The multilateral development system has evolved over time and continues to evolve. Initially, it was organised by a small group of like-minded countries with a common vision and principles, and was designed to share the financial burden of development cooperation and to implement programs of support in an effective way.

But over the last two decades there have been strong forces reshaping the system. These include large economic shifts - the size of the global economy has tripled over the last 20 years from around $25 trillion to over $75 trillion in nominal prices today - and the emergence of the growth economies. The increasing differentiation among developing countries and the recognition that substantial investment in global public goods is needed to reap the benefits of globalisation and reduce the costs. Today, the multilateral development system continues to develop in response to the need to accommodate emerging state powers and non-state actors (business, civil society, and others) as well as the need to broaden responsibility for collective responses.

This paper briefly identifies some of the key characteristics of the emergence of a “new multilateralism.” It offers a number of practical recommendations on how to get the best out of the multilateral development system in an increasingly complex environment. The paper is adapted from a report on the future of multilateralism commissioned by the Government of Sweden.
Multilateralism as an instrument of choice

The multilateral development system is a set of institutions and norms that have guided development cooperation since the Second World War. It has been based on a number of underlying principles that can be summarised as follows:

- doing no harm to others,
- solidarity with developing countries,
- and sharing the burden of investing in global public goods.

The multilateral development system has used a broad range of instruments but ultimately the test of its effectiveness is that it enables a collective response to solving a particular problem that is preferred to individual country responses.

To be effective, multilateralism must be a choice that is made because it is the most effective or efficient instrument available to a government.

Multilateralism should not become a way of abdicating leadership. It must be a way of exercising it. For a new multilateralism to take root, what is needed is a robust approach to the use of multilateralism as an instrument of choice by a large number of member states.

The multilateral Agenda 2030

Agenda 2030 for Sustainable Development endorsed by all 193 member states of the United Nations in September 2015, provides important signals for how the multilateral development system’s institutional landscape should evolve over the next few years. Agenda 2030 is truly multilateral as it underlines the importance of a “goals, targets, and results” framework for every country, against which progress can be transparently monitored. But it also shows where the current multilateral development system falls short:

- Agenda 2030 is universal in its scope and vision, while the multilateral development system is still mostly organised with a frame that divides the world into developed and developing countries.
- Agenda 2030 is ambitious and requires solutions at scale, while the multilateral development system today is fragmented and project-oriented.
- Agenda 2030 argues for integrated solutions extending across development, peace, environment, and humanitarian realms, while the multilateral development system is siloed in its approach.
- Agenda 2030 calls for contributions from a range of actors, beyond governments, while the multilateral development system, at its core, remains largely intergovernmental.

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Finally, Agenda 2030 recognises the importance of investing in global (and regional) public goods and starts to define other means of implementation, highlighting where gaps in the system exist. If the multilateral development system evolves to become well positioned to deliver on Agenda 2030, it will be because its key institutions, in particular in the United Nations development system, the World Bank Group as well as other International Financial Institutions, and regional and global clubs like the G-20 and regional institutions, also evolve.

The normative role of the UN development system

With respect to the future positioning and role of the United Nations development system, there seems to be a very clear consensus that one of the UN’s most vital tasks relates to its normative agenda. In a rapidly changing world, the web of normative frameworks that lie at the foundation of so many of the processes of an inclusive globalisation need to be nurtured, perhaps adapted, and certainly strengthened. Agenda 2030 with its Sustainable Development Goals (SDG) itself is a foremost example of this normative function.

The implementation of the SDG framework requires considerable strengthening in the capacity of the UN development system to provide integrated programmatic support, rather than fragmented agency projects. The relative decline in the role of official development assistance (ODA) in many middle-income countries requires a constructive dialogue on how to maximise the impact of the UNDS in these countries.
A key element in the 2030 Agenda relates to the ability of the UN to respond to emerging global public goods—to invest in areas such as climate change and global health surveillance. One of the features of these investments is that, in many respects for the first time, they require a collective response across almost all countries in order for there to be a possibility of successfully finding and implementing solutions. This need for a collective response brings with it a whole range of new organisational requirements for funding, monitoring, surveillance, partnerships, and the like. The UN has a particular role to play in providing the space and the convening power to bring a wide range of partners together.

Strengthening monitoring and accountability mechanisms follows from the implementation of a normative agenda. Agenda 2030 represents a major challenge in this respect. This is all the more evident in the case of actions that require a collective response by the international community. This is because burden-sharing is integral to delivering solutions, and it requires monitoring to certify compliance with the responsibilities agreed.

A critical function that is intimately linked with the elements identified above is for the United Nations development system to champion evidence-based policy. It needs to provide leadership in the collection and use of both governmental and non-governmental data. This requires an analysis of the optimal configuration and financing of the multiple databases that the UN development system generates.

Finally, the challenges affecting a number of Least Developed Countries (LDCs) and the intractability of a number of conflict and humanitarian situations require the UN development system to review comprehensively its effectiveness in a select number of these countries.

**The leveraging role of multilateral development banks**

The multilateral development banks have a particular comparative advantage in policy dialogue with member states, partly because of their largely apolitical nature. As the Financial Times put it, “if the World Bank fades, the alternative is a future of individual countries jockeying for influence via bilateral aid, with less regard for the needs of the poor.”

Policy remains the single most important instrument for countries to implement Agenda 2030, but reform efforts are most effective when combined with financial investments. The key lesson drawn from the implementation of the Millennium Development Goals that has been taken up in the design of the SDGs is the need to focus on sustainability, institutions, and the role of the private sector in development, all areas where multilateral development banks have been active, but where they are still searching for scalable interventions.

The multilateral development banks have the ability to provide significant leverage. The World Bank Group, for example, operates with an equity/loan ratio of 25 percent. Further leverage can be achieved by using risk management instruments, like guarantees or first-loss structures. For many years, major shareholders believed that private capital would be accessed directly by fiscally responsible middle-income countries, and argued that the main focus of multilateral development banks should be to take care of the poorest countries that lack such options. Today, this position seems outdated, amid the pragmatic need for low-cost, long-term debt financing for infrastructure in middle-income countries, in particular, and the growing evidence that blending of public and private finance could be an effective way of mitigating risk.

**The multilateral development system requires political leadership**

The Multilateral Development System needs to be backed by sustained political leadership. From this point of view, the G-20 has emerged as a club with important functions in managing the global development space, starting from the crisis management of the global economy but then more formally tackling development issues following the Seoul G-20 Summit in 2010. The G-20 has not tried to replace the UN as a norm-setting body, nor to exercise governance over existing multilateral institutions. Instead, the G-20 has sought to give political profile to ongoing global activities. The annual G-20 leaders’ summit has provided a “forcing” point for key agenda items that is a useful complement to existing
review and follow-up processes of the multilateral development system. For example, the G–20 has been moderately successful in mobilising collective action in food security, infrastructure finance and financial inclusion.

The lack of an effective working relationship between the UN, the multilateral development banks, and clubs like the G–20 and the Organisation for Economic Co-operation and Development (OECD), is a central challenge to the future evolution of the multilateral development system. The G–20 cannot be effective without being seen to implement goals that have been decided on in a legitimate international forum like the UN. Conversely, the UN cannot be effective without the political support of its major members and their willingness and determination to exercise national leadership on the global issues of the day. The multilateral development banks have their own vision and goals, but should also be held responsible for scaling their contributions to the SDGs adequately.

There is likewise a tension and ambiguity in the relationship between the multilateral development system and regional institutions and forms of cooperation. The relationship goes from close complementarity and, in some cases, delegation of authority (peacekeeping) to being competitive and potentially undermining global multilateral principles (regional trade agreements).

**Elements of the current multilateral development system**

The multilateral development system as it currently exists is a hybrid of four distinctive architectural elements:

1. One reflects a division of labour among institutions.
2. A second suggests a system based on competitive principles.
3. The third is a system organised as a fulcrum to leverage results.
4. Fourth and last, is system that accommodates the reality of states’ demands for more plurilateralism, alongside multilateralism and bilateralism.

While all four forms are likely to persist, the shape of the new multilateralism will be determined by which form dominates. That design should ensure that multilateralism remains the preferred instrument of choice for a large number of countries, thanks to its ability to perform needed functions in an effective and efficient way. Form must follow function.

### Financing multilateralism

At present, there is a clear and persistent misalignment between identified functions and financing instruments. In the United Nations development system, financial incentives often run deeply against policy priorities. What is needed is a broad bargain to be constructed around four types of function, each supported by a different financing model:

1. **Normative and standard setting activities.**
   
The financing bargain is about who should pay which institution to do what. Burden-sharing for norm-setting must include the newly emerging economies. The UN is the natural place to negotiate each country’s contribution because norm-setting requires legitimacy and the UN remains the most representative institution in the world.

2. **The provision of global public goods.**
   
Separately, financing is required for a range of global public goods, including responsibilities for operationalising norms that may have been set by the UN and the burden-sharing for these may be differentiated by country context and domestic national interest.

3. **Humanitarian operations and interventions in conflict-affected and post-conflict areas.**
   
The same arguments pertain to humanitarian operations for disaster relief and for work in the hardest places, those affected by persistent conflict. Regional, historical, and cultural ties, along with each state’s capabilities, will affect the nature of burden-sharing.

4. **For more traditional poverty reduction programs,** scale and leverage have to be increased, especially in lower-middle-income countries. This implies the use of grant resources in new ways, different cross-country allocation models, and the possible use of grants in the form of new risk-sharing instruments that can mobilise incremental private capital. Public-private partnerships offer one important way of scaling up and leveraging official resources.

Finally, the multilateral development system should actively develop the case for prevention and collective risk-sharing in a way that provides political cover for national governments.
Towards a new multilateralism

How can the necessary adjustments be made to nurture a new and revitalised multilateral development system? In the second half of 2015, the multilateral development system witnessed an extraordinary array of significant developments, which in aggregate present a major challenge for the future direction of the system. These include the adoption of Agenda 2030, the adoption of the Paris Climate Agreement, penetrating reviews of the international community’s response to the Ebola outbreak, major UN reports on the future of peacekeeping and peacebuilding, preparations for the World Humanitarian Summit, the emergence of major new international financial institutions, such as the BRICS New Development Bank and the Asia Infrastructural Bank, and the virtual disbandment of the Doha trade framework.

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In particular, with the adoption of Agenda 2030 and the Paris Climate Agreement, we are seeing the emergence of a new conception of multilateralism that is increasingly basing itself on the establishment of international normative and reporting frameworks that encourage states to act responsibly and to mobilise their whole society—including business, civil society, academia, and science. This is at least in part a recognition of the reality that many of the collective responses required to meet today’s challenges are no longer within the power of governments to deliver singlehandedly.

Instead, the theory of change of the new multilateralism is itself changing. The multilateral development system must do more than simply mobilise government actions and public investments through ODA pledges. It must develop standards of government behavior that are acceptable to all countries through establishing global norms. It must also transmit credible market signals that will impact the investments of private business. It must provide transparent information to harness the power and advocacy of civil society and the academic and scientific communities, as treaty-based quantitative obligations are preferred less. For example, countries have moved from the treaty obligations embodied in Kyoto to monitoring and reporting on national commitments voluntarily entered into at the Paris COP 21 conference.

It should be used only to solve problems that need to utilise the instruments that a new multilateral development system can deliver—public responsibilities in a globalised world and investments to achieve them, a business climate aligned with global goals, and a transparent process of engagement with citizens.

The multilateral development system is an optional instrument available to governments to deliver on their commitments. Depending on the options available, the challenges being addressed and the solutions being envisaged, the multilateral development system might, or might not, be the best strategic choice. It can be effective in delivering services in fragile and conflict-affected states and for humanitarian purposes. It is recognised as having an important role globally in the establishment of norms and addressing global public goods needs, including in the important area of knowledge and data. The capacity of the multilateral development system to support monitoring and reporting, and its strength as a voice for evidence-based policy and science, should be central preoccupations of member states.

In low- and middle-income countries, the multilateral development banks have a major role to play in leveraging public financial resources to go to scale, sometimes by providing platforms for partnerships.

Important to recognise is that there are circumstances where multilateral approaches may lead to stalemate and should be avoided in favor of regional or bilateral approaches. Europe’s economic problems can be handled by Europe. Many countries have not found it useful to harmonise programs around global standards. For example, most countries prefer to use their own standards to define poverty than to use the global benchmark of $1.90/day. Similarly, national standards are still used for educational curricula, food safety, professional services accreditation, and the like.

If member states can clarify the functions and core purposes of the multilateral development system, they can start to invest in the long-term health of the system and shape its design. Investment by member states in multilateral institutions does not refer exclusively to finance, important as that might be. It refers even more to providing for a governance structure that allows those institutions to take initiatives, convene partners, and bring parties together, creating the momentum necessary to generate collective responses. This requires political space, quality financing, and strategic capacity in each institution.
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End Notes

2. FY2015, see: https://datos.worldbank.org/dataset/IBRD-Equity-to-loans-Ratio?hl=en
3. Pluralism is an agreement or coalition between more than two countries but not a great many. In more simplified terminology: more than bilateral, less than multilateral.

*The Organisation for Economic Co-operation and Development’s (OECD) Development Assistance Committee (DAC) is a forum to discuss issues surrounding aid, development and poverty reduction in developing countries.