Governance and International Organizations

Modelli di governance delle istituzioni internazionali e delle P.A.

A.A. 2011-2012

Università Roma 3
The book of Course:
*International Organizations: The Politics and Process of Global Governance*

SECOND EDITION
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Margaret P. Karns and Karen A. Mingst
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Governance and International Organization

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The 21st century witnesses aggressively the use of governance terminology in an increasing number of countries worldwide. Times have changed, technologies have advanced and alongside them human thought and behavior and so has government.

“During the past century, the concept of governance has been transformed fundamentally. The scope of government action has increased at all levels of the federal system. Moreover, the means though which government addresses public problems have changed radically” (Jensen and Kennedy, 2005).

• What are we really dealing with?

• What implications does such a structure have for public administration discourse? What happens to accountability? Responsibility? Control?
The emergence in 2009 of the G20 as the pre-eminent global co-ordinator, first of the response to the global financial and economic crisis, and now of global economic policy writ large, was a game-changer, to which the rest of the international system is adjusting at different speeds.

However, the G20 has not fully decided what its own development agenda should specifically cover, nor has it decided what tasks to leave to which other bodies.

With residual functions remaining in the G8 for a while longer, the development architecture, or at least its super-structure, is in a state of flux. But new G20 actors are bringing their own priorities and development experiences to the mix, opening up opportunities for further reform.

The emergence of transnational civil society and the contested nature of state sovereignty likewise factor into the rising need for global governance.
What is government? What is governance?

_Ambiguity emerges in words like control, regulate, manage, govern and governance!_

_Governance_ is defined as the traditions and institutions by which authority in a country is exercised for the common good. This includes (i) the process by which those in authority are selected, monitored and replaced, (ii) the capacity of the government to effectively manage its resources and implement sound policies, and (iii) the respect of citizens and the state for the institutions that govern economic and social interactions among them.

_Government_ occurs when those with legally and formally derived authority and policing power execute and implement activities.

The concept of governance has come to be used more commonly in the discussion of public administration, but the meaning of the term is not always clear.

There is a growing body of European literature that can be characterized as “governance without government,” stressing as it does the importance of networks, partnerships, and markets (especially international markets).
The relationship government with the citizens has a key role in the definition of the process of Governance. “To understand new governance, we cannot examine tools; we must understand the role of humankind – the citizens, stakeholders, and public administrators who are tool makers and tool users”

“Modern governments by their scale and scope are complex and highly differentiated. Complexity has been compounded by the trend toward establishing principal agent relations with private firms and voluntary agencies as a result of purchaser-provider relationships.

At the same time, the central government has become “hollowed out” as power is devolved to state and local governments.

Although, most would agree that government should use efficient business methods in technical, operational areas, this does not mean that business principles of efficiency, scientific management, or closed and centralized decision making should dominate the creation and evaluation of public policy or exclude citizens from self-governance”
**Internal Governance**

- Includes the tools and methodologies, on the institutional, organizational and accounting provisions, by which we proceed to the definition of objectives (programming), the determination of assets and resources necessary to achieve the same (planning) and, finally, measurement and evaluation of results (control).

**External Governance**

- Includes the set of the tools and methodologies used to monitor the delivery of public services entrusted to the subsidiaries organizations.

**Inter-institutional Governance**

- Includes the institutional rules, procedures and tools designed to facilitate the coordination and integration goals shared by different administrations.
Governance Options

- Global or Local
- Hierarchical or Equal
- Centralized and Decentralized power
- Unipolar, bipolar, multipolar
- Liberal or illiberal
And Corporate Governance?

The development of Corporate Governance is a global occurrence and, as such, is a complex area including legal, cultural, ownership, and other structural differences.

The stage of development may refer to the evolution of the economy, corporate structure, or ownership groups, all of which affect how corporate governance will develop and be accommodated within its own country setting.

Corporate governance is traditionally defined as the system by which companies are directed and controlled and as a set of relationships between a company’s management, its board, its shareholders and its other stakeholders (Green Paper The EU corporate governance framework).
And Corporate Governance?

Good corporate governance is characterized by a firm commitment and adoption of ethical practices by an organization across its entire value chain and in all of its dealings with a wide group of stakeholders encompassing employees, customers, vendors, regulators and shareholders (including the minority shareholders), in both good and bad times. To achieve this, certain checks and practices need to be whole-heartedly embraced.

Good corporate governance helps an organization achieve several objectives and some of the more important ones include:

✓ Developing appropriate strategies that result in the achievement of stakeholder objectives;
✓ Attracting, motivating and retaining talent;
✓ Creating a secure and prosperous operating environment and improving operational performance;
✓ Managing and mitigating risk and protecting and enhancing the company’s reputation.
The Green Paper -The EU corporate governance framework- aims to launch a general debate on a number of issues such as:

1. Board of directors: questions addressed refer to their effective functioning and ensuring they are composed of a mixed group of people, e.g. by enhancing gender diversity, a variety of professional backgrounds and skills as well as nationalities.

2. How to enhance shareholders' involvement on corporate governance issues and encourage more of them to take an interest in sustainable returns and longer term performance, but also how to enhance the protection of minority shareholders.

3. How to improve monitoring and enforcement of the existing national corporate governance codes in order to provide investors and the public with meaningful information. Surveys among companies and investors show that most of them consider ‘comply or explain’ approach as an appropriate tool in corporate governance. Under this approach, a company which chooses to depart from a corporate governance code recommendation must give detailed, specific and concrete reasons for the departure. Its main advantage is its flexibility; it allows companies to adapt their corporate governance practices to their specific situation (taking into consideration their size, shareholding structure, and sectoral specificities).
Global Governance and International organizations

Governance and Government in Public Administration- Focus on Corporate Governance

Corporate Governance

Agency theory

Stakeholder theory

Transaction cost economics

Stewardship theory
Agency theory is defined as “the relationship between the principals, such as shareholders and agents such as the company executives and managers”. In this theory, shareholders who are the owners or principals of the company, hires the agents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder’s agents (Clarke, 2004).

The agency theory shareholders expect the agents to act and make decisions in the principal’s interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals.
Stewardship theory has its roots from psychology and sociology and is defined by Davis, Schoorman & Donaldson (1997) as “a steward protects and maximises shareholders wealth through firm performance, because by so doing, the steward’s utility functions are maximised”.

In this perspective, stewards are company executives and managers working for the shareholders, protects and make profits for the shareholders. Unlike agency theory, stewardship theory stresses not on the perspective of individualism (Donaldson & Davis, 1991), but rather on the role of top management being as stewards, integrating their goals as part of the organization.
Stakeholder theory can be defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. Unlike agency theory in which the managers are working and serving for the stakeholders, stakeholder theorists suggest that managers in organizations have a network of relationships to serve – this include the suppliers, employees and business partners.

And it was argued that this group of network is important other than owner-manager-employee relationship as in agency theory (Freeman, 1999)
Transaction cost theory was an interdisciplinary alliance of law, economics and organizations. This theory attempts to view the firm as an organization comprising people with different views and objectives.

The underlying assumption of transaction theory is that firms have become so large they in effect substitute for the market in determining the allocation of resources. In other words, the organization and structure of a firm can determine price and production.

The unit of analysis in transaction cost theory is the transaction.
Corporate Social Responsibility is the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll 1979)
Global governance is not Global government; it is not a single world order; it is not a top-down, hierarchical structure of authority. It is the multilevel collection of governance-related activities, rules, and mechanisms, formal and informal, public and private, existing in the world today.
The Global Governance Group (3G) review the existing global economic governance architecture to assess if the new mechanisms can cope with global challenges, and what improvements could be made.

✓ Our international system is resilient. The efforts of the G20 during the 2008 financial crisis demonstrated how a group of countries could come together to play an effective role in addressing the global economic crisis.

✓ The existing system needs reform. The 2008 global crisis exposed the need for reform of global economic and financial mechanisms, including the Bretton Woods Institutions. Without reform, we will lack effective means of tackling future crises.

✓ New complementarities must be forged. Complex problems require coordinated multi-party solutions. Informal and formal bodies should determine their respective roles and core competencies and find appropriate ways to cooperate.
The WGI (Worldwide Governance Indicators) measure six broad dimensions of global governance, including:

✓ **Voice and Accountability**: the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, association, and the press.

✓ **Political Stability and Absence of Violence**: the likelihood that the government will be destabilized by unconstitutional or violent means, including terrorism.

✓ **Government Effectiveness**: the quality of public services, the capacity of the civil service and its independence from political pressures; the quality of policy formulation

✓ **Regulatory Quality**: the ability of the government to provide sound policies and regulations that enable and promote private sector development

✓ **Rule of Law**: the extent to which agents have confidence in and abide by the rules of society, including the quality of property rights, the police, and the courts, as well as the risk of crime.

✓ **Control of Corruption**: the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as elite "capture" of the state
Global Governance and International organizations

Governance and Government in Public Administration - Focus on Global Governance

State

Experts

Subnational and local jurisdictions

IGOs

Transnational and transgovernmental networks of actors

NGOs

Multi stakeholders

Multinational corporations

Multi stakeholders
**States**: continue to be key actors in global governance, creating many of the pieces and carrying out many of the activities;

**IGOs**: International relations scholars have long viewed Intergovernmental Organizations primarily as agents of their member states and focused on their structural attributes, decision making processes, and programs. After all, IGOs are formed by states, and states grant IGOs responsibilities and authority to act;

**NGOs**: the growth of nongovernmental organizations and NGO networks since the 1980s has been a major factor in their increasing involvement in governance at all levels, from global to local;

**Experts**: In a world whose problems seem to grow steadily more complex, knowledge and expertise are critical to governance efforts.

**Multistakeholder actors** include experts, IGOs, corporations, professional associations, NGOs, and governments (although the latter are not always involved). These loose alliances of a broad range of participants “join together to achieve what none can accomplish on its own”

**Multinational corporations (MNCs)** are a particular form of nongovernmental actor organized to conduct for-profit business transactions and operations across the borders of three or more states.
Governance means the method by which an organization is run or governed, over and above its basic legal obligations. It can be argued to have four essential elements (STUDY 13 IFAC):

<table>
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<tr>
<th>Element</th>
<th>Description</th>
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<tbody>
<tr>
<td>Transparency</td>
<td>• being clear and unambiguous about the organization’s structure, operations and performance, both externally and internally, and maintaining a genuine dialogue with, and providing insight to, legitimate stakeholders and the market generally</td>
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<td>Corporate accountability</td>
<td>• ensuring that there is clarity of decision-making within the organization, with processes in place to ensure that the right people have the right authority for the organization to make effective and efficient decisions, with appropriate consequences delivered for failures to follow those processes</td>
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<tr>
<td>Stewardship</td>
<td>• developing and maintaining a organization-wide recognition that the company is managed for the benefit of its members, taking reasonable account of the interests of other legitimate stakeholders</td>
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<tr>
<td>Integrity</td>
<td>• developing and maintaining a corporate culture committed to ethical behaviour and compliance with the law.</td>
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These fundamental principles are reflected in each of the “dimensions” of the governance of public sector entities:

• **standards of behavior** - how the management of the organization exercises leadership in determining the values and standards of the organization, which define the culture of the organization and the behavior of everyone within it;

• **organizational structures and processes** - how the top management within organizations is appointed and organized, how its responsibilities are defined, and how it is held accountable;

• **control** - the network of various controls established by the top management of the organization to support it in achieving the entity’s objectives, the effectiveness and efficiency of operations, the reliability of internal and external reporting, and compliance with applicable laws and regulations and internal policies; and

• **external reporting** - how the top management of the organization demonstrates its financial accountability for the stewardship of public money and its performance in the use of resources.
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<th>Standards of behavior</th>
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<tr>
<td>• Probity and Propriety</td>
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<td>• Objectivity, Integrity and Honesty</td>
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<td>• Relationships</td>
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<th>Organizational Structures and Processes</th>
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<td>• Statutory Accountability</td>
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<td>• Accountability for Public Money</td>
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<td>• Communication with Stakeholders</td>
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<td>• Roles and Responsibilities</td>
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<table>
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<th>Control</th>
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<tr>
<td>• Risk Management</td>
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<td>• Internal Audit</td>
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<td>• Audit Committees</td>
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<td>• Internal Control</td>
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<td>• Budgeting</td>
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<td>• Financial Management</td>
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<td>• Staff Training</td>
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<th>External Reporting</th>
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<tr>
<td>• Annual Reporting</td>
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<tr>
<td>• Use of Appropriate Accounting Standards</td>
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<td>• Performance Measures</td>
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<td>• External Audit</td>
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Global Governance and International organizations

About International Organization

International Organizations can be divided into:

**Governmental organizations**

The members must be subjects of international law and therefore other states or intergovernmental organizations.

IGO’s are organizations that include at least three states among their membership, that have activities in several states, and that are created through a formal intergovernmental agreement such as a treaty, charter, or statute. In 2008–2009, the Yearbook of International Organizations identified about 240 IGOs.

**Non-Governmental organization**

The members are individuals or entities.

NGOs are private voluntary organizations whose members are individuals or associations that come together to achieve a common purpose. Some organizations are formed to advocate a particular cause such as human rights, peace, or environmental protection. Others are established to provide services such as disaster relief, humanitarian aid in war-torn societies, or development assistance. Such, for example, Amnesty International, WWF, Greenpeace International Emergency.
International structures and mechanisms

IGOs
- Universal
- Regional

NGOs
- Other

Examples of Universal and Regional Organizations are indicated below:
Types of International Organization

The governmental organizations can be classified, by the geopolitical role, in universal and regional, depending on:

- the size and nature of the relations among the Member States and
- the goals of International Organizations (politicians, economic, ideological, etc.).

The main universal organizations are directly or indirectly related to the UN (United Nations), and are characterized by universal representation, through which they can operate in all countries or express general guidelines and regulations.

Regional organizations are bodies involving countries that are geographically contiguous and have common interests. They have inhomogeneous characteristics due to the presence in their area of both well structured economic communities (like the European Union), both also simple and flat groups seeking interested in trade agreements or regional economic cooperation.

Finally, there is a group of organizations that even if they do not have universal representation, are more significant than the regional ones in terms geographical and political composition of the relevant member countries. This is the case, e.g. of the OECD (Organization for Economic Cooperation and Development), IMF (IMF), W.B. (World Bank).
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The European Union is a unique economic and political partnership between 27 European countries.

It has delivered half a century of peace, stability, and prosperity, helped raise living standards, launched a single European currency, and is progressively building a single Europe-wide market in which people, goods, services, and capital move among Member States as freely as within one country.
TWO FUNDAMENTAL ASPECTS OF GOVERNANCE AFFECTING THE EUROPEAN UNION:

- The Union is a public authority that takes decisions affecting the life of citizens so, in spite of its complex functioning, Community policies and those implementing them must not act outside the principles of Governance. The European Union, and specifically the European Commission, is responsible for ensuring that these are applied wherever competencies are exerted.

- Citizens (not only in Europe but in the rest of the world) expect the European Union to provide answers to global problems that go beyond regional or State frontiers. Those being “administered” expect to be able to participate through their representative organisations in the definition of answers to these problems, acting as a counterweight to the democratic deficit currently existing amongst Community institutions.

FUNDAMENTAL VALUES OF THE EUROPEAN UNION

- Unity and Equality as the recurring theme
- The principle of solidarity
- The need for security
- Fundamental rights in the EU
- The UE as guarantor of peace
- The fundamental freedoms
- Respect of national identity
European Union Institutions

**European Council**
Heads of state or government of every EU country. The EU’s High Representative for Foreign Affairs and Security Policy also takes part.

**Council of the EU**
There are no fixed members. At each Council meeting, each country sends the minister for the policy field being discussed.

**European Parliament**
The number of MEPs for each country is roughly in proportion to its population. Under the Lisbon Treaty no country can have fewer than 6 or more than 96 MEPs.

**European Commission**
27 Commissioners, one from each EU country

**Committee of the Regions**
344 members from all 27 EU countries, elected of or key players in local or regional authorities in their home region

**Court of Auditors**
The Court has one member from each EU country appointed by the Council. The members elect one of their number as President

**European Court of Justice**
The Court of Justice has one judge per EU country.

**Economic and Social Committee**
Members drawn from economic and social interest groups across Europe. Members are nominated by national governments and appointed by the Council of the European Union

**European Central Bank**
Executive Board
Governing Council
General Council
The ECB is completely independent

**European Investment Bank**
Shareholders – 27 EU countries
**European Union Institutions**

- **European Council**: (Heads of State and government)
  - Defines the main guidelines
  - Arbitrates within the Council of Minister

- **Council of Minister**: (Minister of the member States in specialized configurations)

- **European Commission**: (27 commissioners, appointed by the member states, express European general interest)
  - Proposes directives and regulations to both legislatures bodies
  - Ensures that the treaties are respected
  - Is responsible for common policies

- **European Parliament**: (Elected by universal suffrage for 5 years, represents the citizens, approves the "laws" and the budget with the Council of Minister)

- **Courte of Justice**: (Interprets and enforces EU law and treaties, settles disputes)
Global Governance and International organizations
Organization’s chart, role and responsibility

European Council
- Setting the EU's general political direction and priorities, and dealing with complex or sensitive issues that cannot be resolved at a lower level of intergovernmental cooperation.

Council of the European Union
- Also known as the EU Council, this is where national ministers from each EU country meet to adopt laws and coordinate policies.
- Coordinating economic policies; Signing international agreements
- Approving the EU budget

European Parliament
- debating and passing European laws, with the Council
- scrutinizing other EU institutions, particularly the Commission, to make sure they are working democratically
- debating and adopting the EU's budget, with the Council.

European Commission
- proposing new laws to Parliament and the Council
- managing the EU's budget and allocating funding
- enforcing EU law (together with the Court of Justice)
- representing the EU internationally, for example, by negotiating agreements between the EU and other countries.

Courte of Justice
- Interprets EU law to make sure it is applied in the same way in all EU countries. It also settles legal disputes between EU governments and EU institutions. Individuals, companies or organisations can also bring cases before the Court if they feel their rights have been infringed by an EU institution.
STRUCTURE OF THE EUROPEAN UNION: THE ‘THREE PILLARS’

The European Union

First pillar
The European Communities

- EC (Customs union and single market; Agricultural policy; Structural policy; Trade policy)
- New or amended provisions on: EU citizenship; Education and culture; Trans-European networks; Consumer protection; Health; Research and environment; Social policy; Asylum policy; External borders; Immigration policy);
- Euratom
- ECSC

Second pillar
Common foreign and security policy

- Foreign policy (Cooperation, common positions and measures; Peacekeeping; Human rights; Democracy; Aid to non-member countries)
- Security policy: Drawing on the WEU: questions concerning the security of the EU; Disarmament; Financial aspects of defence; Long-term: Europe’s security framework)

Third pillar
Cooperation in justice and home affairs

- Cooperation between judicial authorities in civil and criminal law;
- Police cooperation;
- Combating racism and xenophobia;
- Fighting drugs and the arms trade;
- Fighting organised crime;
- Fighting terrorism;
- Criminal acts against children, trafficking in human beings
The EU Budget
The Interinstitutional Agreement on budgetary discipline and sound financial management, concluded between the European Parliament, the Council and the Commission on 17 May 2006, contains the financial framework for 2007-13 and aims to implement budgetary discipline. Its purpose is also to improve the functioning of the annual budgetary procedure and cooperation between the institutions on budgetary matters.

• Propose Budget: based on the multiannual financial framework in force and the budget guidelines for the coming year, the European Commission prepares the draft budget, and submits it to the Council and Parliament. The budgetary authority, comprised of the Council and the Parliament, amends and adopts the draft budget.

• Decide on the spending plans

The Commission awards money in the form of grants in order to implement projects or activities in relation to European Union policies. These grants may be awarded within fields as diverse as research, education, health, consumer protection, protection of the environment, humanitarian aid, etc.
Global Governance and International organizations
Organization’s chart, role and responsibility: EU budget

The budgetary procedure

Treaty timetable

1 September (1)
Draft Budget (DB)
Commission

1 October
Council’s position on the DB
Council

European Parliament’s amendment on Council’s position
Parliament

13 November
EP approves
Majority of votes cast
EP adopts amendments
Majority of component members
(42 days)
or takes no decision
Council accepts
Parliament’s amendments
within 10 days
Conciliation

Joint draft
Parliament & Council

13 November to
YES
within 14 days
Budget adopted
Draft Budget rejected
Commission submits a new DB
4 December
(21 days)

(1) In practice, the Commission endeavours to present the draft budget before the end of April/beginning of May.

(2) I.e. European Parliament approves the joint text and then, within 14 days of Council’s rejection, decides (by a majority of its component members & 3/5 of the votes cast) to confirm all or some of its amendments.

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The Commission makes direct financial contributions in the form of grants in support of projects or organisations which further the interests of the EU or contribute to the implementation of an EU programme or policy. Interested parties can apply by responding to calls for proposals.

The financial transparency system, contains details of grant recipients and contractors who have been paid by the Commission directly - accounting for around 20% of the EU budget and typically in policy areas such as:

- Research;
- education and training;
- transport and energy.

As of 2009, the financial transparency system also covers contractors who provide the Commission with day-to-day supplies of goods and services and other administrative expenditure of the Commission, excluding staff costs.

The three main sources of EU revenue/income are:

- 0.73% of the gross national income of each member country, which accounts for two-thirds of the EU budget
- Traditional own resources, mainly import duties on products from outside the EU
- A percentage of each EU country's harmonised value-added tax revenue (VAT)
## Headings/ Area of activity

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<th>Heading/ Area of activity</th>
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<td>Sustainable growth</td>
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<td>Competitiveness for growth and employment</td>
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<td>Cohesion for growth and employment</td>
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<tr>
<td>3a</td>
<td>Freedom, security and justice</td>
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<td>3b</td>
<td>Citizenship</td>
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<td>6</td>
<td>Compensations</td>
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### 1a. Competitiveness for growth and employment
- Concerns research and innovation, education and training, trans-European networks, social policy, economic integration and accompanying policies.

### 1b. Cohesion for growth and employment
- Concerns convergence of the least developed EU countries and regions, EU strategy for sustainable development outside the least prosperous regions, inter-regional cooperation.

## Principal Operative Programs
- **For Sustainable Growth**
  - ROP
  - NOP
  - IOP

- **7° Research Framework**
  - Programmes
  - Development Imagine; NRC2
  - Galileo
  - Marco Polo II; EIE
  - Alterer; Save II; Sure; Synergy II; TIC; E-content
  - Internet; @Lis Ten Telecom
  - Student Mobility for Placement
  - Other Programs
The EU funding can be divided into:

1. Direct Fund
2. Indirect Fund
The financial framework sets out the budget's spending priorities for the period 2007-2013:

**Headings 1 and 2:**
Sustainable growth and Preservation and management of natural resources

Harnessing European economic integration (the "single market") to the broader goal of sustainable growth, by mobilising economic, social, and environmental policies.

**Heading 3:**
Citizenship, freedom, security and justice

Strengthening the concept of European citizenship by creating an area of freedom, justice, security and access to basic public goods and services.

**Heading 4:**
EU as global player

Establishing a coherent role for Europe on the global stage – inspired by its core values – in the way it assumes its regional responsibilities, promotes sustainable development and contributes to civilian and strategic security.
Global Governance and International organizations
Organization’s chart, role and responsibility: EU budget

Principles of assistance related to structural funds (indirect funds)

- Proportional intervention
- Sustainable development
- Complementarity, consistency, and compliance
- Partnership
- Equality between men and women and non-discrimination
- Additionality
- Shared Management
- Territorial level of implementation
- Programming

Principles of assistance
Europe 2020 is the EU's growth strategy for the coming decade.

**PRIORITIES:**

**Smart growth**
Improving the EU's performance in:
- Education
- Research/innovation
- Digital society

**Sustainable growth**
Sustainable growth means:
- Building a more competitive low-carbon economy
- Protecting the environment
- Capitalising on Europe's leadership in developing new green technologies
- Improving the business environment
- Helping consumers make well-informed choices

**Inclusive growth**
Inclusive growth means:
- Raising Europe’s employment rate
- Modernising labour markets and welfare systems
- Ensuring the benefits of growth reach all parts of the EU

**UE economic governance**

The recent crisis made clear the interdependence of the EU's economies.

**Greater economic policy coordination across the EU** to support growth and creating jobs.

- Action to repair the financial sector
- A reinforced economic agenda with closer EU surveillance
- Action to safeguard the stability of the euro area
The 5 targets for the EU in 2020
To measure progress in achieving the objectives of Europe 2020, 5 headline targets set for the whole EU. These targets at EU level have been translated into national targets in each EU country to reflect the specific situation and circumstances of each country.

<table>
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<tr>
<th>Employment</th>
<th>• 75% of the 20-64 year-olds to be employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D / innovation</td>
<td>• 3% of the EU’s GDP (public and private combined) to be invested in R&amp;D/innovation</td>
</tr>
</tbody>
</table>
| Climate change / energy | • greenhouse gas emissions 20% (or even 30%, if the conditions are right) lower than 1990  
                          • 20% of energy from renewables  
                          • 20% increase in energy efficiency |
| Education           | • Reducing school drop-out rates below 10%  
                          • at least 40% of 30-34-year-olds completing third level education |
| Poverty / social exclusion | • at least 20 million fewer people in or at risk of poverty and social exclusion |
The Stability and Growth Pact (SGP) is a rule-based framework for the coordination of national fiscal policies in the economic and monetary union (EMU). It was established to safeguard sound public finances, an important requirement for EMU to function properly. The Pact consists of a preventive and a dissuasive/corrective parts.

- **Preventive part**: each member state must submit an annual stability or convergence programmes, along with the National Reform Programme, showing how they intend to achieve and maintain sound public finances in the medium term.

- **Corrective part** governs the Excessive Deficit Procedure (EDP). If a Member State breaches the 3% budget deficit, the Council will issue recommendations on how to address this problem. Non-compliance with these recommendations may lead to sanctions for euro area Member States.

The European semester is a six-month period each year when Member States' budgetary, macro-economic and structural policies are coordinated effectively so as to allow Member States to take EU considerations into account at an early stage of their national budgetary processes and in other aspects of economic policymaking.
THE EXCESSIVE DEFICIT PROCEDURE

- The Stability and Growth Pact (SGP) - signed in 1997 and entered into force with the adoption of the euro on 1 January 1999;
- Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure – part of the Stability and Growth Pact;
- Protocol on the excessive deficit procedure annex to the Maastricht Treaty in 1992;
- Article 104 (2) of the Treaty establishing the European Community (EC Treaty)

The Member States, meeting all the so-called Maastricht criteria, have decided to adopt the euro, must continue to comply with the parameters related to the government budget, in particular:

a government deficit not exceeding 3% of Gross Domestic Product (GDP).

To this end, it was implemented an Excessive Deficit Procedure, under Article 104 of the Treaty, which specifically consists of three phases: recommendation, formal notice and sanction.
THE EXCESSIVE DEFICIT PROCEDURE

- The European Commission carries out an assessment on the existence of an excessive deficit.
- The Commission draws up a report and takes into account the Economic and Financial Committee opinion.
- If it considers an excessive deficit exists, the Commission address an opinion and a recommendation to the Council.

European Council

- On basis of the Commission’s opinion and the observations of the Member State, the Council decides, by qualified majority, whether an excessive deficit exists.
- The Council issues a recommendation to the Member State concerned. The Council established a deadline of 6 months and request to Member State to achieve a minimum annual improvement.

Member State

- Where no effective action has been taken by the Member State within 6 months, the Council decides whether to take its recommendations public.
- Where effective action has been taken in response to recommendation, the Council bases its decision on the public declaration of the Member State.
Sanctions first take the form of a **non-interest-bearing deposit** with the Community. The amount of this deposit comprises:
- a fixed component equal to 0.2% of GDP;
- a variable component equal to one tenth of the difference between the deficit as a percentage of GDP in the year in which the deficit was deemed to be excessive and the reference value of 3% of GDP.

Each following year, the Council may decide to intensify sanctions by requiring an additional deposit. This will be equal to one tenth of the difference between the deficit as a percentage of GDP in the preceding year and the reference value of 3% of GDP.

Deposits may not exceed the upper limit of 0.5% of GDP per year.

As a rule, a deposit is converted into a **fine** if, in the Council's opinion, the excessive deficit has not been corrected after two years. The Council may decide to abrogate some or all of the sanctions, depending on the significance of the progress made by the participating Member State concerned in correcting the excessive deficit.

Both the interest on the deposits lodged with the Commission and the yield from any fines will be distributed among Member States without an excessive deficit, in proportion to their share of the total gross national product (GNP) of the eligible Member States.

Special conditions apply to the United Kingdom because its budgetary year is not a calendar year.
MEMBER STATES

Becoming a member of the EU is a complex procedure which does not happen overnight. Once an applicant country meets the conditions, ‘Copenhagen criteria’, for membership, it must implement EU rules and regulations in all areas.

Copenhagen criteria set out in December 1993 by the European Council in Copenhagen, require a candidate country to have:

- stable institutions that guarantee democracy, the rule of law, human rights and respect for and protection of minorities;
- a functioning market economy, as well as the ability to cope with the pressure of competition and the market forces at work inside the Union;
- the ability to assume the obligations of membership, in particular adherence to the objectives of political, economic and monetary union.

A country wishing to join the EU submits a membership application to the Council, which asks the Commission to assess the applicant’s ability to meet the Copenhagen criteria. If the Commission’s opinion is positive, the Council must then agree upon a negotiating mandate.

Negotiations are then formally opened on a subject-by-subject basis and take time to complete. The candidates are supported financially, administratively and technically during this pre-accession period.
In the beginning, six countries – Belgium, Germany, France, Italy, Luxembourg and the Netherlands – founded the European Coal and Steel Community in 1951, followed by the European Economic Community and the European Atomic Energy Community in 1957.

Five successive enlargements have followed since then:

- In 1973, Denmark, Ireland and the United Kingdom joined the European Union.
- In 1981, Greece became a Member State.
- In 1986, Spain and Portugal became members.
- In 1995, Austria, Finland and Sweden joined the EU.
- In 2004, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia and Slovenia joined. It was a historic enlargement which signified the re-unification of Europe after decades of division.
- On 1 January 2007 Romania and Bulgaria also joined, completing this historic process.
MEMBER STATES: Countries on the road to EU membership

Candidates countries: Croatia, Iceland, Montenegro, the Former Yugoslav Republic of Macedonia and Turkey. Accession negotiations with Montenegro and the former Yugoslav Republic of Macedonia have not started.

Potential Candidates countries The other countries of the Western Balkans – Albania, Bosnia and Herzegovina, Serbia and Kosovo - have all been promised the prospect of EU membership as and when they are ready.

With all the countries of the Western Balkans the EU has established a process – known as the Stabilization and Association process which aims to bring them progressively closer to the EU. Thanks to this process, these countries already enjoy free access to that of the EU single market for practically all their exports, as well as EU financial support for their reform efforts.
By establishing the Community, the Member States have limited their legislative sovereignty and in so doing have created a self-sufficient body of law that is binding on them, their citizens and their courts. European Union law (historically called European Community law) is a body of treaties and legislation, such as Regulations and Directives, which specified the relationship of the various parts to each other and to the whole. All the activities of the Union, must have both legal and democratic legitimacy.

### Sources of Community law

**Primary legislation:**
- Treaties establishing the Communities
- General principles of law

2. The EC’s international agreements
3. Secondary legislation:
   - (Implementing) regulations
   - Directives/ECSC recommendations
   - General and individual decisions
4. General principles of administrative law
5. Conventions between the Member States
POWER OF UE INSTITUTIONS

Principle of specific conferment of powers

This principle is chosen by the Member States in order to monitor and control more easily the transfer of their own powers: neither the Treaties establishing the EC nor the Treaty on European Union confer on UE institutions any general power to take all measures necessary to achieve the objectives of the Treaty, but these rules establish the extension of powers to act.

Subsidiary power to act

The Community Treaties also confer on the institutions a power to act when this proves necessary to attain one of the objectives of the Treaty (Article 308 EC, Article 203 Euratom, Article 95(1) ECSC)

The subsidiarity principle

This principle has a twofold meaning: on the one hand, the EC must act where the objectives to be pursued can be better attained at Community level; on the other hand, it must not act where objectives can be satisfactorily attained by the Member States acting individually. This means in practice that all Community institutions, but especially the Commission, must always demonstrate that there is a real need for Community rules and common action.
EXTERNAL RELATIONS

Europe cannot confine itself to managing its own internal affairs; it has to concern itself with economic, social and political relations with the world outside. The Community therefore concludes agreements in international law (Association agreements; Cooperation agreements; Trade agreements) with nonmember countries and with other international organisations in fields entrusted to the Community. These range from treaties providing for extensive cooperation in trade or in the industrial, technical and social fields, to agreements on trade in particular products.
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*About United Nations*

- **Principles**
  - Purposes:
    - To keep peace worldwide;
    - To develop friendly relations among nations;
    - To help nations work together;
    - To be a centre for harmonizing the actions.
  - Principle Action:
    - Peacekeeping;
    - Development Programme;
    - Humanitarian Action;
    - Development international Law.

- **Budget**

- **Charter**

- **Member States**

- **Others**
  - Money
Art. 1 - Charter of the United Nations - Purposes and Principles

To keep peace throughout the world;

To develop friendly relations among nations;

To help nations work together to improve the lives of poor people, to conquer hunger, disease and illiteracy, and to encourage respect for each other’s rights and freedoms;

To be a centre for harmonizing the actions of nations to achieve these goals.
Art. 2 - Charter of the United Nations

- The Organization is based on the principle of the **sovereign equality** of all its Members.
- All Members, in order to ensure to all of them the rights and benefits resulting from membership, shall fulfill in good faith the obligations assumed by them in accordance with the present Charter.
- All Members shall settle their international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered.
- All Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the Purposes of the United Nations.
- All Members shall give the United Nations every assistance in any action it takes in accordance with the present Charter, and shall refrain from giving assistance to any state against which the United Nations is taking preventive or enforcement action.
- The Organization shall ensure that states which are not Members of the United Nations act in accordance with these Principles so far as may be necessary for the maintenance of international peace and security.
- Nothing contained in the present Charter shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state or shall require the Members to submit such matters to settlement under the present Charter.
Global Governance and International organizations
Purposes and Principles: Focus on the Millennium Development Goals

MILLENNIUM DEVELOPMENT GOALS

GOAL 1: ERADICATE EXTREME POVERTY & HUNGER
GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION
GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN
GOAL 4: REDUCE CHILD MORTALITY
GOAL 5: IMPROVE MATERNAL HEALTH
GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES
GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY
GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT
United Nations:

- Founded in January 1942 with 26 Nations
- There are 193 United Nations (UN) member states, and each of them is a member of the United Nations General Assembly
- IGO with global scope
- Complex system
- Its functions are the creation of international law, norms and principles;
- Closely related to the UN’s primary goal of maintaining peace and security are the twin principles that all member states shall:
  - refrain from the threat or use of force against the territorial integrity or political independence of any state, or in any manner inconsistent with UN purposes,
  - settle their international disputes by peaceful means
Global Governance and International organizations
Organization’s chart, role and responsibility

The United Nations System

UN Principal Organs
- General Assembly
- Security Council
- Economic and Social Council
- Secretariat

Subsidiary Bodies
- UNCTAD: United Nations Conference on Trade and Development
- ITU: International Telecommunication Union
- ILO: International Labour Organization
- UNHRC: United Nations Human Rights Council
- ICC: International Criminal Court

Subsidiary Bodies
- Media and Public Information
- Human Rights Council
- International Court of Justice
- United Nations System Staff College
- Others

Advisory Subsidiary Body
- United Nations Peacekeeping Commission

Specialized Agencies
- ILO: International Labour Organization
- FAO: Food and Agriculture Organization of the United Nations
- UNESCO: United Nations Educational, Scientific and Cultural Organization
- WHO: World Health Organization
- World Bank Group
- IBRD: International Bank for Reconstruction and Development
- IFC: International Finance Corporation
- IMF: International Monetary Fund
- ICAO: International Civil Aviation Organization
- IMO: International Maritime Organization

Regional Commissions
- UNR: United Nations for the Legal Aspects of Natural Resources
- ESCAP: Economic and Social Commission for Asia and the Pacific
- ESCWA: Economic and Social Commission for Western Asia

Functional Commissions
- Crime Prevention and Criminal Justice
- Human Rights
- Population and Development
- Science and Technology for Development
- Social Development
- Status of Women
- Sustainable Development

International Court of Justice

Secretariat
- Departments and Offices
  - EOSG: Executive Office of the Secretary-General
  - DESA: Department of Economic and Social Affairs
  - DPKO: Department of Peacekeeping Operations
  - DSS: Department of Safety and Security
  - OCHA: Office for the Coordinating of Humanitarian Affairs
  - OHEC: Office of the High Commissioner for Human Rights
  - OHCHR: Office of the High Commissioner for Human Rights
  -OSIR: Office of the High Commissioner for Human Rights
  - OSFA: Office of the Special Adviser on Africa
  - OISSG/CAAC: Office of the Special Representative of the Secretary-General for Children
  - OCHA: Office for the Coordination of Humanitarian Affairs
  - OHCHR: Office of the High Commissioner for Human Rights
  - OHCD: Office of the High Commissioner for Human Rights
  - ONSA: Office of the Special Adviser on Africa

Trusteeship Council

Notes:
- UNDP and UNICEF report only to the General Assembly
- UNFPA reports to the Secretary-General, the General Assembly, and the Economic and Social Council
- ILO reports to the General Assembly, the Economic and Social Council, and the International Labour Conference
- ILO reports to the General Assembly, the Economic and Social Council, and the International Labour Conference
- WCO reports to the General Assembly, the Economic and Social Council, and the World Customs Organization
- WCO reports to the General Assembly, the Economic and Social Council, and the World Customs Organization
- UN Women reports to the General Assembly, the Economic and Social Council, and the United Nations Office for Outer Space Activities
- UN Women reports to the General Assembly, the Economic and Social Council, and the United Nations Office for Outer Space Activities
- UN Women reports to the General Assembly, the Economic and Social Council, and the United Nations Office for Outer Space Activities
The United Nations System

General Assembly
is the main deliberative organ of the UN and is composed of representatives of all Member States.

Economic and Social Council
is the principal organ to coordinate the economic, social and related work of the United Nations and the specialized agencies and institutions.

Security Council
has primary responsibility, under the UN Charter, for the maintenance of international peace and security.

Secretariat
carries out the day-to-day work of the Organization.

International Court of Justice
settles legal disputes between states and gives advisory opinions to the UN and its specialized agencies. Its Statute is an integral part of the United Nations Charter.

Trusteeship Council
was established in 1945 by the UN Charter to provide international supervision for Trust Territories. The Trusteeship Council suspended operation on 1 November 1994, with the independence of Palau, the last remaining United Nations trust territory, on 1 October 1994.
In addition to the regular budget, Member States must finance the cost of international tribunals and, based on a modified version of the general scale, the operations budget for peace.
Countries in arrears in the payment of their financial contributions under the terms of Article 19 of the UN Charter

A Member of the United Nations which is in arrears in the payment of its financial contributions to the Organization shall have no vote in the General Assembly if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years. The General Assembly may, nevertheless, permit such a Member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member. (Article 19 of the Charter of the United Nations)

An exception is allowed if the Members State can show that conditions beyond its control contributed to this inability to pay.

As of 11 October 2011, the six Member States listed below are in arrears, however the General Assembly decided by its resolution 66/4 (11 October 2011) that they should be permitted to vote in the General Assembly until the end of the 66th session:

- Central African Republic
- Comoros
- Guinea-Bissau
- Liberia
- Sao Tome and Principe
- Somalia
According to the article 52 the Charter does not preclude the existence of regional arrangements or agencies for dealing with such matters relating to the maintenance of international peace and security as are appropriate for regional action provided that such arrangements or agencies and their activities are consistent with the Purposes and Principles of the United Nations.
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The Organisation for European Economic Cooperation (OEEC) was established in 1947 to run the US-financed Marshall Plan for reconstruction of a continent ravaged by war. By making individual governments recognise the interdependence of their economies, it paved the way for a new era of cooperation that was to change the face of Europe. The Organisation for Economic Co-operation and Development (OECD) was officially born on 30 September 1961, when the Convention entered into force.

Created as an economic counterpart to NATO, the OECD took over from the OEEC in 1961 and, since then, its **mission has been to help governments achieve sustainable economic growth and employment and rising standards of living in member countries while maintaining financial stability, so contributing to the development of the world economy.**

Today, our **34** member countries span the globe, from North and South America to Europe and the Asia-Pacific region.
Global Governance and International Organizations

About OECD

-  National contributions are based on a formula which takes account of the size of each member's economy.
-  Area:
  - Development
  - Economics growth
  - Education
  - Energy
  - Social Cohesion
  - Entrepreneurship
  - Environment
  - Financial and Enterprise Affairs
  - Public Governance
  - Science
  - Statistics
  - Trade and Agricultural
  - Taxation

-  Principle Action:
  - Data collection and analysis
  - Comparative studies

-  Council
-  Commission
-  Secretariat

Budget

Member States

Others

MONEY

Prof. Roberto Jannelli
Modelli di Governance delle Istituzioni Internazionali e delle PA
A.A. 2011-2012
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Principles of Governance and Common Values

Common Values

- Restoring public finances
- Boosting jobs and skill
- Restoring public trust
- New sources of growth
Council

Oversight and Strategic Direction

Representatives of Member Countries and of European Commission; decision taken by consensus

Commission

Discussion and Implementation

Representatives of Member Countries and of countries with Observer Status work with OECD Secretariat on specific issues

Secretariat

Analysis and Proposal

Secretary-General
Deputy Secretary-General
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### Global Governance and International Organizations

**Organization’s chart, role and responsibility**

<table>
<thead>
<tr>
<th>The Council</th>
<th>Committees</th>
<th>OECD Secretariat</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Decision-making power is vested in the OECD Council. It is made up of one</td>
<td>• Representatives of the 34 OECD member countries meet in specialised</td>
<td>• The Secretariat in Paris is made up of some 2500 staff who support</td>
</tr>
<tr>
<td>representative per member country, plus a representative of the European</td>
<td>committees to advance ideas and review progress in specific policy areas,</td>
<td>the activities of committees, and carry out the work in response to</td>
</tr>
<tr>
<td>Commission. The Council meets regularly at the level of permanent</td>
<td>such as economics, trade, science, employment, education or financial</td>
<td>priorities decided by the OECD Council. The staff includes economists,</td>
</tr>
<tr>
<td>representatives to OECD and decisions are taken by consensus.</td>
<td>markets.</td>
<td>lawyers, scientists and other professionals. Most staff members are</td>
</tr>
<tr>
<td></td>
<td>There are about 250 committees, working groups and expert groups.</td>
<td>based in Paris but some work at OECD centres in other countries.</td>
</tr>
</tbody>
</table>
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Organization’s chart, role and responsibility

Office of the Secretary-General
Advisory Unit on Multidisciplinary Issues
Centre for Co-operation with Non-Members Council and Executive Committee
Secretariat
Directorate for Legal Affairs
Office of the Auditor-General

General Secretariat

Directorates

- Development Co-operation Directorate
- Economics Department
- Directorate for Education
- Development for Employment, Labour and Social Affairs
- Centre for Entrepreneurship, SMEs and Local Development
- Environmental Directorate
- Executive Directorate
- Directorate for Financial and Enterprise Affairs
- Public Affairs and Communication Directorate
- Public Governance and Territorial Development Directorate
- Directorate for Science, Technology and Industry
- Statistical Directorate
- Centre for Tax Policy and Administration
- Directorate for Trade and Agriculture

SPECIAL BODIES

- Africa Partnership Forum
- Development Centre
- International Energy Agency
- Financial Action Task Force
- Heiligendamm Dialogue Process Support Unit
- Nuclear Energy Agency
- Partnership for Democratic Governance Advisory Unit
- International Transport Forum

Fonts www.oecd.org/organizationschart
OECD's work is based on continued monitoring of events in member countries as well as outside OECD area, and includes regular projections of short and medium-term economic developments. The OECD Secretariat collects and analyses data, after which committees discuss policy regarding this information, the Council makes decisions, and then governments implement recommendations.
OECD analysis of “how the information technology revolution contributes to economic growth helps governments craft economic policy, while work on the causes and cures for unemployment helps give political impetus to policies to reduce it”

Discussion

Evolve in

- negotiations where OECD countries agree on rules of the game for international cooperation.
- formal agreements, for example on combating bribery, on export credits, or on capital movements
- standards and models for international taxation or recommendations and guidelines covering corporate governance or environmental practices
OECD is funded by its member countries. National contributions are based on a formula which takes account of the size of each member's economy. The largest contributor is the United States, which provides nearly 24% of the budget, followed by Japan.

Countries may also make voluntary contributions to financially support outputs in the OECD programme of work.

The size of OECD's budget and its programme of work are determined on a two-year basis by member countries.

The Organisation's planning, budgeting and management are all organised on a results-based system.

Independent external auditing of the Organisation’s accounts and financial management is performed by a Supreme Audit Institution of an OECD member country, appointed by the Council.
Over time, the OECD’s focus has broadened to include extensive contacts with non-member economies and it now maintains co-operative relations with more than 100 of them. The Centre for Co-operation with Non-Members develops and oversees the strategic orientations of the OECD’s global relations with non-members. It co-ordinates a number of programmes linked to the key themes of OECD work in areas such as improving the investment climate, public and corporate governance, trade, agriculture, competition and taxation.

**Non member states**

The Centre for Co-operation with Non-Members develops and oversees the strategic orientations of the OECD’s global relations with non-members.

**Other key stakeholders**

The OECD also co-operates with civil society on a number of levels. The OECD’s core relationship with civil society is through the Business and Industry (BIAC) and the Trade Union (TUAC) Advisory Committees to the OECD.

**Other public institution**

The OECD also maintains close relationship with parliamentarians, notably through its long-standing links with the Council of Europe Parliamentary Assembly, and with the NATO Parliamentary Assembly.)
SIGMA - Support for Improvement in Governance and Management - is a joint initiative of the OECD and the EU, principally financed by the EU.

It supports countries in building governance and administrative systems.

SIGMA aims to:

- Provide short to medium-term (from 1 day to 12 months) support to improve governance and management on the basis of requests from the beneficiary countries;

- Assist national reform teams by providing expertise from peer practitioners including SIGMA staff and senior civil servants contracted on a short-term basis from Member State administrations;

- Assess reform progress and identify priorities on the basis of the EU acquis, and assist decision-makers and administrations in institutional strengthening;

- Facilitate assistance from the EU and other donors by helping to design projects and implement action plans.
The MENA-OECD Governance Programme aims at modernising public governance in the Middle East and North Africa (MENA). By improving the environment for entrepreneurs, investors and job creation, it works towards sustaining development in the MENA region.

The Initiative builds upon the ongoing efforts of MENA countries to modernise public governance. In particular:

- Strengthen civil servants’ capacity to design, implement and monitor public governance reforms
- Create networks for dialogue between policy makers from MENA and OECD countries
- Design innovative solutions, tailored to the specific policy environments of each MENA country
- Assist ministries and government agencies to co-operate and co-ordinate their work
- Reinforce development initiatives supported by international, regional and bilateral donors
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About NATO

Core tasks:
- Collective defence
- Crisis management
- Cooperative Security

Principle Action:
- Pace support operation
- Crisis management operations

Member States

Others

Make direct and indirect contributions to the costs of running NATO and implementing its policies and activities.
The Parties to this Treaty reaffirm their faith in the purposes and principles of the Charter of the United Nations and their desire to live in peace with all peoples and all governments.

They are determined to safeguard the freedom, common heritage and civilisation of their peoples, founded on the principles of democracy, individual liberty and the rule of law. They seek to promote stability and well-being in the North Atlantic area.

They are resolved to unite their efforts for collective defence and for the preservation of peace and security

(The North Atlantic Treaty Washington D.C. - 4 April 1949)
NATO has three core tasks:

- **collective defence**
- **crisis management**
- **cooperative security through partnerships, arms control, non-proliferation, disarmament, and enlargement**

Is a political organization reinforcing security by reducing the risk of conflict:

- **DIPLOMACY**
- **DIALOGUE / CONSENSUS**
- **COOPERATION**

A military organization when diplomatic efforts fail:

- **COLLECTIVE DEFENCE**
- **CRISIS MANAGEMENT OPERATIONS**
- **MAINTAINING ADEQUATE MILITARY CAPABILITIES**
Collective defence

The principle of collective defence is at the very heart of NATO’s founding treaty. It remains a unique and enduring principle that binds its members together, committing them to protect each other and setting a spirit of solidarity within the Alliance.

Crisis management

is one of NATO's fundamental security tasks. It can involve military and non-military measures to respond to a threat, be it in a national or an international situation.

Cooperative security through partnerships

the promotion of Euro-Atlantic security is best assured through a wide network of partner relationships with countries and organizations around the globe
Governance means the method by which an organization is run or governed, over and above its basic legal obligations. It can be argued to have 3 essential elements:

<table>
<thead>
<tr>
<th>Principles*</th>
<th>NATO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency</td>
<td>✔</td>
</tr>
<tr>
<td>being clear and unambiguous about the organization’s structure, operations and performance, both externally and internally</td>
<td></td>
</tr>
<tr>
<td>Corporate accountability</td>
<td>✔</td>
</tr>
<tr>
<td>ensuring that there is clarity of decision-making within the organization.</td>
<td></td>
</tr>
<tr>
<td>Stewardship</td>
<td>✔</td>
</tr>
<tr>
<td>developing and maintaining a organization-wide recognition</td>
<td></td>
</tr>
</tbody>
</table>

Font: Study 13 IFAC
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An intergovernmental organization where decisions are taken jointly by each member country

Consensus decision-making

Principle of consensus applied at every committee level

Consensus decision-making means that there is no voting at NATO. Consultations take place until a decision that is acceptable to all is reached. Sometimes member countries agree to disagree on an issue.
NATO is a political and military alliance whose primary goals are the collective defence of its members and the maintenance of a democratic peace in the North Atlantic area. All 28 Allies have an equal say, the Alliance’s decisions must be unanimous and consensual, and its members must respect the basic values that underpin the Alliance, namely democracy, individual liberty and the rule of law.

NATO has a military and civilian headquarters and an integrated military command structure but very few forces or assets are exclusively its own.

Most forces remain under full national command and control until member countries agree to undertake NATO-related tasks.
Global Governance and International organizations

Organization’s chart, role and responsibility

Each member nation is normally represented on the North Atlantic Council by an Ambassador or Permanent Representative supported by a national delegation composed of advisers and officials who represent their country on different NATO committees. The Council also meets from time to time at the level of Heads of State and Heads of Government or Ministers of Foreign Affairs and Ministers of Defence.
NATO’s Organizations Chart

National Authorities

Permanent Representatives (Ambassadors to NATO)

North Atlantic Council (NAC)

Nuclear Planning Group (NPG)

Military Representatives to NATO

Military Committee (MC)

Secretory General

International Staff

International Military Staff

Strategic Commands

Allied Command Operations

Allied Command Transformation

Committees subordinate to the Council and NPG
### Main Bodies

<table>
<thead>
<tr>
<th>North Atlantic Council (NAC)</th>
<th>Nuclear Planning Group (NPG)</th>
<th>Military Committee (MC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Key political decision-making body</td>
<td>• Ultimate authority with regard to nuclear policy issues</td>
<td>• Senior military advisory authority</td>
</tr>
<tr>
<td>• Forum to discuss policy and operational questions</td>
<td>• Reviews the Alliance’s nuclear policy in the light of changing security environment</td>
<td>• Under authority of NAC and NPG</td>
</tr>
<tr>
<td>• Chaired by Secretary General</td>
<td>• All members except for France</td>
<td>• Provides guidance to two strategic commanders</td>
</tr>
<tr>
<td>• Meets at different levels</td>
<td>• Chaired by NATO Secretary General</td>
<td>• Meets at different levels</td>
</tr>
<tr>
<td>• Established by Article 9 of Washington Treaty</td>
<td>• Meets at different levels</td>
<td>• Chairman selected by Chiefs of Staff for three-year term</td>
</tr>
<tr>
<td>• Authority to set up subsidiary bodies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The NATO Budget

Member countries make **direct and indirect contributions** to the costs of running NATO and implementing its policies and activities. The greater part of these contributions comes through participation in NATO-led operations and in efforts to ensure that national armed forces are interoperable with those of other member countries.

Direct contributions to budgets managed by NATO follow the **principle of common funding** and are made by members in accordance with an agreed cost-sharing formula based on relative Gross National Income. These contributions represent a small percentage of each member’s overall defence budget and, generally, finance the expenditures of NATO’s integrated structures.

There are three budgets that come under the common funding arrangements:
- the civil budget;
- the military budget;
- the NATO Security Investment Programme.

Financial management is structured to ensure that the ultimate control of expenditure rests with the member countries supporting the cost of a defined activity, and is subject to consensus among them. The main body involved in these financial matters is the Resource Policy and Planning Board, to which the **Budget Committee** and **the Investment Committee** report.
Global Governance and International organizations

Organization’s chart, role and responsibility: NATO budget

NATO Budget*

![NATO Budget Diagram](http://www.nato.int/cps/en/natolive/topics_67655.htm?selectedLocale=en)

<table>
<thead>
<tr>
<th>Nation</th>
<th>Civil Budget at “28”</th>
<th>Military Budget at “28”</th>
<th>NSIP at “28”</th>
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<td>Slovenia</td>
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FONT: http://www.nato.int/cps/en/natolive/topics_67655.htm?selectedLocale=en
Direct contributions to NATO come in different forms:

**Common funding**: covers collective requirements such as the NATO command structure, NATO-wide air defence, command and control systems or Alliance-wide communications systems, which are not the responsibility of one single member. There are three budgets that come under the common funding: civil budget, military budget and NATO Security Investment Programme.

**Jointly funding** which means that the participating countries can identify the requirements, the priorities and the funding arrangements, but NATO provides political and financial oversight. Joint funding arrangements typically lead to the setting-up of a management organization and an implementation agency. There are currently 14 NATO Agencies.

**Other funding**: some projects can take the form of trust fund arrangements, contributions in kind, ad hoc sharing arrangements and donations. The most important trust fund is the one supporting the sustainment of the Afghan National Security Forces.

In general, the following factors influence the choices of the members on the funding sources to be used:
- the level of integration and interoperability,
- accessibility at the national level,
- the complexity of the system involved,
- the potential for economies of scale.

*Often, a combination of funding sources is used*
Common Funding - The civil budget

The civil budget provides funds for personnel expenses, operating costs, and capital and programme expenditure of the International Staff at NATO HQ. It is financed from national foreign ministry budgets (in most countries), supervised by the Budget Committee and implemented by the International Staff. The civil budget is formulated on an objective-based framework, which establishes links between NATO’s strategic objectives and the resources required to achieve them. There are four front-line objectives and four support objectives:

Common Funding - The military budget

This budget covers the operating and maintenance costs of the international military structure. It is composed of over 50 separate budgets, which are financed from national defence budgets (in most countries). It is supervised by the Budget Committee and implemented by the individual budget holders. In all cases, the provision of military staff remains a nationally funded responsibility.
Common Funding - The NATO Security Investment Programme (NSIP)

This programme covers major construction and command and control system investments, which are beyond the national defence requirements of individual member countries.

It supports the roles of the NATO strategic commands by providing installations and facilities such as air defence communication and information systems, military headquarters for the integrated structure and for deployed operations, and critical airfield, fuel systems and harbour facilities needed in support of deployed forces.

The NSIP is financed by the ministries of defence of each member country and is supervised by the Investment Committee. Projects are implemented either by individual host countries or by different NATO agencies and strategic commands, according to their area of expertise.
Financial management within NATO is structured to ensure that the ultimate control of expenditure rests with the member countries supporting the cost of a defined activity, and is subject to consensus among them.

No single body exercises direct managerial control over all four of the principal elements of the Organization’s financial structure:

- the International Staff, financed by the civil budget;
- the international military structure, financed by the military budget;
- the Security Investment Programme; and
- specialized Production and Logistics Organizations.

When cooperative activities do not involve all member countries, they are, for the most part, managed by NATO Production and Logistics Organizations. The Production and Logistics Organizations fall into two groups: those which are financed under arrangements applying to the international military structure and are subject to the general financial and audit regulations of NATO; and those which operate under charters granted by the NAC. These have their own Boards of Directors and finance committees and distinct sources of financing within national treasuries, which means that they operate in virtual autonomy.
Financial control

With respect to the military and civil budgets, the head of the NATO body is ultimately responsible for the correct preparation and execution of the budget, the administrative support for this task is largely entrusted to his Financial Controller. The appointment of this official is the prerogative of the NAC, although the latter may delegate this task to the Budget Committee.

Each Financial Controller has final recourse to the Budget Committee in the case of persistent disagreement with the head of the respective NATO body regarding an intended transaction. The Financial Controller is charged with ensuring that all aspects of execution of the budget conform to expenditure authorizations, to any special controls imposed by the Budget Committee and to the Financial Regulations and their associated implementing rules and procedures. He may also, in response to internal auditing, install such additional controls and procedures as he deems necessary for maintaining accountability.
**NATO** cooperates on a purely individual basis with a number of countries which are not part of its other partnership frameworks (i.e. the Euro-Atlantic Partnership Council/Partnership for Peace, the Mediterranean Dialogue and the Istanbul Cooperation Initiative). Formally referred to as “partners across the globe” – but often simply as “global partners” – they include Australia, Japan, the Republic of Korea, New Zealand, Pakistan, Iraq and Afghanistan.

**The case of the Euro-Atlantic Partnership**
The Alliance seeks to foster security, stability and democratic transformation across the Euro-Atlantic area by engaging in partnership through dialogue and cooperation with non-member countries in Europe, the Caucasus and Central Asia. The Euro-Atlantic Partnership is underpinned by two key mechanisms: the Euro-Atlantic Partnership Council (EAPC) and the Partnership for Peace (PfP) programme.