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## “Experimental Multilateralism”: Regaining the Original Purposes of Multilateral Cooperation



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The increasing complexity of global challenges calls for innovative and inclusive solutions by countries and require updated approaches to international cooperation. The COVID-19 pandemic reinforces the urgency of a novel approach to design transformative recovery strategies, including their financing frameworks, to address a diffuse discontent that is visible in street manifestations, but also in the decline of voters’ turnout and in the weakening trust in governments. In particular, there is a need to renew the trust on the multilateral system by regaining its original purpose. To that end, what is required is understanding the complexity of these new and interconnected challenges, testing what works and does not work, learning by monitoring to develop appropriate strategies and policies, reporting regularly and publicly on progress towards high level goals. However, these actions will face significant resistance due to obstacles to the perception of change and bureaucratic practices.

### The Origins of Multilateralism: From Diffused Reciprocity to Lack of Trust

Modern multilateralism was conceived with the purpose of enabling collective action between national states for ethical purposes that inspire cohesion between people and places, political

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concerns to prevent and contrast attempts to ignite conflicts, and for the search of renewed economic development opportunities capable to address visible asymmetries and underemployment of resources. Among the principles stated in the United Nations primordial charter for a new international governance, three are worth to be mentioned: equality and self-determination of nations, respect of human rights and fundamental freedoms and a more subjacent principle that underpins the more explicit ones: diffuse reciprocity. In fact, multilateralism entailed expectations of “diffuse reciprocity”, a concept identified by Robert Keohane and John Ruggie, meaning that cooperation is “expected by members to yield a rough equivalence of benefits in the aggregate and over time” (Ruggie, 1992), (Eilsrtup -Sangiovanni, 2016). That is, multilateralism can be understood as the practice of solidarity in the expectation that in the long run its benefits will outweigh immediate short-term disadvantages (Maull, 2020).

International cooperation stemmed within this framework of multilateralism. In his famous 1949 inaugural address, US President Harry Truman said: “We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas”. Subsequently, a programme of development assistance came up to bridge the gap between the so-called ‘developed’ and ‘underdeveloped’ nations, imposing a linear view of development primarily focused on GDP growth. As the developed nations had managed to become rich and

technologically advanced, they sought to benevolently assist the financially underdeveloped countries to achieve the same. Over 70 years since Truman’s speech, development cooperation is often presented as an altruistic way to grant assistance and aid to people’s suffering from misery and poverty.

Diffuse reciprocity should be, therefore, at least in principle, at the heart of the original notion of ‘modern’ multilateralism and international cooperation efforts. However, in international relations, two basic forms of reciprocity can be distinguished: specific reciprocity and diffuse reciprocity, and the former is seen to prevail. While the concept of specific reciprocity refers to a simultaneous exchange or one with strictly delimited sequence, diffuse reciprocity provides mutual benefits sequentially or over a long term (Bolewski, 2007). This is associated with another distinction: commutative justice and distributive justice. The first is based on the satisfaction of mutual self-interests, the latter reaches beyond into the realm of global public interest enhancing social solidarity and community interests where (global) public goods are concerned. Despite the centrality of diffuse reciprocity and distributive justice for multilateralism, they have not been mainstreamed in the modern multilateral architecture. Thus, while powerful states are increasingly unwilling to be constrained by multilateral organizations, poorer states are increasingly discontented with what they see as the institutionalisation of discrimination. For many, the current system seems to perpetuate global economic asymmetries (Pisani & Ferry, 2021).

The result is a growing lack of trust in international system based on a lack of both input and output legitimacy. The latter refers to the fact that multilateral organisations and global governance arrangements are not fostering reduction of inequalities. This is exacerbated by a deficient input legitimacy: the recurrent lack of representation of the developing world in key global institutions (Debuysere, 2021).<sup>1</sup> Although inclusivity was an important principle of the Bretton Woods institutions in the early years, the predominance of the leading economies in these institutions has been codified in a much more substantial way through the allocation of voting rights (not to mention the location of Breton Woods institutions and the practice to pegging currencies to the US dollar) (OECD, 2021). The international cooperation system, embodied in the official aid assistance, has mirrored these limitations in terms of legitimacy and has privileged conditionality of aid over ownership. In High Level Forums on Aid Effectiveness and International Conferences on Financing for Development conditionality, Southern voices have argued that the “market structural reforms” tied to aid have promoted growth at the expense of the poor majority in recipient countries, facing the decline of domestic industries and the increase of unemployment (Fine, Lapavitsas, & Pincus (Eds.), 2001). Other critics of conditionality question the enforcement of one-size-fits-all instruments applied to countries with diverse development contexts (Alonso, 2001). The absence of developing countries around the multilateral tables where official

development assistance is discussed does not need to be demonstrated (OECD, 2017).<sup>2</sup> The incentives derived from today’s aid system and architecture has led to suboptimal results in aid coordination and limited diffuse reciprocity in multilateralism. Moreover, the COVID-19 crisis has evidenced how the current dynamics of the multilateral architecture and the international aid system were not conducive to global security and prosperity for everyone. In addition, by acting on their self-interest, many countries are undermining the possibility of successfully addressing the global pandemic and multilateral organizations are coming short on their promise of enabling states to achieve collective goals that they could not have reached by themselves. Today is more evident than ever that inaction will be very costly.

## **What do we need to change? Building a New Narrative of Governance Arrangements for Development**

Transforming multilateralism and international cooperation is not going to take place from one day to another. When looking at the increasing number of global shared challenges, it is evident that we need to move beyond specific reciprocity, conditionality and self-interest to a system based on diffuse reciprocity, and shared ownership. For this, we need an updated narrative on development, based on a fresh look on the future challenges as well as on the considerable changes we have witnessed in the last decades. In many instances, the glasses of our lenses continue to

operate on inertia and outdated frames. They distort the perception of a world that has considerably changed actors, objectives and modalities from what was the case immediately after the World War II.

### **The Actors**

Decolonisation naturally played in favour of a wider inclusion and participation of countries in global decision-making. Moreover, the epochal transformation of the economic geography in the last decades has multiplied the actors engaged and concerned by international cooperation. Global socio-economic progress has been remarkable before the COVID-19 pandemic. Indeed, emerging economies in the Global South, such as the BRICS, have not only experienced significant GDP growth, but have also ensured a decrease in poverty and an impressive expansion of the middle-class. Moreover, emerging and developing countries are active in international cooperation, going from what concerns the provision of public goods to the dialogue on strategy building and policy making and passing through the financial support of programs. Not to mention that developing countries are the Prince in the Hamlet when it comes to development targets. Those countries deserve a peer status around the “tables” where development cooperation is discussed and designed. Unfortunately, this is not the case, and the shortcomings of the multilateral system have been felt most keenly by developing countries that are kept in an unfair and inadequate category of “recipients”.

Why are we facing a problem of legitimating and ultimately of diffuse

reciprocity? Without addressing the political reasoning behind the resistance toward a more inclusive system, let us stress on some economic and conceptual factors. Development was often and unfortunately still is conceived by some actors as the evolution of countries along a single path - one traced by the rich countries. The ‘latecomers’ on this journey are perceived to be held back by internal ‘obstacles’ for which they are solely responsible and which they ought to remove as quickly as possible. They are believed to benefit from trade, financial aid and ‘conditionality’ on best practices identified by ‘advanced’ countries that have already developed their economy and that can presumably transfer development know-how to the poorer countries. Once development ‘takes off’, market mechanisms are supposed to kick in and permanently keep the populations of developed countries ‘out of danger’.

Words like ‘development’ and ‘cooperation’ became synonymous with ‘economic growth’, ‘assistance’, and ‘regulation to ensure the safeguarding of well-functioning markets’. In this view, dialogue between donor and recipient countries is not always considered necessary. While individual projects requires ‘on the ground’ collaboration between Northern and Southern actors, it is believed that policy design and evaluation - for example, deciding which forms of spending could be classified as official development assistance - is the domain of donors alone (deciding whether expenses conditional on the purchase of goods from the donor country were eligible, or if export credits, military assistance or private

charity could be considered as 'aid'). Development cooperation has risked becoming a self-referential mechanism assessed not that much on results frameworks, but rather on the compliance with principles approved by the donors themselves. Success became success in reaching targets set up by donors and not in reaching development impact according to developing countries' goals and strategies.

The above conjecture about a single path for development and a consequent limited need for dialogue between developed and developing countries should have definitely lost credibility. There is a wealth of examples of emerging countries that have grown in a 'non-orthodox' way, and, on the other hand, plenty of examples of 'diligent' countries that have not benefited from following 'orthodox' recommendations. Not to mention that in many cases, developed countries themselves adopted different practices in the past from those they preach as prerequisites for development in the present. So why should we assume that the adoption of 'advanced' country standards is a necessary and sufficient condition for development? Why should we listen to only those voices? We actually need, now more than ever, to learn from each other and recognise the asymmetric nature of information and knowledge that only dialogue can address. Diffuse reciprocity implies the recognition of the 'otherness' and we need inclusive 'tables' where countries engaged in different development trajectories could discuss individual development paths and forms of international cooperation needed to support them. For this to happen, we need to revive our interpretative

discourse, discuss narratives and recognise the specificities of developing countries and the global structures (economic, financial, political, etc.) that condition their levels of wellbeing, rather than considering them as mere recipients of standards they did not have a say in defining.

## The Goals

Not only the actors, but also the goals of the cooperation systems have changed overtime and international cooperation should recognise it. The Bretton Woods era managed to reconcile greater economic openness with the acceptance that countries need protecting jobs and develop domestic industries as well as building comprehensive welfare systems to support those who could not find their place in a changing society. However, this era was followed by one assigning a strong emphasis on market mechanisms that were allowed to ride roughshod over social and environmental protections regarded as essential. Today, we work under the general guidelines defined by the Sustainable Development Goals, but we should further engage in their implementation, at least for what concerns their underlying inspirations. The SDGs are built on the idea that economic growth and development, although connected, are not synonymous. We should put in place inclusive forms of growth as, indeed, a series of development 'traps' persist, beyond the lone emphasis on 'poverty trap'. Those traps feed vicious cycles that cause a deep social discontent. Therefore, not only national public policies but also international cooperation should be mobilized and strengthened for escaping these development traps, as often market



mechanisms can instead reinforce those (OECD et al., 2019).<sup>3</sup> However, we have a lot of work to do. For example, aid distribution remains based on GDP-GNI (Gross Domestic Product- Gross National Income), despite the efforts of SDGs to propose new development measures. No doubt that this reflects a mix of bureaucratic inertia, analytic obstacles to the perception of change, and an almost exclusive emphasis on financial resources for development.

GDP remains both an overarching policy objective and the principal measure of the health of society despite available alternative indicators. Income related metrics -such as GDP per capita -misrepresent countries' realities since they fail to capture development as a multi-dimensional, multi-sectoral, multi-stakeholder process and to internalise the existence of global and regional public goods. Moreover, injection of financial resources is not a 'deus ex machina'.

### **The Modalities**

Together with the targets, we ought to update the modalities of international cooperation by moving from bilateral, mainly financial, relations to multilateral efforts to understand each other and experiment innovative forms of cooperation. Of course, a new approach to international public finance and investments is crucial and the volume of finance should increase considerably. Particularly now, when we face the worst crisis of this century. Today's recovery calls for special efforts (for example measures for financing developing countries debts) but also for more structural changes. We still need a tool

that supports countries facing financing gaps and that addresses the pressing challenges that now confront rich and poor nations alike, as the Covid-19 and climate change crises underscore. In this respect the Global Public Investment (GPI) approach proposes five evolutions, or paradigm shifts, to move from an old-fashioned 'aid' mentality to a new common framework for financing social, economic and environmental challenges in rich, poor, and middle-income countries alike:

- From a narrow focus on reducing poverty to meeting broader challenges of inequality and sustainability.
- From seeing international public money as a temporary last resort, to valuing it as a permanent force for good.
- From one-directional North-South transfers to a universal effort, with all paying in and all benefitting.
- From outdated post-colonial institutions to representative decision-making.
- From the patronising language of "foreign aid", to the empowering multilateralism of a common fiscal endeavour.

Some of these evolutions are already underway; others need concerted effort to prod them in the right direction. In any case, it is time to write the next chapter in the history of financing sustainable development.

However, additional tools for action should be developed further as well. Development cooperation, fundamentally based on flows of financial assistance in traditional donor-

recipient relationships, falls short of responding to countries' evolving challenges. An increasing emphasis should be put on supporting countries to address the policy challenges they are facing, the design of inclusive development strategies for the recovery, the challenges connected with global warming and the growing discontent across national borders. We need to comprehensively address development challenges with tailored approaches according to each region and country's needs. We need repeated and structured interaction between actors for trust building and knowledge sharing: sustained public policy dialogues so countries - but also cities, unions, NGO, etc. - can discuss and compare, as equals, national, regional and global strategies.

Indeed, as countries attain higher levels of income, breaking the poverty trap becomes no longer development's sole objective. For example, developing countries also face a need to break the institutional trap, where weak institutions provide low quality public services, compromising citizens' trust in and satisfaction with their governments, and decrease people's willingness to pay taxes, making it even more difficult for governments to respond to society's expectations. Moreover, as countries reach middle-income levels they risk entering into the middle-income trap, where economic growth tends to slow down and requires new engines based on higher levels of productivity and on capital- and skill-intensive manufacturing and service industries. Not to mention traps related to weak social protection system that confine population to poor health conditions and in informal economies.

In short, a new consensus on a renewed multilateralism would not seek to disseminate standards and influence developing countries via conditionality, but rather it would aim to foster structured policy experimentation through learning by doing and monitoring among 'peers'. It would guarantee broader participation and ownership, to update our international cooperation practices and frameworks. Regaining trust and diffuse reciprocity starts by bringing 'inclusiveness' at the core of the system, and recognising all actors, especially those who have not had an adequate seat in the multilateral table. It would require updating income-centred notions of 'development' to consider it multidimensionally, and a continuous process, updating our economic policy models to take into account heterogeneity, variety and networks as the elements that will shape the journey towards development, acknowledging and fixing for faults, such as inequalities originating from current international dynamics. The current shocks of COVID-19 make this the right moment to move from a charitable view of multilateral relations to one based on solidarity as an investment to approach global shared challenges relaying on trust and diffuse reciprocity.

## And how do we get there?

Fortunately, we do not start from scratch and some interesting examples of cooperation on a more inclusive basis do exist today and others existed from the beginning. They may serve as a source of inspiration for designing more advanced experiments in international cooperation and promote diffuse reciprocity whilst

creating incentives for commutative and distributive justice. For reasons of space, we limit the examples to the following three.

The *Marshall Plan* was pivotal in shaping multilateralism. It was implemented with original working methods: it was more than an administration; it consisted of networks of public officials gathering to discuss different reconstruction initiatives. They formed committees, which would meet regularly to share experiences and build trust among member countries; all members exchanged as equals and took unanimous decisions. From the beginning, two styles emerged side by side: an interpretive discourse destined to evolve over time and based on a shared understanding of social and economic public policies and phenomena; and a normative discourse aimed at formulating standards and prescriptions in the field of public policy. It is worth noticing that the interpretative discourse was an indispensable asset in the multilateral work as it was the basis to build the widest possible consensus around a common narrative and vision. We should revamp the importance of such interpretative work.

Other examples exist at regional level and in fact the regional dimension of multilateral cooperation should be further developed; two of them are mentioned below.

First, the *European structural funds* whose objectives were not limited to fighting extreme poverty nor to help only least developed countries, as in Europe, the most significant part of the support goes to middle income countries. The Union shaped a place-based approach

to accompany regions exploiting their untapped development potential and therefore balance the effects of markets and common currency in terms of labour and capital mobility. The cohesion fund concentrates particularly on local and regional public goods and is governed on tables that include all European countries, independently from the level of their contribution to the fund. The reason is simple; it has to do with the mutual benefits that the policy is supposed to produce for the Union as a whole.

Secondly, the PIDA from the African Union (AU) is another example where collaboration across countries in a region is key. It addresses two main questions: How to mobilise private investments into multi-sectoral regional infrastructure projects? How to deal with the soft elements that are critical for improving overall connectivity performance? The Programme's 'table' serves to give ownership to countries when it comes to investment in infrastructure brought to or produced in Africa. Partners are brought to the table and participate in discussions and knowledge sharing. Promoting more and better investments in soft and hard infrastructure is key to accelerate Africa's productive transformation, economic diversification, improved resilience, and create jobs. In fact, the impact of COVID-19 in Africa<sup>4</sup> is threatening to reverse the development progress attained in the region over the past years. Moreover, improved connectivity is imperative to achieve greater market integration and the key goals enshrined in the AU's Agenda 2063 and the African Continental Free Trade Area (AfCFTA). This is an immense



opportunity for private investment, and yet its contribution remains notoriously low.<sup>5</sup> African governments have been the largest promoters of infrastructure, at above one third of total commitments (USD 38 billion in 2018). However, the COVID-19 crisis has dented their fiscal space, threatening to widen the infrastructure financing gap even further (African Union, 2021).

There are other multilateral approaches that look forward to learn from and experiment with to generate new global governance mechanisms and practices. They include, for example, the SDG-Education 2030 Steering Committee, a global multi-stakeholder mechanism for education to transform the ‘enabling environment for action’ or global education coordination mechanisms to transform the way we cooperate globally on education.<sup>6</sup> Another example is the Global Fund, always at the forefront of exploring new options to improve health outcomes where they are needed the most. Triangular cooperation also provides interesting tables to explore and learn from collaborations in which traditional donor and developing countries (often middle income countries) facilitate South-South initiatives through the provision of funding, training, technological systems and knowledge sharing. In fact, BAPA+40 recognized triangular cooperation as a modality that builds partnerships and trust, among all partners, and that combines diverse resources and capacities, under the ownership of the requesting developing country, to achieve the Sustainable Development Goals.

All actors in the international cooperation system need to multiply learning and exchange platforms, and bring the best of upcoming investments that will serve for a COVID-19 recovery to lead fairer development paths. There are valuable lessons from past and current experiences. The Marshall Fund provided orientations in terms of new methods for organising dialogue, promoting exchange of practices and debate across peers with longstanding gains until today. The European structural funds provide examples on how to bring other actors to the table, by including middle-income countries on the basis of different contributions with a win-win purpose. PIDA is a clear example of a recipient driven mechanism that provides important lessons on how to improve ownership in decision making of international support by placing African needs and agendas at the forefront. The North and South can get together and regain the spirit of diffuse reciprocity and achieve the original purpose of multilateral cooperation- to doing better in the longer term by working together- through experimenting and learning by monitoring from different configurations of ‘tables’.

## Endnotes

- <sup>1</sup> The IMF’s quota system, for example, determines contributions based on a country’s “relative position in the world economy” (as determined by their gross domestic product [GDP], openness and economic variability) and allocates votes on IMF decisions accordingly, as well as access to allocations of special drawing rights. In 2010, the IMF doubled the size of the quota, its largest one-time increase. However, changes in quotas must be approved by an 85 per cent majority, which in effect gives a veto power to the United States.

- 2 See the report of the High Level Panel on the DAC chaired by Mary Robinson: <https://www.oecd.org/dac/Report-High-Level-Panel-on-the-DAC-2017.pdf>
- 3 OECD et al. (2019). Latin American Economic Outlook 2019: Development in Transition, OECD Publishing, Paris, <https://doi.org/10.1787/g2g9ff18-en>.
- 4 The growth of Africa's Gross Domestic Product (GDP) was the second fastest rate in the world between 2000 and 2019, although it has not generated sufficient quality jobs.
- 5 On average, the private sector committed only USD 6.4 billion annually (7.5 per cent of the total commitment for Africa's infrastructure) between 2015 and 2018 (ICA, 2018); ICA (2018), Infrastructure Financing Trends in Africa 2018. This is much lower than in other regions: USD 33.3 billion in East Asia, and USD 26.6 billion in Latin America and the Caribbean.
- 6 <https://sdg4education2030.org/who-we-are>

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