$912.7 million initial subscription, 1960</td>
</tr>
<tr>
<td>1963</td>
<td>African Development Bank</td>
<td>Abidjan</td>
<td>African countries only</td>
<td>$250 million, initial authorized capital</td>
</tr>
</tbody>
</table>

Source: MDB Annual Reports.

From the 1960s onward there was an increase in bilateral aid programs as more colonies became independent. However, the success and effectiveness of official development aid since then, whether bilateral or multilateral, remains subject to criticism. The success of the WB and other MDBs, in particular, is mixed, with many less developed countries failing to reach developing country status and millions of people still below the poverty line. The WB/IMF’s structural adjustment loans have been severely criticized for exacerbating poverty in some least developed countries. Despite the criticism, the WB continues to be the largest development institution in the world, increasing development assistance to a larger number of countries. Meanwhile, development aid agencies have sharpened their focus on increasing capacity building for good governance.

Another critique of the WB was that it was dominated by the US, which held the largest share of voting power. When it opened, the US controlled 37.2% of the votes, giving it control over changes to the Bank’s articles of agreement but not decisions on individual loans (Babb 2009: Location 426). Washington’s voting power in the WB has decreased substantially since then but it remains its largest donor, as it is in many of the world’s multilateral organizations (Tables 3A and 3B).
Table 3A: WB/IBRD Voting Power of Member Countries
(as of 31 December 2017)

<table>
<thead>
<tr>
<th>Number of Votes</th>
<th>Percentage of Total Voting Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>385,197</td>
</tr>
<tr>
<td>Japan</td>
<td>166,139</td>
</tr>
<tr>
<td>China</td>
<td>107,289</td>
</tr>
<tr>
<td>Germany</td>
<td>97,269</td>
</tr>
<tr>
<td>France</td>
<td>91,099</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>91,099</td>
</tr>
<tr>
<td>India</td>
<td>70,618</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>67,200</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>67,200</td>
</tr>
<tr>
<td>Italy</td>
<td>64,067</td>
</tr>
</tbody>
</table>


Table 3B: WB/IDA Voting Power of Member Countries
(as of 30 September 2017)

<table>
<thead>
<tr>
<th>Number of Votes</th>
<th>Percentage of Total Voting Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>2,784,053</td>
</tr>
<tr>
<td>Japan</td>
<td>2,275,107</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,711,281</td>
</tr>
<tr>
<td>Germany</td>
<td>1,469,076</td>
</tr>
<tr>
<td>France</td>
<td>1,026,486</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>885,267</td>
</tr>
<tr>
<td>India</td>
<td>769,591</td>
</tr>
<tr>
<td>Canada</td>
<td>720,103</td>
</tr>
<tr>
<td>Italy</td>
<td>626,396</td>
</tr>
<tr>
<td>PRC</td>
<td>592,628</td>
</tr>
</tbody>
</table>


4.2 Private Capital

The 1990s saw a reduction in barriers in global trade and investment, sustained economic growth in several countries, and increased integration of the world’s markets. In this environment, private capital displaced official development finance as the main source of external financing for developing countries, accounting for 85 percent of the total in 1997, compared to only 41 percent in 1990 (Lindbaek, Pfeffermann, and Gregory 1998). Data from the OECD show that beginning in 1995, private flows in the form of foreign direct investment from donor countries, namely those that were part of the Development Assistance Committee (DAC), stood at $53,638 million, overtaking ODA at $44,992 million as a source of external financing for developing countries. In 2015, FDI from DAC countries to developing countries stood at $156,700 million, 60% more than ODA, which stood at $94,150 (Figure 2).
Figure 2: Official Development Assistance and Foreign Direct Investment from DAC Countries to Developing Countries, 1970–2015
($ million)

DAC = Development Assistance Committee, FDI = foreign direct investment.

However, as Lindbaek, Pfeffermann, and Gregory point out, private flows were still heavily concentrated on a narrow range of countries, sectors, and borrowers: 75 percent of net private capital flows go to only a dozen countries, leaving over 100 developing countries with little access to private financing, particularly for basic needs such as better education, health, rural roads, and other less profitable investments (Lindbaek, Pfeffermann, and Gregory 1998: 75). Thus, while many of the traditional destinations of MDB resources now have access to private finance, there remains a huge financing need in the world’s poorest regions. At the same time, there is also a debate regarding whether some developing countries should “graduate” from borrowing from MDBs. Several developing countries have achieved high levels of growth in the past decades and have themselves become donors of ODA. For instance, the Czech Republic graduated from receiving aid from the ERB in 2008 and is now a source of donor funds and FDI. However, in other countries deemed as candidates for graduation, economic disparities remain very high and it is argued that supporting their continued growth is crucial to minimizing the disparities. All these reveal that levels of economic development remain highly uneven such that the landscape of development financing is transforming, not just in terms of the volume and number of funding sources, but also in terms of the character of donors and recipients.
4.3 Regional MDBs 1990s–2010s

Three new MDBs have been established since the era of rapid economic globalization in the 1990s. The European Bank for Reconstruction and Development (EBRD) was established in 1991, initially focused on lending to the former Eastern Bloc and later expanded to support more than 30 countries in central Europe and central Asia, and with an explicit mandate to support democracy-building activities. From an initial ECU10 billion, the bank doubled its capital base to ECU20 billion in 1996. In 2016, EBRD invested $11.2 billion (€9.4 billion) in 378 projects across 35 countries, of which $9.3 billion (€7.8 billion) was disbursed (EBRD 2017). Unlike other MDBs that came before it, EBRD has no soft loan facility.

The New Development Bank (NDB) was founded in 2015 by Brazil, the Russian Federation, India, and the PRC (BRIC countries) with an initial authorized capital of $100 billion, and an initial subscribed capital of $50 billion, shared equally among the founding members. NDB is unique among the MDBs in that all shareholders have equal voting power. In 2016, NDB’s Board of Directors approved seven loans worth over $1.5 billion, six of which are for renewable energy projects to be implemented in the BRICS countries. It also launched its first onshore green bond in the PRC worth about $448 million (NDB 2017).

The Asian Infrastructure Investment Bank (AIIB) was established in 2015 by 57 founding signatories from Asia, Europe, and Africa, with an authorized capital stock of $100 billion. The proposal came from the government of the PRC and membership is open to members of IBRD and ADB. In its first year of operations, it approved financing for 9 infrastructure projects worth $1.3 billion. AIIB’s Project Preparation Special Fund was established in 2016 to support and facilitate preparation of projects in low- and middle-income countries on a concessional basis (AIIB 2017).

According to Wang, motivations for the establishment of the NDB and AIIB, apart from the official rationale of funding huge infrastructure needs, include the desire of the emerging economies to increase their voice at international financial institutions, and to reduce their dependence on the US currency. Their establishment presents benefits such as increased financing for infrastructure and a strong impetus for reforming traditional MDBs with NDB and AIIB both aspiring to be leaner and more efficient. However, Wang argues that it is also possible that these new banks may undermine the existing standards, goals, and values that traditional MDBs seek to promote (Wang 2017).

Thus, toward the end of the 21st century, multilateral development banking has a greater number of actors than ever, representing the changing levels of economic development. The US and other G–7 countries continue to be influential in many of the MDBs, but this influence has decreased significantly, along with increased influence of emerging economies. The WB is no longer the world’s largest development institution in terms of aggregate borrowing and lending volume (Table 4 and Figure 3), but it remains highly influential. As mentioned earlier, the WB’s IFC is the world’s largest development institution focused on the private sector, while more countries than ever submit to arbitration by the ICSID. This suggests that the WB’s role continues to expand as well as evolve into other forms of expertise not limited to traditional ODA and reflective of the private sector’s increasing presence.
Table 4: Overview of the MDBs as of 2016

<table>
<thead>
<tr>
<th>MDB</th>
<th>Current Headquarters</th>
<th>Top Contributors</th>
<th>Top Recipients</th>
<th>2016 Disbursements ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIB</td>
<td>Luxembourg</td>
<td>EU member states</td>
<td>Countries inside EU</td>
<td>79,880 (€66,971 million)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Countries outside EU</td>
<td>7,860 (€6,589 million contracts signed in 2016)</td>
</tr>
<tr>
<td>WB/IBRD</td>
<td>Washington, D.C.</td>
<td>US, Japan, China, Germany, France</td>
<td>Global*</td>
<td>22,532</td>
</tr>
<tr>
<td>WB/IDA</td>
<td>Washington, D.C.</td>
<td>US, Japan, UK, Germany, France</td>
<td>Developing countries in Asia and Africa**</td>
<td>13,191</td>
</tr>
<tr>
<td>ADB</td>
<td>Manila</td>
<td>Japan, US, PRC, India, Australia</td>
<td>Asian countries</td>
<td>12,262</td>
</tr>
<tr>
<td>IDB</td>
<td>Washington, D.C.</td>
<td>US, Latin American countries</td>
<td>Latin American countries (ordinary capital)</td>
<td>9,600</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Latin American countries (FSO)</td>
<td>190</td>
</tr>
<tr>
<td>AfDB</td>
<td>Abidjan</td>
<td>US, African countries, some G7 countries</td>
<td>African countries</td>
<td>6,271 (UA4.68 billion)</td>
</tr>
<tr>
<td>EBRD</td>
<td>London</td>
<td>European countries</td>
<td>Central and Eastern European, Caucasus, Russian Federation</td>
<td>9,300 (€7.8 billion)</td>
</tr>
<tr>
<td>NDB</td>
<td>Shanghai</td>
<td>BRICS</td>
<td>BRICS</td>
<td>1.5***</td>
</tr>
<tr>
<td>AIIB</td>
<td>Beijing</td>
<td>PRC, India, Russian Federation, Germany, Republic of Korea</td>
<td>Asian countries</td>
<td>1.3***</td>
</tr>
</tbody>
</table>

*Top recipients in 2017 were the PRC, India, Indonesia, Colombia, Argentina, Egypt, Iraq, Turkey, Ukraine, and Romania. **Top recipients in 2017 were Nigeria, Viet Nam, Tanzania, Bangladesh, Ethiopia, Kenya, Yemen, Pakistan, Cote d’Ivoire, and Nepal. ***Approved loans.

Source: 2017 MDB Annual Reports.

Figure 3: MDB Disbursements in 2016
($ million, %)

Source: 2017 MDB Annual Reports.
4.4 Changing Times

The huge increase in private flows to developing countries and the increased role of private sector finance among MDBs (discussed earlier) all point to a greater role for public–private partnerships in development. One example of this is the emergence of hybrid multilateral organizations such as the Consultative Group for Assistance to the Poorest established in 1995 to advance financial inclusion by developing “innovative solutions through practical research and active engagement with financial service providers, policymakers, and funders to enable approaches at scale.” It is housed at the World Bank and among its largest contributors as of 2016 were the Bill and Melinda Gates Foundation, the European Commission, the UK, the Mastercard Foundation, and the Michael and Susan Dell Foundation (CGAP 2017).

Another example of the growing role of the private sector in development finance is the establishment of facilities such as the Green Climate Fund (GCF). GCF was established during the 2010 UN Climate Change Conference in Cancun as a fund within the UN Framework Convention on Climate Change (UNFCCC) to assist developing countries in climate change adaptation and mitigation. The GCF ambitiously aimed to raise $100 billion per year by 2020, a significant portion of which should come from the private sector (Aizenman 2017). The GCF is still in its early years and has yet to demonstrate the ability to achieve its ambitious target. As of November 2017, it had only implemented projects worth $536 million, of which $147.4 million was disbursed (GCG 2017). The GCF is a recent addition to other already existing multilateral climate funds. Among others, the Global Environment Facility (GEF) was established in 1992 and serves as the financial mechanism for several environmental conventions. To date, GEF has provided more than $17 billion in grants, and mobilized $88 billion in financing for more than 4,000 projects in 170 countries. The GEF administers several trust funds, the largest of which is the GEF Trust Fund administered by the WB and for which the WB serves as the GEF Trustee. Other trust funds include the Least Developed Countries Fund (LDCF) established in 2001, which has since approved $1.2 billion for funding of projects and programs in 51 countries and the Adaptation Fund which started operating in 2007 and has since committed $462 million to climate change adaptation and resilience activities (GEF 2017).

Contributions by philanthropic organizations in 14 developed countries were estimated at $56 billion in 2010. Meanwhile, up to 70% of NGOs’ sources of financing are private. Experts estimate that contributions by philanthropic organizations and NGOs may even exceed the contributions of DAC donors (Greenhill and Prizzon 2012). The private sector’s presence is also being felt in terms of evaluation and regulation. As Humphrey points out, there is no consensus on how to evaluate MDB capital adequacy as MDBs have no regulators, or an industry oversight body. As a result, private ratings agencies such as Standard and Poor’s, Moody’s, and Fitch have come up with their own different methodologies that can greatly impact MDBs policies and operations. Humphrey recommends either having a credible external agency come up with an independent methodology for evaluating MDB finances, or for MDBs to standardize financial and organizational reporting (Humphreys 2016). Until such solutions become available, private ratings agencies could become more influential in affecting MDBs and the direction of multilateral development aid.

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11 These include the Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC), the UN Convention to Combat Desertification (UNCCD), the Stockholm Convention on Persistent Organic Pollutants (POPs), and the Minamata Convention on Mercury.
4.5 MDBs in the 21st Century

The WB was never the sole multilateral financial institution devoted to reconstruction and development. The EIB and the IDB were both established before the WB created an agency devoted to assisting developing countries outside Europe. However, other MDBs that soon followed were modelled after it, with the WB being the largest and most stable of them all. As bilateral and multilateral development assistance programs expanded in the subsequent decades, so did criticism of aid and the agencies that administer it. Among these were issues of the ineffectiveness of aid, inefficient and highly bureaucratic systems, and manipulation by the largest donors. The WB and other MDBs have withstood these criticisms and have only continued to increase the volume of funding and operations. In fact, new MDBs were established in the 1990s, reflecting the changing patterns of post–Cold War economic growth among the world’s economies and the shifting influences that have accompanied it. Countries that were previously only on the receiving end of development aid were now extending aid themselves, asserting their voice, and setting the agenda. As such, the number of actors now involved in multilateral development finance, the facilities they offer, and the funds that are available, are more numerous than ever. On the one hand, this multiplicity could lead to greater redundancies and inefficiencies. On the other hand, it could stimulate reform and improvements as the various MDBs compete for prominence. Two of the newest MDBs—the NDB and AIIB—have caused significant concern and interest in how much the landscape of multilateral development banking might change. While there is concern about duplication and skewed priorities, as well as optimism that they will spur positive change, these new MDBs have yet to establish their creditworthiness and demonstrate the capacity to build development expertise and local knowledge.

Meanwhile, globalization since the 1990s has caused a surge in private capital into developing countries, heralding a more prominent role for private sector finance, operational partnerships with private actors, and setting the direction of the development agenda. With this, MDBs could gradually lose their preeminence as the prime sources of finance and expertise on development. Nonetheless, the WB and other MDBs have weathered several challenges over the last 50 years and have demonstrated resilience and adaptability. The explosion of climate-related finance, for example, has brought about a larger role than ever for private organizations, but MDBs continue to play a crucial role. The WB, for example, serves as one of the 18 operating agencies of the GEF, as well as the trustee of the GEF Trust Fund, and also the temporary trustee of the GCF. Moreover, as is the nature of the banking industry, the WB and the other top MDBs enjoy the highest levels of trust among investors, which translates into stellar credit ratings. Thus, while other MDBs have emerged, they have yet to prove their reliability. A final role for MDBs is their capacity to serve as the lender of last resort and provider of “rescue packages.” Indeed, with the world’s markets more interdependent and volatile than ever, the need for stable and effective multilateral development banks that serve the needs of the world is unlikely to diminish.

5. PART IV: COMPARISON

In all three sectors discussed, the locus of influence has spread at varying rates and for different reasons. In the case of multilateral development banking, the WB, since the 1960s, was already just one among several major players in development finance, and from the 1990s onward, there was an emergence of new players. In global health governance, the number of influential actors has steadily increased since the 1980s,
with an acceleration in the 2000s. In the case of trade, the GATT/WTO was the main multilateral forum that peaked in the early 1990s, but since then appears to have lost steam. Meanwhile, the potency of the WTO is under threat, and bilateral and regional free trade arrangements now seem to be the main policy instrument of choice. In each case, the shifts in the locus of influence were prompted by dissatisfaction among stakeholders regarding slow progress in achieving the desired aims. The evolution of the architecture of global health governance, global trade, and multilateral development banking, can thus be said to depend on two factors: the nature of the aims and the nature of the actors involved.

In global health governance, the aims have always been to prevent and contain epidemics, to eradicate or minimize the incidences of certain diseases, as well as to provide basic health services. Each of these are directed at entire regions, communities, families, and individuals, and require close cooperation of various authorities for effective implementation. This is reflected in the range and number of actors involved in health governance, from state actors, to corporations, to large private foundations, ministries, local governments, communities, and a proliferation of civil society actors. The difficulty of effective cooperation among this diversity of actors is reflected in increased focus on vertical interventions rather than universal initiatives. Moreover, the complexity of distributing resources and delivering results in global health, along with overlapping interests with other organizations, meant that organizations such as UNICEF, WB, and other private organizations have stepped in since the 1980s. As other interventions promoted by these other organizations proved more effective in delivering results with their faster decision-making mechanisms, so have these privately funded projects grown in influence.

In contrast, negotiating international trade has always been, by nature, the prerogative of states and does not necessarily require close cooperation with sub-state actors. At the same time, heads of governments have to respond to the demands of their constituents depending on the type of government. Thus, any fragmentation in international trade can become as fragmented as the number of state actors, but not at the level of diversity of actors involved in health governance. The outcome of trade deals, moreover, are for governments to take advantage of—their impact on lives are not immediately seen, but could be understood as highly beneficial for creating jobs and increasing the standard of living. Meanwhile, the aim of global trade has essentially remained the same: increased market access. While most tariffs have been lowered sufficiently, non-tariff barriers remain, which may often touch on sensitive issues or sectors for a given country. As such, any deadlock can be very difficult to resolve. The need for a rule-based trading mechanism, though, persists and it may be in this sphere that the WTO can continue to be the most relevant.

In multilateral development banking, it was immediately apparent that the WB alone could not finance the needs of the developing world (in fact, was not intended to). Hence, it was soon joined by other MDBs. Its aims originally were to fund post-war reconstruction efforts, but were later infused with development-related aims directed at poorer countries, mainly for large infrastructure projects, but gradually, also targeting more community-oriented interventions. In fact, in recent years, the focus still seems to be on funding large-scale infrastructure projects in the world’s developing and emerging economies. As such the multilateral development banking has not so much fragmented, as much as the WB model can be said to have been replicated. There is now a greater a variety of MDBs, and the composition of shareholders is now more reflective of the current levels of economic development. While the WB may no longer be the world’s largest MDB lender, it remains the world’s largest development
institution and is evolving as it increases its partnerships and finds new roles serving as a trustee, a guarantor, and an arbiter of investment disputes.

In sum, the nature of the aims and the kinds of actors involved have resulted in differences in the way global health governance, global trade, and multilateral development finance have evolved (Table 5). Global health’s varied aims that involve interventions at many different levels and changing focus over time, have brought in major players early on, resulting in a highly diverse set of actors we see today. Global trade’s inherent aims have essentially remained the same resulting in a more or less uniform trajectory, but deadlocks in multilateral trade negotiations have led to fragmentation into regional and bilateral agreements, and the plurality of instruments we see today. Multilateral development finance’s aims have undergone changes mirroring the discourse of development, but funding large-scale infrastructure projects have remained at its core, resulting in a replication of the WB model with the emergence of what might be considered the WB’s regional variants. In other words, global health has seen a diversification of actors and interventions, multilateral development finance has variants of the WB model, and global trade is seeing the fragmentation of what until the 1990s was becoming a globally centralized trading mechanism.

Table 5: Global Governance Sectors Compared

<table>
<thead>
<tr>
<th></th>
<th>Global Health</th>
<th>Global Trade</th>
<th>Multilateral Development Finance</th>
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<tbody>
<tr>
<td><strong>Aims</strong></td>
<td>To manage and prevent epidemics</td>
<td>To progressively open trade through increased market access.</td>
<td>To promote reconstruction after war</td>
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<tr>
<td></td>
<td>To eradicate and minimize certain diseases</td>
<td>To establish a multilateral rule-based trading system</td>
<td>To fund large-scale infrastructure and other development projects</td>
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<tr>
<td></td>
<td>To provide basic health services</td>
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<tr>
<td><strong>Major shifts</strong></td>
<td>Shift of concentration from WHO to PPPs and other schemes supported by private foundations since the 1980s</td>
<td>Increase in preferential trade agreements since the 1960s and surge since the 2000s</td>
<td>Multiple MDBs since the 1960s Establishment of new MDBs since the 1990s</td>
</tr>
<tr>
<td><strong>Features of the new architecture</strong></td>
<td>Diversification</td>
<td>Fragmentation</td>
<td>Variation</td>
</tr>
<tr>
<td><strong>New role for WHO, WTO, and WB</strong></td>
<td>Coordinate among vertical organizations and traditional actors</td>
<td>Facilitation, monitoring, and evaluation of PTAs Arbitration of trade disputes</td>
<td>Fund trustee Investment guarantor Arbitration of investment disputes</td>
</tr>
<tr>
<td></td>
<td>Data collection and management</td>
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<td></td>
<td>Advocacy and norm-setting</td>
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Source: Authors.

In these changing scenarios, the WHO, the WTO, and the WB are each finding new roles to focus on. The WB continues to be the largest development institution, and one of the largest sources of lending, but also finds new roles as an investment guarantor (MIGA), trustee for other funds (GEF and GCF), and as an arbiter in international investment disputes (ICSID). While negotiations have slowed at the WTO, the need to facilitate, monitor, and evaluate PTAs; to ensure transparency and efficiency; and to arbitrate trade disputes remains. The WTO’s role in the future will see a greater focus in such monitoring roles as well as in improving arbitration and settlement of trade disputes. Meanwhile, the WHO should help improve coordination among organizations.
that focus on vertical interventions and play a leading role in promoting health systems (horizontal approach). WHO could also aim to improve its role as a center of health data, and as the prime mover for global health advocacy and agenda setting.

6. PART V: CONCLUSION

This paper set out to explore the ways in which global governance in health, trade, and development finance has evolved post World War II and how these changes manifest in the evolving role of IGOs leading global health, trade and multilateral development finance today. The authors ask to what extent the WHO, the WTO, and the WB remain central today, how much influence they still wield in shaping the global agenda, and what these imply for the future of global governance.

The authors observed that global governance in these three sectors has evolved substantially. First, the authors affirm the argument presented by Weiss et al. (2013) that the number of public and private actors participating in global governance have increased greatly. Additionally, the authors argue that these new private players have significantly eroded the centrality of IGOs such that the course of global governance in health, trade, and development finance has changed irreversibly. Second, the authors find that regional arrangements have, in many instances, overtaken global ones as nonstate actors have taken more prominent roles. Third, this multiplicity of powerful players has led to some positive outcomes as well as greater inefficiencies and redundancies. Fourth, developed countries have been pivotal in eroding the centrality of IGOs, but developing countries are likewise taking on greater roles in global governance. Fifth, echoing Weiss et al. (2013), the authors agree that a new architecture in global governance can be seen. The authors find that in all three sectors discussed, the locus of influence has spread at varying rates, in large part as a result of the inherent differences in the aims of each sector, and the nature of the actors involved. The authors describe this new architecture as one of diversification in global health governance, fragmentation in global trade, and variation in multilateral development finance.

All these changes are emblematic of the inability of the leading global governance institutions to adapt to the changing global landscape. G7 countries for example, helped form the Global Fund to protect against specific diseases such as AIDS, TB, and Malaria after the WHO was deemed unable to lead a concerted and decisive effort against these diseases. This led to the emergence of more issue-specific private organizations such as Gavi and the Gates Foundation, which have steadily increased their swift and targeted health interventions in developing countries. Similarly, many developed and developing countries have opted for PTAs and FTAs to bypass the complex and slow pace of multilateral trade negotiations at the WTO, which raises concerns about the WTO’s potency as the leading global trade organization. Therefore, there is a need to revisit the one-country-one-vote model of the WTO to avoid obfuscating multilateral agreements since the frustration with the existing hierarchy has encouraged many countries to bypass the WTO to opt for more flexible bilateral and multilateral agreements in the first place. Multilateral development finance is also undergoing similar changes as most emerging countries are becoming vocal about their highly disproportionate representation in the existing financial institutions despite their magnified economic weight. Some of them, such as the PRC and BRICS members, have sought to remedy this economic–political imbalance by developing their own financial institutions such as the AIIB and NDB, respectively, to cater to the investment needs of rapidly developing countries. These changes continuously
challenge the existing global governance institutions, which seem unable to adapt to the changing global economic and political realities.

The global governance structures we see today across health, trade, and development finance have thus become very complex, comprising global, regional, national, local, and private institutions. The spread of these institutions has, however, coincided with more funds for health and development in developing countries, and faster and hassle-free trade. On the downside, the entry of more actors could often lead to overlapping priorities and efficiency losses, which may do more harm than good to existing global governance structures if not handled properly. While the current global governance structure may be polycentric, it is also more stable. The mantle of health governance, for example, is steadily shifting toward private foundations that are increasingly becoming more independent and arguably, more efficient than the WHO in tackling some of the most prevalent and pressing healthcare problems. The WTO is also reshaping itself primarily as a dispute settlement body for countries that are increasingly favoring bilateral and regional trade agreements. The consistent economic growth and tax reforms complemented by new development financing institutions led by emerging developing countries has also reduced their reliance on traditional development banks for development funding. Moreover, the BRICS countries may question and challenge the global governance orthodoxy periodically, but as seen in the COP21 and Paris Agreement on Climate Change in 2015, also often demonstrate unprecedented commitment on sustainable development (Jang, McSparren, and Rashchupkina 2016).

Nonetheless, this resilience could also render the existing structures more inaccessible and stall progress on most pressing global governance issues. The WB, WHO, and the WTO, therefore, must now assume a new role of coordination, facilitation, and dispute settlement among the new players such as powerful developing countries, global institutions, IGOs, NGOs, and MNCs to harmonize their efforts for better global governance. They must acknowledge the polycentricity of the new global governance order and fortify it through constructive engagement with these emerging players. The developed countries, in particular, need to be patient since changes in global governance, though possible, are incremental. Global North countries have forged the global governance structures and steered them over the past 70 years, but taking them into the 21st century requires imaginative leadership, one willing to make concessions in providing global public goods and becoming better at coordinating with the multiple stakeholders (Annan 2016).

Global governance in the 21st century is thus characterized by a proliferation of actors and a decentralization of authority, an erosion of IGO centrality accompanied by a greater role for nonstate actors, developing countries, and by increased regionalism. Depending on the sector of governance, its inherent aims, and the nature of the actors involved, the new architecture may be one of variation, fragmentation, or diversification. While this new architecture is complex and might possibly lead to inefficiencies and redundancies, it also holds great potential.
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