

**20th Anniversary
of the
Vienna International Centre
(9 October 1999)**

**Notes for
High-Level Panel Discussion**

**International Organizations' Contribution to
Human Security into the 21st century**

**Repositioning the multilateral system
to reform the reforms**

**Carlos Magariños
Director-General
United Nations Industrial Development Organization
(Ver. 3.1)**

Mr. Moderator (Dr. Kurt Bergmann)
Deputy Secretary General (Madam Louise Frechette)
State Secretary (Madam Benita Ferrero-Waldner)
Canadian Parliament President (Hon. William Graham)
Panel colleagues
Ladies and Gentlemen

Good afternoon

1. Thanks for kind words of introduction.

2. Focus of brief remarks (maximum 7 min.)

- Changing context for international organizations
- Need to reform the reforms going on in the developing and transition economies those organizations have to deal with.
- New conceptual role of international organizations as providers of global public goods geared to new generation of reforms in developing countries.
- Future role of UNIDO — as example of an international organization that mobilizes of public goods (rather than the public “bads” that some of my counterparts in Vienna are charged with combatting).

3. Context for the celebrations.

- Celebrating the Vienna International Centre’s 20th Anniversary coincides with fundamental discussions to re-architecture the multilateral system.
- Standard arguments favour those reforms:
 - ▶ Lack of efficiency in UN system and Bretton Woods institutions
 - ▶ Lack of interest among Member States — especially since end of the cold war
 - ▶ Lack of financial support — reflection of the first two

arguments.

- Question: why demand changes when old problems remain unsolved — poverty, instability, insecurity, wars, environmental degradation etc.

4. Reforming developing countries' reforms

- One main future challenge for multilateral institutions: assist developing/transition economies maintain their reform momentum.
 - ▶ Some results from first generation reform packages during last 15 to 20 years were encouraging.
 - ▶ But not all problems solved. For example:
 - Wealth effect through lowering inflation was one-time shot.
 - Productivity increments proved unsustainable.
 - Few wide-spread shifts from low-skill, low value-added production to high-skill, high value-added areas (outside the two generations of NICs).
 - ▶ One direct result: loss of popular support for reform initiatives. Crucial this be restored.

5. Keep this *first* generation of reforms in place. -

- But these were essentially *macroeconomic* reforms — a fundamental step towards *economic* security.
- Need to move forward with further reforms that:
 - ▶ Address broader aspects of human security — not only economic. Also food, health, environmental, personal, community and political security.
 - ▶ This means building and developing efficient sets of policies that:
 - link macro-economic stability with micro-economic performance;
 - develop health, education and training systems to

provide a better social foundation for growth through increased productivity;

- improve the welfare of ordinary people.

6. **Renew support for second generation reforms.**

- Not enough attention being paid to a second generation of reforms
- These are reforms that make the changes at the micro- and institution-levels — crucial for making the private sector the motor of development and generator of more widespread benefits essential for human security.
- Reforms such as:
 - ▶ developing the legal and regulatory framework;
 - ▶ measures to stimulate ownership solutions, multiply the number of entrepreneurs and develop the small and medium scale entrepreneurial sector;
 - ▶ building up productive sector support institutions to address supply bottlenecks (chambers of commerce, industry associations and other organizations of civil society;
 - ▶ strengthen the development of health, education and training systems to provide a better social foundation for achieving economic objectives such as increased growth and productivity, and more widespread benefit.
- These are also the reforms that engender respect for human rights, increase participation in democratic processes and improve the quality of the physical environment.
- Close attention to productivity inputs and potential “wealth effects” will improve popular public support for the whole reform process.

6. **Linking *macro-* and *micro-performance* calls for third generation reforms.**

- Second generation is essential, but not enough to link macro-economic stability with micro-economic performance.
- Nor will it (by itself) re-engineer free enterprise in a way that makes it possible for more people to participate in growth and development.
 - ▶ Question is, how to improve the performance of global capitalism, which presently concentrates benefits in few hands and ignores the concerns of the many whose lives it affects.
 - ▶ This is an anomaly: property rights and the built-in signalling system (allowing people to express their individual concerns) mean that free enterprise is uniquely suited to providing today's missing connectivity.
- We are therefore looking for a third generation of reforms — reforms that will provide the *soft infrastructure* needed to link macro-economic reforms with the life of the majority of the people and improve their welfare.
- This third generation will necessarily focus on mobilization of knowledge, information, skills and technology essential for successful development.

7. Role of international organizations

- Link between international organizations and the three generation of reforms at country level is their role in providing and disseminating international public goods.
- Already the concepts of national and global (or international public goods) are increasingly accepted as the basis of thinking through the special responsibilities of the international community — and by implication the role of the multilateral system.
- We may come soon to the idea that individual organizations'

ability to mobilize public goods and link them with specific generations of country-level reform should be a prime criterion for those organizations' own transformation and future work.¹

- For example (and acknowledging the risk of oversimplification):
 - ▶ First generation reforms were associated primarily with the IMF and its ability to deliver the international public good *economic stability*.
 - ▶ Second generation reforms call on the services of the World Bank and the UN humanitarian and development system (for example, UNDP, ILO, UNESCO, UNEP, WHO, UNCTAD and (the old) UNIDO).
 - ▶ The public goods they supported have been variously listed as justice, equity, labour rights, education, environment, health, trading systems and industrialization.
 - ▶ Third generation reforms concerned with the public goods *knowledge, information, skills and technology* will call especially on the World Bank Group's IFC, and the organizations most closely associated with the productive sector (FAO, ILO, UNCTAD and UNIDO).

8. Implications for multilateral system transformation: the UNIDO example.

- Provision of public goods associated with specific generations of country-level reform can be the fundamental principle for changes and transformations of the whole system of international organizations and at the level of the

¹ Provision of public goods is not the only criterion for validating international organization's services: contribution to global equity and gains from international cooperation may be equally, in some cases more important for particular organization.

international organization itself:

- ▶ An appropriate system of international organizations would feature both:
 - clear non-overlapping mandates to provide/disseminate specific public goods;
 - clear cooperation/coordination procedures;
- ▶ Individual organizations would have:
 - resources commensurate with the scale of the public *bad*s they are mandated to eradicate;
 - capability with respect to *two* distinct levels of public goods, namely provision/ dissemination of:
 - ▶ *national* public goods — envisaged (but modernized) in San Francisco and Bretton Woods Agreements;
 - ▶ *international* and *global* public goods — envisaged by international treaties, protocols, agreements and action plans.
- As a second and third generation reform organization, UNIDO would continue to promote *industrial development* as a public good in itself. And it set up UNIDO to promote it, accordingly.
- But industrialization and industrial development would be re-conceived as making a significant (probably indispensable) contribution to provision and dissemination of two further international public goods, namely
 - ▶ *long-run international economic and political stability*
 - ▶ *sustainable international natural environment*.
- These require the third-generation-reform public goods mentioned already. These are international public goods which as a rule in developing countries are not produced and disseminated in sufficient quantity locally — industrial knowledge, technology, information and industrial standards being prime examples.

- Nevertheless, industrial development remains associated with a large number of national public goods, whose provision still needs to be supported internationally.

9. **Some practical consequences.**

- At this moment we are re-examining all our core services — the service modules which Member States have approved as our response to their Business Plan — for their ability to provide or disseminate international and national public goods related to industrial development.
- For example, the industrial dimensions of knowledge and information include:
 - ▶ *Technological knowledge.* Three of UNIDO's present current core services must be seen contribute to this public good: *Investment and Technology Promotion, Statistics and Information and Industrial Policy Formulation and Implementation.*
 - ▶ *Economic knowledge.* In particular *knowledge for industrial development* comprises three intermediary public goods:
 - quantitative and qualitative information on industry
 - empirical research based on this information and
 - sound and credible country-specific policy advice based on empirical studies.

These are the international and national public goods on which UNIDO's services in the areas of *Statistics and Information and Industrial Policy Formulation and Implementation* should be focussing.

10. In summary

- International organizations will face significant new challenges in the 21st century.
- Sooner or later they will be reorganized to become more effective as a global governance system.
- In the meantime, individual organizations should be looking closely at the public goods they are mandated to support.
- They should be linking that support to the reform processes going on in the countries they serve — taking a position, I suggest, on the different generations of reform they target.
- And in that context, they should re-examine, with their Member States, the services they offer.
- Meanwhile, the gains from intra- and inter-organizational cooperation and coordination in the provision and dissemination of public goods should be assessed as the logical basis on which to reform the multilateral system as a whole.

Thank you for your attention.