



International Task Force  
on Global Public Goods

# Meeting Global Challenges: International Cooperation in the National Interest

*Towards an Action Plan for Increasing  
the Provision and Impact of Global Public Goods*

## Abstract

Building on relevant history, research, and operational experience, this draft paper develops a diagnostic framework for analyzing and prioritizing global public goods and for identifying actions that will enhance their provision. The paper focuses on trade regimes, knowledge, peace and security, financial stability, global commons, and control of communicable diseases – areas identified by the International Task Force on Global Public Goods for in-depth analysis. It sets out – in a highly preliminary fashion – a synergistic package of recommendations covering (i) specific actions in the six priority areas and (ii) cross-cutting actions on monitoring, bundling, and financing. The cross-cutting proposals are designed to address the political economy constraints that have in the past prevented other proposals from moving beyond the drawing board. Taken together the proposed package constitutes a high-return investment in global efficiency and well-being.

*The draft is based on early and preliminary guidance from the International Task Force on Global Public Goods, but the current version has not been endorsed by the Task Force. All responsibility for errors and omissions belongs with the Secretariat.*

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### Abbreviations and Acronyms

CFC	Chlorofluorocarbons
GATT	General Agreement on Tariffs and Trade
GEF	Global Environment Fund
GPG	Global Public Good
IAEA	International Atomic Energy Agency
IMF	International Monetary Fund
IPG	International Public Good
MDG	Millennium Development Goal
ODA	Overseas Development Assistance
OGA	Overseas GPG Assistance
RPG	Regional Public Good
RTA	Regional Trade Agreement
TRIPS	Trade-Related Intellectual Property Rights
UNSC	United Nations Security Council
UNEP	United Nations Environmental Programme
UNESCC	United Nations Economic and Social Council
UNESCO	UN Education, Scientific, and Cultural Organization
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

# Meeting Global Challenges: International Cooperation in the National Interest

## I. Introduction

1. International cooperation in the national interest is not new. Early steps to use international cooperation to address a problem that could not be solved by national action alone were taken some 150 years ago in Paris to control the spread of cholera.<sup>1</sup> Since then, investment in global public goods has grown exponentially. Major institutions and programs have been created to deal with the key challenges, and there have been stunning successes globally – such as the eradication of smallpox and the reduction in ozone-destroying atmospheric substances – and regionally – including the control of river blindness in West Africa and the decline of acid rain in Europe.

2. Notwithstanding these successes, many important problems remain unresolved, amid widespread perceptions that the demand for effective international cooperation is outstripping the supply. The causes and consequences of the undersupply have been studied extensively by academia, think tanks, and officialdom. And while some points of agreement and consensus have emerged from these literatures, they remain largely that – separate literatures that have not yet been effectively joined into a coherent analytic framework. Nor have they produced an action-oriented roadmap for moving beyond research to concrete policy actions and implementation.

3. Impatience with this state of affairs, coupled with worries that well-meaning but uncoordinated national actions will be wasteful at best or contradictory at worse, led the Governments of France and Sweden to establish the International Task Force on Global Public Goods. The Task Force is chaired by Ernesto Zedillo and Tidjane Thiam. Task Force members include: K.Y. Amoako, Gun-Britt Andersson, Fred Bergsten, Kemal Dervis, Mohamed El-Ashry, Gareth Evans, Enrique Iglesias, Inge Kaul, Lydia Makhubu, Trevor Manuel, Hisashi Owada, Nafis Sadik, Brigita Schmögnerová, Yves-Thibault de Silguy, and M.S. Swaminathan. According to its terms of reference, the Task Force's mandate is to foster an enhanced provision of international public goods, both global and regional.<sup>2</sup>

4. This paper provides an overview of the approach being taken within the Secretariat of the Task Force in developing the strategy and action plan for improving the provision and impact of global public goods. It is a preliminary work-in-progress, drawing on ongoing analysis being carried out in a number of areas. It is based on early and preliminary guidance from the Task Force and on other expert inputs but the current version has not been endorsed by the Task Force. As a living document, it is intended to stimulate feedback and help in developing ideas. It is organized as follows. Following this brief introductory chapter, Chapter II summarizes relevant historical background. Chapter III

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<sup>1</sup> See William McNeill, *Plagues and People*, 1976.

<sup>2</sup> See [www.gpgtaskforce.org](http://www.gpgtaskforce.org).

establishes a diagnostic platform for the analysis of recommendations and their translation into specific proposals for enhancing the provision of global public goods. Chapter IV summarizes issues, challenges, and preliminary recommendations in specific areas. Chapter V summarizes the cross-cutting recommendations and their financing, building on the framework developed in Chapter III and its application to the specific areas discussed in Chapter IV.

## II. History of Cooperation on Global Public Goods

5. Important milestones in the history of cooperation on global public goods (GPGs) were the small but seminal steps that European countries took in the 19<sup>th</sup> century to meet their national goals in the areas of health, trade, and knowledge.<sup>3</sup> Stepped-up efforts came in the early 20<sup>th</sup> century, with the League of Nations and its associated agencies, with redoubled efforts at the end of World War II, motivated by the widespread desire to avoid the recurrence of war. Foremost here was the creation of the United Nations (UN), with its members' explicit rejection of the use of military force except as justified by the common good. Supporting and complementing the goals of the UN, the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT) were rooted in the desire to look upstream at the underlying economic causes of conflicts and to pre-empt them, by providing for agreed rules among countries for the handling of exchange rate and trade policies for preserving international financial stability. Complementing these efforts, the creation in 1948 of the World Health Organization (WHO) built on earlier efforts, geared to controlling the spread of communicable diseases.

6. Of course, much has changed since then. The Cold War started, and ended. The Bretton-Woods fixed exchange rate system gave way to a floating exchange rate regime. International trade expanded geometrically, lifting hundreds of millions of people out of poverty, and the World Trade Organization (WTO) has been created. Smallpox was eradicated, only to make a comeback as a possible weapon in the terrorists' toolkit, even as newer and deadlier diseases such as AIDS emerged. Environmental degradation stepped forward as a major issue, nationally, regionally, and globally, although many of its key issues remain unresolved. Finally, of all the changes, surely the most sweeping have been in the field of discovery and knowledge, especially in the health area where the impact on life expectancies around the world have been enormous, but also in other areas of science as well. Meanwhile, attention has increasingly focused on the challenges

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<sup>3</sup> These included (i) the above-cited international conference on cholera hosted by France in 1851. (See Dyna Arhin-Tenkorang and Pedro Conceicao, "Beyond Communicable Disease Control: Health in the Age of Globalization", in Inge Kaul, et al, eds., *Providing Global Public Goods: Managing Globalization*, 2003. See also McNeill, op. cit.) (ii) the introduction of the most-favored-nation clause by France and the UK into their 1860 bilateral trade treaty, which was subsequently included in the whole group on European trade treaties negotiated in the late 19<sup>th</sup> century. (See Rondo Cameron, *A Concise Economic History of the World*, 1988, pp 276-9.) and (iii) the poor attendance at the International Exhibition of Inventions in Vienna in 1873, because inventors were afraid their ideas would be stolen and exploited in other countries, giving rise a decade later, to the Paris and Berne conventions on protection of industrial and artistic property. (See [www.WIPO.org](http://www.WIPO.org).)

developing countries face in improving the quality of life for their citizens, with a number of programs specifically related to helping those countries meet their obligations under international agreements and also to address issues with major international spillover effects.

7. The international system created at the end of World War II has proven resilient in the face of these new challenges, adapting as needed to the particular circumstances. But most of the changes have been carried out in a piecemeal fashion, responding to one-off crises often by creating a new international agreement or organization.<sup>4</sup> The resulting complex patchwork is not always effective and does not fully address some of the fundamental shifts that have underpinned the changes we have seen, including the increasing importance of decentralization and democratization in some countries alongside the deterioration of governance in others, the increasing importance of private sector finance, and the growing importance of emerging market economies in world trade and money markets. Nor have they addressed the implications of the more recent emergence of a single global military power to replace the previous duopoly.

8. Of course, these challenges are increasingly recognized today, as reflected in a variety of international fora. The Millennium Summit held in New York in 2000, the International Conference on Financing for Development held in Monterrey in March 2002, and the World Summit on Sustainable Development held in Johannesburg in August 2002 built on the growing dissatisfaction with the status quo and the increasing desire for collaboration and change, especially in the pursuit of tangible progress on development goals, such as the MDGs. More recently, a number of commissions and working groups have been set up to explore global challenges. Examples just in the area of peace and security include the International Commission on Intervention and State Sovereignty, the UN High-level Panel on global security threats and reform of the international system, and the International Commission on Weapons of Mass Destruction.

9. Building on these and related efforts to look at particular aspects of the global public goods challenge, it is thus timely for the Task Force to step back and take stock of the key systemic and implementation issues. This is especially so in looking *across* the six areas that have been singled out for special attention by the Task Force – trade regimes, knowledge, peace and security, financial stability, global commons, and communicable diseases. Each of these areas is critically important in its own right, and – taken together – they constitute a global fabric affecting the prosperity and prospects of all. Indeed, this over-arching perspective is arguably the most important feature of the Task Force’s value-added, connecting the many well-intended efforts that are currently underway and

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<sup>4</sup> More international agreements were signed in the past 50 years than in the past 500. In 1750 there were 86 multilateral treaties, 1200 in 1950, and more than 2300 today. This general trend hides different evolutions by subject matter: political and diplomatic treaties had been predominant until the 1930s but since then economic treaties have constituted the larger share of multilateral agreements. Only 6% and 4% of multilateral treaties created between 1976 and 1995 have created or have some link to an international organization respectively. The former type of arrangements is on the rise. International organizations have also mushroomed since the end of WWII. 123 international governmental organizations (IGOs) and 832 conventional international non governmental organizations (NGOs) were reported in 1951, and 250 IGOs and 5825 NGOs in 1999. See Charlotte Ku, *Global Governance and the Changing Face of International Law. ACUNS Reports and Papers. 2001. No2; and [www.uia.org](http://www.uia.org).*

drawing out the implications for the overall system of governance in the global public goods arena – both its design and implementation. To this end, this report includes two categories of recommendations – *specific* and *cross-cutting* – those that respectively apply (i) uniquely to one of the six priority areas and (ii) in a broadly similar manner across the global public goods spectrum.

### **III. Diagnostic Platform**

10. Against the above background and drawing on the extensive policy experience and academic literature on the subject, this chapter discusses five considerations in developing an action plan for improving the provision of global public goods.

- The first point covers the scope and boundaries of the exercise, as a basis for determining what's in and what's out, and what the Task Force means when it speaks of global public goods.
- The second looks at the provision of global public goods at the national, regional, and global levels, and the cautions and priorities for change.
- The third looks at the sources of the under-supply of global public goods as suggested by operational experience and the implications for the agenda going forward – especially the design of effective implementation and monitoring arrangements.
- The fourth introduces prioritization criteria – looking at the costs, benefits, and distributional effects of alternative actions – to be taken into account in due course in compiling the list of individual global public goods to be included in the package of recommendations to be proposed by the Task Force.
- The fifth addresses the financing of global public goods, building on the earlier considerations and the extensive literature on the topic, establishing a basis for a programmatic approach that is subsequently presented in Chapter V.

11. Taken together, these five points constitute a diagnostic platform for carrying out a structured and comparative analysis of the six priority areas, identifying shortcomings in performance to date and opportunities for improvement going forward. They provide the basis for the recommendations and proposals set out in the following chapters.

#### **A. Scope and Selectivity**

12. The Task Force has explored a number of definitions of global public goods and boundaries for determining what is included and what is excluded from its consideration. In the end, it has adopted a pragmatic rather than a theoretically pure approach, focusing on public goods and services with substantial international spillover effects – either

positive or negative.<sup>5</sup> In so doing, it has focused on efficiency and the scope for enhanced provision of global public goods to increase global welfare. Box 1 sets out the specific language tentatively adopted by the Task Force as a basis for its work. In short, it states that global public goods: (i) are deemed to be important to the international community, to both developed and developing countries; (ii) typically cannot, or will not, be adequately addressed by individual countries or entities acting alone, and, in such cases (iii) are best addressed collectively on a multilateral basis.

13. **Subsidiarity.** As noted in Box 1, an important selectivity factor is provided by the principle of subsidiarity, which can help to distinguish between national and international responsibilities.<sup>6</sup> According to this principle, public policy issues should be addressed at the lowest government level possible. For present purposes, this means that the global public good for health, for example, is not about promoting good health outcomes in all countries, desirable though that is from an ethical and developmental perspective. Rather, from a global public goods perspective – mindful of the principle of subsidiarity – the health global public good is primarily about the prevention of adverse international spillovers (for example, the spread of infectious diseases), including the complementary domestic systems that contribute to such prevention.

14. **Implications of Subsidiarity across Priority Areas.** Similarly for the other five priority areas. The environment GPG is about preventing (and reversing as appropriate) adverse international spillover effects. National air and water pollution problems with minimal spillover effects are outside the scope of the GPG mandate; but international air and water quality and availability issues are clearly inside the GPG mandate. For peace and financial stability as well, not all issues are relevant – only those that threaten international stability or threaten principles that have been internationally agreed (for example, against genocide). Finally, on trade and knowledge, the focus is on the international aspects – the policies, rules and institutions for ensuring the movement of goods, services, and knowledge in a way that best promotes international prosperity.

## **B. National, Regional, and Global Tiers**

15. As set out in Chapter II, the six priority areas identified by the Task Force have been a longstanding part of the international landscape, serviced by an evolving array of organizations and instruments operating at the national, regional, and global levels. Of course, almost all actions in the six domains are taken at the national level, but institutional and financial arrangements at the regional and global levels have provided complementary and accompanying mechanisms to stimulate and monitor the coordination of efforts. In this context, the above discussion of subsidiarity quite

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<sup>5</sup> Many discussions distinguish between global public goods and global public bads. However, in its deliberations, the Task Force has generally found it more convenient to speak almost exclusively in terms of global public *goods*, recognizing that in the case of global public *bads* such as global warming or the spread of AIDS, the appropriate GPG is prevention and /or remediation.

<sup>6</sup> See Theodor Schilling, *Subsidiarity as a Rule and a Principle: or Taking Subsidiarity Seriously*, 1995 at [www.jeanmonnetprogram.org/papers/95/9510ind.html#I](http://www.jeanmonnetprogram.org/papers/95/9510ind.html#I).

### ***Box 1. Global Public Goods: Definitions***

Global public goods have been defined in many ways. At one extreme are the economic theorists, who have focused on pure public goods, as defined by Samuelson as goods which “all enjoy in common in the sense that each individual’s consumption of such a good leads to no subtraction from any other individual’s consumption of that good”.<sup>7</sup> At the policy end of the definitional spectrum, Inge Kaul and her colleagues recall that public goods can also be social and political constructs, and expand the definition to “goods in the public domain, available for all to consume and affecting all”.<sup>8</sup> The World Bank defines global public goods as “commodities, resources, services and also systems of rules or policy regimes with substantial cross border externalities—that are important for development and poverty reduction, and that can be produced in sufficient supply only through cooperation and collective action by developed and developing countries... [an] approach [that] involves the idea of both cross-national benefits and cross national collective action to achieve them.”<sup>9</sup>

For the purposes of the Task Force, the key considerations are that GPGs address issues that: (i) are deemed to be important to the international community, to both developed and developing countries; (ii) typically cannot, or will not, be adequately addressed by individual countries or entities acting alone, and, in such cases (iii) are best addressed collectively on a multilateral basis. The terms of reference of the Task Force already point in the direction of this kind of definition, which eliminate from consideration many subjects that often are loosely labeled as GPGs, such as primary education, that clearly can and should be addressed by individual countries. Individual countries should take full responsibility for what they can address, and the growing attention to the GPG agenda should not dilute such responsibilities and shift responsibility to the world community. The principle of subsidiarity should apply.

In the context of these assumptions, the Task Force has had qualitative discussions on costs and benefits of different GPG areas. Those discussions led to a preliminary selection of six areas deemed to be most important in terms of global impact. The selected GPG areas are: (i) trade, (ii) knowledge; (iii) peace and security, (iv) financial stability, (v) global commons, and (vi) prevention of the spread of communicable diseases.

naturally raises questions about the division of labor across the national, regional, and global tiers of the global public goods supply chain. Indeed, how – and how well – are these arrangements working, especially in the critical areas of securing cooperation on the production of high-value global public goods?

**16. Bottom Line.** Several conclusions from the discussion that follows warrant highlighting. First, exactly how the interplay across the three tiers – national, regional, and global – is structured varies from public good to public good. Second, as a general matter, regional institutions and agreements are excellent fora for coordinating the production of Regional Public Goods (RPGs). They also can be helpful in sharing lessons learned in the production of global public goods. But caution is needed in the use of regional instruments as an *alternative* to global agreements, with considerable care

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<sup>7</sup> Paul Samuelson, “The Pure Theory of Public Expenditure”, *Review of Economics and Statistics*, 1954.

<sup>8</sup> Inge Kaul, et al, eds., *Providing Global Public Goods: Managing Globalization*, Oxford University Press, 2003 (p. 23).

<sup>9</sup> Development Committee. 2000. “Poverty Reduction and Global Public Goods: Issues for the World Bank in Supporting Global Collective Action.” DC/2000-16, Washington, DC.

needed to ensure that regional action does not have unintended consequences. Third, there is a general need to strengthen, refocus, and increase legitimacy and funding of the global anchor institutions, with the specifics for each priority area set out in Chapters IV and V.

### **National and Local Tier**

17. With very few exceptions, global public goods are supplied nationally/locally – whether through public sector, private sector, or public-private entities. This is as true for global public goods as it is for regional public goods. The exceptions are those few areas where nations have delegated to international institutions the power to act on their behalf as shareholders – such as to lend, grant credit, or assess performance. Otherwise, production is all from national and local sources, whether it be in fulfillment of requirements/commitments made under international agreements, voluntary production levels, and/or support for relevant capacity-building activities in developing countries.

### **Regional Tier**

18. The dividing line between the regional and global tiers is less straightforward than the delineation of the central role of the nation state (and its subsidiaries) in the production of regional and global public goods set out above. Indeed, the analysis of regional approaches to the six areas carried out for the Secretariat<sup>10</sup> paints a complex picture. It identifies a productive role for regional instruments in the surveillance and enforcement of agreements on regional public goods. Regional fora also can be helpful for sharing lessons learned and best practices in the production of global public goods, and for enforcing agreements agreed at the global level. However, caution is needed when using regional instruments to *substitute* for global agreements on global public goods, especially for peace and security and trade, where regional approaches may engender conflicts of interest and thereby undermine global objectives. (See Box 2.)

### **Global Tier**

19. At the global level, the international community has historically taken more of a “wholesale” approach, relying on “anchor institutions” to organize the international dialogue on individual “retail” global public goods and issues, many of which deal with setting and enforcing the “rules of the road” for international transactions. On this approach, core anchor activities include: (i) managing the intergovernmental processes whereby standards, policies, and guidelines are agreed internationally; (ii) overseeing surveillance and imposition of sanctions for noncompliance; and (iii) crystallizing the forward agenda. (See Box 3 for the findings of an institutional assessment carried out for the Secretariat.)

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<sup>10</sup> See Björn Hettne and Fredrik Söderbaum, *Regional Cooperation*, August 1, 2004.

<b>Box 2. Regional Cooperation in the Pursuit of Regional and Global Public Goods</b>						
	Trade	Knowledge	Peace	Financial	Commons	Health
Using regional instruments for RPG agreements	✓	✓	✓	✓	✓	✓
Sharing lessons learned and approaches to GPG supply	✓	✓	✓	✓	✓	✓
Using regional instruments to enforce global agreements	✓	✓	✓	✓	✓	✓
Using regional instruments as <i>alternative</i> to global agreements	Extreme Caution: On RTAs	Caution: On Mega-Risk Management	Extreme Caution: On Peacekeeping	Caution: On Anti-Money Laundering	Caution: On Ozone Depletion	Caution: On Eradication

20. Of course, the real world is not nearly so tidy as Box 3 suggests. First, the wholesale approach underpinning the analysis has consistently been stronger for some GPG areas than for others, being the weakest for global commons, where there is considerable institutional fragmentation. Second, there also has been the increasing tendency cited earlier to seek solutions to emerging problems outside the anchor agencies – a practice especially evident in the health field – at best missing opportunities for a more systematic approach and at worst threatening an erosion of hard-won gains on international cooperation. Third, especially for the WTO, the movement has been in the opposite direction, with a piling on of responsibilities from other anchors in order to use the Dispute Settlement Mechanism to enforce commitments in areas such as intellectual property (under TRIPS) and environmental and core labor standards. To introduce greater order into these arrangements and also to strengthen legitimacy, Kemal Dervis has suggested the creation of a new UN Economic and Social Council (UNESC) – or a UN Economic, Social, and Environmental Council – covering all specialized social and economic agencies currently in the UN system, which would work in tandem with a revitalized UN Security Council.<sup>11</sup>

<sup>11</sup> See Kemal Dervis, *A Better Globalization: Perspectives on Legitimacy, Reform, and Global Governance*, Center for Global Governance, forthcoming.

### **Box 3. Comparative Assessment of GPG Anchor Institutions**

Analysis carried out for the Task Force assessed the institutional anchors for the six priority areas against the three core functions set out below.<sup>12</sup> As shown, the resulting scores range from quite effective in the case of WIPO and the IMF to moderately effective in the case of WTO, UNSC, and WHO, with UNEP in a class by itself. In each case, actions are needed to appreciably strengthen the anchor's ability to support the relevant global public good. Thus, while all the anchors but UNEP have a strong mandate, each has one or more key weaknesses that impede its ability to be most effective in fulfilling these wholesale functions. For example, the legitimacy of UNSC and IMF decisions are called into question because of the imbalance in their voting structures.

+ = weak ++ = mixed +++ = strong	<b>WTO</b>	<b>WIPO</b>	<b>UNSC</b>	<b>IMF</b>	<b>UNEP</b>	<b>WHO</b>
Managing inter-governmental processes to gain agreement on standards, policies, guidelines	+++ except re non-trade issues	++ could be more user-friendly	++ though unclear re "soft" issues	+++	+ very weak	++ broad mandate but others involved too
Mechanisms for Monitoring and Surveillance	++ strengthen monitoring	++	++ depends on members	+++	+ very weak	++ but need strengthening
Ability to look ahead, anticipate problems, set agenda for future actions	++	++	++	+++	+	++
Perceived Legitimacy	+++	++	++	+	+	+++
<b>Bottom Line</b>						
Overall Effectiveness and Credibility in Managing GPGs in Respective Areas of Responsibility	++ management needs more funding and power	++	++ changes needed in P5	++ changes needed in governance (quotas)	+ many issues to resolve	++ needs more funding and clout for surveillance

### **C. Sources of GPG Under-Supply**

21. Notwithstanding major investments in international cooperation at the regional and global levels, the prevailing wisdom is that individual global public goods are undersupplied. This view derives from two main factors. First, it starts with informed observation, which points to unexploited opportunities for improving international welfare through enhanced cooperation in each of the six areas. Second, it is supported by

<sup>12</sup> See Alex Shakow, *Review of GPG Anchor Institutions*, August 19, 2004.

economic theory's prediction of "free riders" with respect to accessing the benefits of public goods.<sup>13</sup> Within a country, the undersupply of public goods can be corrected by local and national governments—institutions empowered to tax, regulate, allocate property rights, enforce contracts, and otherwise discipline would-be free-riders—once the decision has been taken through the ballot box, legislation, and or administrative decree. Internationally, the various anchor and other institutional arrangements summarized above lack directly coercive powers, requiring national actions to agree and execute the specific decisions with respect to the individual global public goods considered to be in short supply.

**22. *Voluntary Approaches Rule.*** Enhancing the supply of global public goods must therefore rely on voluntary approaches – a requirement with important implications. As set out below and detailed in a companion paper,<sup>14</sup> the lessons of experience point to three broad factors that are particularly relevant in explaining when and why success with such voluntary approaches is likely:

- the nature of the public good itself;
- the profile of the countries with an interest in the public good and the underlying political economy; and
- the scope for monitoring and enforcing compliance with agreements to increase the supply of global public goods.

**23. *Nature of the Global Public Good.*** First and foremost, the nature of the particular global public good matters, especially with respect to whether its supply requires action by one country, by all countries, or by a critical subset of countries.<sup>15</sup> This is a major factor in determining how difficult (or easy) it will be to get the political commitment needed to get the ball rolling on actions to increase supply. The development of effective vaccines against polio required action (research and related activities) by a *single* country acting alone, whereas, the eradication of polio will require action by *all* countries, a far more daunting challenge. While health GPGs tend to be of this "one-country" or "all-countries" variety, environmental pollution issues tend to fall in between and be more

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<sup>13</sup> According to economic theory, this notional undersupply derives from two defining properties of pure public goods: (i) their "nonexcludability", which denotes the inability to exclude people from consuming them even if they don't pay for them (such as protection from skin damage by the ozone layer) and (ii) their "nonrivalry", which denotes the fact that one person's consumption of the good does not diminish what is available for others (such as the eradication of polio). The combination of these two properties means that less of these goods will be produced than would be forthcoming if those paying for them were able to capture the full benefits. These conclusions follow from the growing literature on GPGs, whose origins most observers trace back to the seminal work by Paul Samuelson on the pure theory of public goods (see Op. Cit.). That work formalized and mathematized earlier thinking on the provision of public goods, and for many years was used as the starting point for discussions of local public goods and public finance. In line with the more recent focus, it has been used to understand GPGs as well.

<sup>14</sup> See Scott Barrett, "Critical Factors for the Successful Provision of Transnational Public Goods," background paper prepared for the International Task Force on Global Public Goods, February 2004.

<sup>15</sup> See also Jack Hirshleifer, "From Weakest-Link to Best-Shot: The Voluntary Provision of Public Goods," *Public Choice*, 41: 371-86, 1983, and Todd Sandler, *Global Challenges: An Approach to Environmental, Political, and Economic Problems*, Cambridge: Cambridge University Press, 1997.

continuous. Global benefits flow from reduced polluting emissions (greenhouse gases, chlorofluorocarbons, and so on) whether the reduction comes from one country, from many countries, or from all countries; the magnitude of the benefits is simply related to the magnitude of the reduction. These kinds of global public goods tend to be the most prone to free-riding, with countries opting not to sign international agreements or not to implement their commitments unless there are high penalties.

**24. *Political Economy.*** Second, the underlying political economy and incentives at the country level – determined in part by national costs and benefits – also matter, and must be fully taken into account in designing GPG programs. This is a key implication of the voluntary nature of GPG supply. In the case of the polio vaccines, for example, the U.S. had the political interest and the financial wherewithal to take the necessary actions acting alone, allowing the entire world to use and benefit from the vaccines. By contrast, malaria affects many developing countries, and no industrialized country, and no malaria-affected country has invested substantially in developing a vaccine for this disease. Of special interest is the symmetry/asymmetry of countries sharing an interest in a global public good, such as the repair of the ozone layer under the Montreal Protocol, where a key development was the financing of the “incremental costs” incurred by developing countries for complying with the treaty.

**25. *Implementation Arrangements.*** Finally, the design and implementation arrangements for monitoring compliance with agreements to supply particular GPGs matter. Clearly, an agreement will have little impact if it is not complied with, and an agreement that is very costly to monitor and enforce may not be financially sustainable. To get the intended results, agreements on GPG supply must include cost-effective implementation, monitoring, and enforcement arrangements. Often, this translates into the reliance on lower-cost proxies to monitor compliance when direct monitoring would be much more expensive. In many environmental cases, where large numbers of private-sector actors are involved in compliance, adoption-of-technology requirements are used, as for example nationally in controlling automobile emissions and internationally in regulating the dumping of oil at sea. A first – and unsuccessful – attempt toward the latter called for limits on oil releases by individual vessels in particular zones, but monitoring and verification problems prevented its operationalization. The subsequent – and successful – approach required the adoption of a technology separating oil from ballast water, with the adoption of the technology far easier to monitor and verify.<sup>16</sup> A further benefit was that as more tankers were fitted with this technology, more countries required that the technology be adopted, causing yet more tankers to be fitted with the new technology, and so on in a virtuous circle.<sup>17</sup> Many of the incentives for adoption were purely commercial, but they nonetheless enhanced the supply of the GPG of protecting the marine environment.

**26. *Bottom Line.*** Simply put, the bottom line of the study of successes and failures of GPG supply is that the characteristics of the global public good and of the countries that

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<sup>16</sup> R. Mitchell (1994), *International Oil Pollution at Sea: Environmental Policy and Treaty Compliance*, Cambridge, MA: MIT Press.

<sup>17</sup> S. Barrett (2003), *Environment and Statecraft: The Strategy of Environmental Treaty-Making*, Oxford: Oxford University Press.

benefit from its provision are essentially given, while the means and strategies for provision can be chosen and designed. As illustrated in the examples considered, good choices and good design can facilitate supply; bad choices and bad design can undermine it.

#### D. Prioritization Criteria

27. Just because a particular global public good is under-supplied relative to some *theoretical* optimum does not mean that global welfare will *necessarily* be enhanced by increasing the GPG's supply, no matter how cleverly. Indeed, the costs of increasing the supply – taking into account the costs of building the collective decision to act and generating the financing – may be higher than the welfare losses of muddling through with the under-supply. In moving from a diagnosis of under-supply to a prescription of action, thorough analysis of the proposed actions and tradeoffs across alternatives is essential.

28. ***Net Global Benefits and Other Criteria.*** In so doing, it will be essential to be clear – and agreed – about the prioritization criteria. Three possible criteria for assessing global public goods have been discussed in the literature (see Box 4). As set out below, these criteria capture different aspects of the GPG agenda, although – strictly speaking – only the first is essential. They are:

- Net Global Benefits  $> 0$ : Obviously *net global benefits*  $> 0$  is a sine qua non of inclusion in the GPG action plan. In addition, the larger the net global benefits of a particular recommendation, the more likely that it will be politically feasible and a win-win for all – both for the countries who will need to make it happen and for reducing global poverty, however indirectly.
- Net National Benefits  $> 0$ : This is an important barometer of political feasibility in light of the voluntary nature of GPG supply. However, it is neither a necessary nor a sufficient condition for a country's participation in the supply of a global public good. Satisfying the condition in a particular country context does not guarantee that the country will contribute towards supply, as it may gain more by free riding. Conversely, if the condition is not satisfied, a country may still go ahead for reasons of altruism, especially if other, poorer countries benefit in terms of poverty reduction and the MDGs (see below). In other cases, side payments may be needed to ensure the support and participation by countries for whom *net national benefits*  $< 0$ , as has happened under the Montreal Protocol;<sup>18</sup> the Global Environment Facility is also based on this principle.
- Net Poverty Benefits  $> 0$ : This is a desirable feature, and for some countries will be an important consideration in determining their voluntary contribution to international supply. Hence it needs to be considered in conjunction with the analysis of net national benefits. While it is expected that recommendations that fulfill the first criterion above would have significant net poverty reduction

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<sup>18</sup> See Scott Barrett, "Montreal vs. Kyoto: International Cooperation and the Global Environment", in Inge Kaul et al eds., *Global Public Goods: International Cooperation in the 21<sup>st</sup> Century*, 1999.

#### ***Box 4. Three Approaches to Assessing Global Public Goods in the Literature***

This box draws on the large and growing literature on global public goods. It does not attempt to cover the full range of topics addressed in the literature.<sup>19</sup> Rather its focus is narrowly targeted on three strands of the literature that are relevant to the framework.

- First is the collective strand, which focuses on whether a particular action proposed for international cooperation is warranted from an international cost/benefit perspective. Utilizing the standard tools of economic analysis, this strand of the literature asks: Do the international benefits from the proposed action exceed the costs? This largely empirical body of work is most often focused on health and environmental interventions, with the latter involving much debate on the appropriate social rate of discount to use.<sup>20</sup>
- Second is the sovereign strand, which focuses on national incentives for international cooperation, to see if voluntary action by countries is likely to get us there. It asks: How do the international benefits and costs map into national benefits and costs, with the now-classic illustration being the U.S. economic perspective on the Montreal Protocol compared with the Kyoto Protocol. Quite simply, net U.S. benefits of Montreal were seen to be large and positive, and of Kyoto, possibly large and negative, partly explaining the different U.S. positions on the two agreements.<sup>21</sup> These sorts of calculations of course are critical in determining whether the national support for international cooperation will be there, notwithstanding potential “free-rider” problems.<sup>22 23</sup> Also within this strand of the literature, different kinds of GPGs have been delineated, which may warrant different approaches to producing them and in turn to international cooperation.
- Third, and embedded in the first one, is the normative strand, which looks at international cooperation as a vehicle for enhancing global welfare and fairness by redistributing power and resources from rich countries to poor countries.<sup>24</sup> This school appeals to Rawlsian concepts of justice,<sup>25</sup> and is a political construct that argues for greater voice of developing countries in the IMF,<sup>26</sup> rollback of TRIPS, greater resources for financial crises and more controls on banks and financial markets, and so on. Though not particularly spelled out, it also implicitly covers the distributional impact of global public goods.

benefits and contribute to the achievement of the MDGs, this expectation will be subject to further review as the work progresses.

29. ***Measuring Costs and Benefits.*** Work is under way to inventory measures of costs and benefits of proposed actions in each of the six GPG areas under study. The goal is to provide orders of magnitude against the first criterion (*net global benefits > 0*) as the key measure of the benefits to be secured from actions to enhance the supply of global public goods. A similar analysis is being undertaken of the underlying political economy of proposed actions in terms of net national benefits and the likely impact on poverty reduction and contribution towards achieving the MDGs. Of course, these kinds of estimates are frequently the subject of intense debate, especially given their sensitivity to unobservable parameters such as the social discount rate. But these very debates are themselves sometimes helpful in shedding light on broad magnitudes, rankings, and distributional impacts – and in turn on the critical policy challenges.

## E. Financing

30. This section addresses four issues that have received much attention in the extensive professional and policy literature on global public goods as well as by specialized commissions.<sup>27</sup> First is the centrality of financing to the global public goods agenda. Second are the various global tax instruments that have attracted so much attention, such as the Carbon Tax and the so-called Tobin Tax on short-term financial transactions. Third are the facts on the actual financing of global public goods at present. The final issue is the appropriate degree of interface between development assistance and the financing of global public goods. Taken together with the analysis presented earlier in this chapter – and Chapter IV’s recommendations in the six priority areas – the discussion also establishes a platform for the proposal that is presented in Chapter V.

31. ***Undersupply and Financing of Global Public Goods.*** To a large extent, the inadequate financing of global public goods is simply another way of looking at their undersupply in a voluntary context. Both derive from free riders who do not want to provide or pay for the global public good in question<sup>28</sup> and can not be excluded from the benefits arising from the contributions of others.<sup>29</sup> Hence solving one of these problems – either the undersupply of global public goods or the inadequacy of their financing – is tantamount to solving the other as well. Nor is this hand-in-glove property unique to global public goods. Rather it is a central characteristic of all public goods and at the center of the theory and practice of public finance.<sup>30</sup> As with the discussion of the undersupply of global public goods set out above, the distinctive GPG-financing wrinkle is the absence of the coercive power to tax and otherwise collect revenues that local and national governments can wield—once a decision to provide a particular public good or service has been taken through the ballot box, legislation, and/or administrative decree. This means that GPG finance must be voluntary – just as the correction of any undersupply of global public goods must be voluntary, as discussed above – and unlike in a democracy where the correction also is voluntary, it must be pretty much unanimous as well.

32. ***Global Taxation.*** Several global tax instruments have been put forward in the literature in recent years as a possible route to solving the financing problem.<sup>31</sup> These include taxes on *carbon fuels*, *short-term international currency transactions* (the Tobin Tax), *international air travel*, *arms sales*, and *multinational corporations*. The continuing intellectual appeal of such taxes has been their focus on international transactions, suggesting a direct link to the financing of global public goods. However, as a legal and practical matter for the foreseeable future, such taxes would need to be levied by national governments, who would in turn need to provide the agreed share of collected revenues to the appropriate GPG authority. This critical step breaks the direct link between the proposed international taxes and global spending programs since there is no ‘sovereign’ global body that can impose and collect the taxes. In so doing, it clarifies the fact that national contributions (financed by national revenue instruments of choice) are the sine qua non of GPG finance. Of course, the chosen national revenue instruments can include one or more of the proposed “global” tax instruments, where the choice of a carbon tax, for example, would simultaneously help the country meet its emissions goals by discouraging domestic demand for carbon even while generating revenues for environmental and other worthy causes.

33. ***Current Approaches to Financing Global Public Goods.*** Such is clearly the case at present for pure global public goods, which are financed in three main ways – all of which actually depend on national resource mobilization. First, national finance covers the costs of voluntary action and meeting commitments under international agreements. Second, national finance covers out-of-pocket payments typically assigned via a formula (topped up in many cases by additional donor funding) for managing most GPG anchor agencies and special activities, such as WHO management and UN peacekeeping operations (albeit according to different formulas). Third, national finance also covers formula-based funding used for side payments, such as for the Montreal Protocol and the GEF more generally, in which donor countries help to defray the costs to developing countries of producing/contributing to the production of GPGs. (See Box 5.) Of course for what economists call “impure” global public goods, especially for so-called club goods for which free riders *can* be largely excluded, the scope for private sector finance is increased, as for the payments that airlines make for air traffic control and safety services.<sup>32</sup>

34. ***Interface with ODA.*** Three positions have been articulated on the relationship between ODA and global public goods.

- First, concerns have been expressed about the possible crowding out of ODA in favor of GPG finance, as donors might seek to substitute GPG finance (from which they may believe that they get greater returns) for ODA.<sup>33</sup> Nor are such concerns groundless, in light of the recent trends in both ODA and GPG finance.<sup>34</sup>
- Second, other concerns have been expressed – including importantly by the Task Force – that the GPG agenda is really about efficiency and *not* about development except coincidentally.
- Third, yet other concerns have been expressed emphasizing the *nexus* between development and global public goods, arguing that many countries (and their political leadership) have higher rates of time preference (for the present). This is most problematic for developing countries with limited resources, who would need additional transfers to help them pay their share of GPG costs.

35. These three considerations are not mutually exclusive, but they do point to the importance of keeping the GPG financing and ODA agendas conceptually separate, even if they may be implemented together.

### ***Box 5. Multilateral Fund for the Implementation of the Montreal Protocol***

The main objective of the Multilateral Fund is to assist developing country parties to the Montreal Protocol whose annual per capita consumption and production of ozone depleting substances (ODS) is less than 0.3 kg to comply with the control measures of the Protocol. Key elements of the approach are: common but differentiated responsibilities for developed and developing countries; a partnership between developed and developing countries based on equality rather than dependence; and a dedicated environment fund with a specific mandate and time frame.

#### **Burden Sharing among Donors**

Contributions to the Multilateral Fund from the industrialized countries, or non-Article 5 countries, are assessed according to the United Nations scale of assessment.

#### **Allocations across Article-5 Countries**

Allocation decisions are made by the Fund's Executive Committee, based on country submissions in four areas: (i) country strategy and program; (ii) institutional strengthening; (iii) technical assistance; and (iv) investment projects.

#### **Management and Oversight Arrangements**

The Fund is managed by an Executive Committee assisted by the Fund Secretariat. Projects and activities supported by the Fund are implemented by four international implementing agencies (UNDP, UNEP, UNIDO and the World Bank).

Current Executive Committee members are: Argentina, Austria, Bangladesh, Belgium, Canada, China, Hungary, Islamic Republic of Iran, Japan, Mauritius, Niger, United Kingdom and the United States.

The Fund Secretariat's main tasks are to develop the three-year plan and budget and a system for fund disbursement; manage the business planning cycle of the Multilateral Fund; monitor the expenditures and activities of the implementing agencies; prepare policy papers and other documents; review and assess investment projects and programs.

*Source: [www.unmfs.org](http://www.unmfs.org)*

## **IV. Six Critical Areas: Assessment and Emerging Recommendations**

36. Systematically applying the diagnostic framework set out above to the six priority areas – trade, knowledge, peace and security, financial stability, global commons, and control of infectious diseases – leads to a number of preliminary recommendations that are now being debated within the Task Force and in some areas being refined through further analysis. What follows is therefore highly preliminary and subject to much further work and possible redirection.

### **A. Promoting the Gains from Trade**

37. The Great Depression of the 1930s was a defining moment for the design of the world trading system at the end of World War II, given the close links between individual countries' use of prohibitive tariffs and quotas and the implosion of the world economy.

Reflecting the success of the post-war design and subsequent finetuning, today's perspective is different, with the focus on maximizing the upside gains from trade rather than simply avoiding the downside. The international trade regime, embodied first in the GATT and now in the WTO, was designed to promote these goals by providing a forum for negotiations, an agreed set of rules, and instruments for countries to exchange market-access commitments. While the GATT focused narrowly on tariffs on OECD manufactures, the WTO's mandate and membership are broader, with huge potential for increasing global efficiency and incomes, in both developing and developed countries. But at the same time, many question its effectiveness because of the slow progress on trade reform – and especially on the Doha Development Round – the proliferation of bilateral and regional preferential trade agreements, and misunderstandings about its role as a facilitator of bargaining rather than of benefit transfers.

38. Measures for promoting meeting this challenge fit into three categories – those for improving the efficiency and effectiveness of the rules of the game of the international trading system that the WTO oversees; those for improving the management, efficiency, and effectiveness of WTO deliberative processes and operations; and those for helping developing and transition countries improve their own capacities to participate in world trade negotiations and transactions.

- On the rules of the game, three issues are being considered: (i) the maintenance of a level playing field by removing barriers to trade in highly protected sectors such as agriculture and services, in particular via the completion of the Doha Round and subsequent trade liberalization; (ii) the consistency of the recent proliferation of preferential trade agreements with the WTO's multilateral framework, their implications for trade and investment diversion, and the possible need for tightening of the provisions governing their use; and (iii) the reform of the rules so that they engage marginalized countries by inter alia including a transfer component in the bargaining process.
- WTO-related proposals include recommendations to: establish a governing board with country representation designed to facilitate consensus building; provide more authority, resources, and capacities, including the ability of the Director General to prepare and to put forward proposals and to call for meetings of the proposed governing board and/or ministers to consider these; and improve operating and monitoring instruments (trade policy reviews, dispute mechanisms, and so on) and transparency.
- Meanwhile, in order for developing and transition countries to take full advantage of these improvements, they will need stronger and more coherent capacity-building support for trade policy formulation, strategy development, and WTO negotiations and for dealing with the “behind-the-border” agenda (including the removal of barriers to trade posed by bottlenecks in customs, standards, and trade-related infrastructure and facilitation services).

## **B. Promoting the Gains from Knowledge**

39. Knowledge has one of the oldest traditions of international cooperation, starting from the Paris Convention in 1883 and the Berne Convention in 1887, with a host of agreements to follow.<sup>35</sup> Its production is in many ways a textbook example of a pure public good, replete with free riders and undersupply, that causes most countries to protect it via patent, copyright, and other legislation and also to promote it outright through the funding of research in specific areas. For intellectual property, the long-standing focus has been on cross-border reciprocity in honoring patents, copyrights, and trademarks protected under national laws through a series of treaties administered by the World Intellectual Property Organization (WIPO), recently reinforced by the more recent TRIPS Agreement under the WTO. For common knowledge in the public domain, the focus has been on the free exchange of scientific research findings and results, in some cases supported by public funding, including through international research partnerships such as the CGIAR and IAVI. The critical policy challenge is ensuring the right balance between private and public interests, weighing the dynamic benefits of incentives for the producers of knowledge against the static transactions costs incurred by the users of knowledge. Also important is the need for prudent risk management in the quest for and preservation of knowledge. This need is especially pronounced for experimentation on genetics and human cloning, nuclear products, the exploration of space, and other mega risks where the public interest lies in ensuring that sufficient precautions have been taken to prevent the occurrence of worst-case scenarios.

40. The proposals under review fall into three categories: (i) incentives for producing and disseminating knowledge; (ii) cross-cutting issues on “knowledge about knowledge” and risk management; and (iii) capacity building.

- The first priority is to address the need for balance in the international regulatory system between the various interests – private and public, producers and consumers, and developing and developed countries – in the production and dissemination of knowledge. The needed actions will require broad involvement of many stakeholders – including member governments. To this end, WIPO should (i) widen its constituency beyond patent lawyers and commercial interests to also include policy makers in developing and developed countries, representatives of consumer groups, and members of the scientific community; (ii) pursue an agreement on a standard for intellectual property legislation, in which the patenting of trivial inventions and fundamental discoveries would not be allowed; and (iii) pursue an agreement on a standard for the patenting of publicly financed scientific research, in which the default would be to keep the results in the common knowledge domain.
- The second priority deals with cross-cutting issues, for which it is recommended that UNESCO play the lead role, in collaboration with the other involved agencies, such as the International Atomic Energy Agency and drawing on specific advisory groups such as the Intergovernmental Panel on Climate Change. These issues include: (i) monitoring the evolution of knowledge issues across the

GPG spectrum – in other words, collecting knowledge about knowledge – as a basis for cross-fertilization between different communities of knowledge and practice and to bring to the attention of policy makers and civil society important gaps and opportunities for research and the dissemination of knowledge; and (ii) systematic monitoring and reporting on mega-risks in the areas of genetic experimentation, and cloning, the exploration of outer space, and nuclear energy.

- The third priority is for bilateral and multilateral donors to enhance their assistance to developing and transition countries for participation in international negotiations on intellectual property agreements and for effective intellectual property management and regulation. The approach should be country-based, geared to individual developing and transition country needs and capacities, and consistent with the TRIPS Agreement. Success should be measured in terms of the quantity and quality of technology actually transferred to developing and transition countries.

### **C. Preserving Peace and Security**

41. The current international strategy for preserving peace and security was originally crafted to deal with world wars and other state-to-state threats. Since the end of the Cold War, the international security agenda has changed radically, but the international system has yet to fully adapt. Key challenges are the proliferation of weapons of mass destruction, the rise of international terrorism, and the high incidence of civil war and violent regime changes with important international spillover effects. These problems are made less tractable by the limited recognition of the UN Security Council as an authorizing environment and the chronic underfunding and undermanning of UN peacekeeping and other operations, aggravated by the tendency of some countries to take unilateral action – rationalized, in part, by the ineffectiveness of many UN operations, which in turn reflects their underfunding, in a vicious circle.

42. The proposals under consideration for dealing with the identified peace and security issues fall into three categories – those related to better addressing the major threats of the coming years, global governance, and regional actions and capacity building issues.

- First, to better address threats related to weapons of mass destruction, international terrorism, and civil wars it is proposed to (i) revise the Nuclear Non Proliferation Treaty, proceed with a global inventory of highly enriched uranium and all nuclear material, and put weapons of mass destruction on more solid international legal footing; (ii) increase capacity and information sharing among police and military at the global level while addressing the root causes of international terrorism more effectively; and (iii) strengthen interventions before, during, and after civil wars. In dealing with international interventions in civil wars, the UN would be guided by the International Commission on Intervention and State Sovereignty's recommendations with respect to the responsibility to protect and standards for humanitarian intervention.<sup>36</sup>
- Second, reform of the UN Security Council is a central systemic priority. Building on the work of other commissions,<sup>37</sup> the proposals will be structured to provide

both a credible vision of an improved system and a set of practical shorter-term steps for moving towards the vision. The following tentative principles will guide the development of these proposals: (i) avoiding the creation of new permanent seats on the Council; (ii) proposing a formula for a new set of renewable seats that would favor states that make a greater contribution to the institution in terms of finance and soldiers for peacekeeping missions; (iii) tying voting weights explicitly to financial contributions to the UN; and (iv) promoting the general standard that authority requires investment and responsibility. Third, to complement actions at the global level, two proposals are under consideration: (i) increase the legitimacy and the effectiveness of regional organizations' participation in international security matters by clarifying their hierarchical position vis-à-vis the UN while strengthening their capacity and governance linkages with the global level, (ii) increase aid toward countries encountering problems of extreme poverty, governance, ethnic strife, and so on while prolonging and improving coordination of post-conflict assistance.

#### **D. Preserving Financial Stability**

43. As with trade and peace and security, the international strategies for managing financial stability were shaped by the events surrounding World War II, including the competitive exchange rate depreciations that countries had deployed during the Great Depression in an effort to export their unemployment. The devastating outcomes led to the IMF's mandate for monitoring and evaluating countries' balance of payments and underlying monetary, fiscal, and exchange rate policies, which remain of central importance for international financial stability. More recently, the series of contagious financial crises that traversed East Asian and other emerging-market economies during the late 1990s drove home the need to reform the international financial architecture and bring it into line with current economic and financial realities. Much has subsequently been done, including a major enhancement of international financial transparency and governance, through new standards and codes; a rethink of the IMF's advice on macroeconomic management in the face of capital account shocks; and the emergence of a broad consensus on the inclusion of collective action clauses in sovereign bond issues. But more progress is needed, especially to help heavily-indebted middle-income countries deal with financial market volatility.

44. The implications of the above for the key priorities going forward are summarized below covering (i) the specific needed actions at the international and national level to prevent crises and to manage them once they hit; (ii) the action to improve the effectiveness and legitimacy of the IMF and the international financial system; and (iii) the related capacity-building actions by international institutions and bilateral donors to help developing countries both meet their requirements under international agreements and play a stronger role in shaping those agreements.

- The first priority is to prevent the emergence of major financial and exchange rate imbalances across countries and to complete the reform of the international financial architecture. Given the particular management challenges facing the

middle-income countries and the unfinished agenda for reforming the international architecture, key priorities are to address the adequacy of: (i) IMF lending instruments for emerging market economies – both an insurance instrument (in lieu of the Contingent Credit Line, which expired last year) and a more medium-term debt sustainability facility – including the scope for a possible concessional element and/or SDR financing component; (ii) more broadly, the magnitude and pricing of private sector and other resources available and needed by middle income countries for dealing with shocks and threats of systemic volatility and contagion; and (iii) the treatment of risks (especially the debt sustainability risks faced by emerging market economies) in the current international economic environment, with such unsustainably low interest rates.

- The second priority, closely linked to the first, is to correct distortions in the IMF's voting structure and the distribution of Board chairs. The creation of the G-20 in the wake of the East Asia Crisis was an important step in the direction of increasing the voice of emerging market economies in international deliberations, but it is at the IMF where standards are set and decisions made, and there has been no progress there on this subject, thereby seriously jeopardizing the Fund's claim to legitimacy. To this end, The IMF Board should move aggressively to agree to a consensus formula that will bring IMF quotas, and Board representation, into line with current economic and financial relativities. This would result in egregiously underrepresented countries – including a number of emerging market economies – gaining larger quota shares, enhancing the quality and balance of policy debates and decisions. Similarly, IMF members should confront the inequities in Board representation that permits Europe to hold nine of the current 24 Board seats.
- Third, to support greater developing country voice and participation, the quality and quantity of donor-supported capacity building programs – to strengthen financial policies, debt management and institutions – need to be improved. On quality, an evaluation of existing programs is needed, including of their collective value added and coherence, as a basis for improving their strategic relevance and results. This work should build inter-alia on the ongoing evaluation of IMF technical assistance programs. On quantity, the critical needs are in the areas of (i) management for debt sustainability; (ii) enhanced participation in international discussions, debates, and institutions, especially in connection with the possible realignment of IMF quotas; and (iii) on anti-money laundering – as in some developing countries these policies are regarded as an unaffordable luxury, yet they are important for systemic integrity and confidence.

## **E. Global Commons**

45. The 1972 Stockholm Conference on the Human Environment is usually considered the beginning of serious consideration of the environment at the international level. Since then, the system of international environmental governance has grown in three directions – towards a collection of intergovernmental organizations, with UNEP playing a central role "as a catalyst, advocate, educator and facilitator to promote the wise

use and sustainable development of the global environment"<sup>38</sup>; towards a treaty-based system with over 300 multilateral environmental agreements, most of which have been signed since 1972; and towards a set of specific financing mechanisms, such as the Global Environment Facility. To be sure, there have been significant achievements, including an effective global framework for protecting the stratospheric ozone layer. Other efforts, however, have been less successful. Many environmental treaties, for example, do little more than draw attention to important problems. In the future, more attention will need to be paid to ensuring that these and related instruments make a real difference. In particular, the design of these instruments must focus on incentives that lead to agreement and action, taking the sovereignty constraint into account. And implementation must verify that real progress is being made.

46. The proposals under review to better manage the global commons in a sustainable way and reduce negative international spillovers fall into three categories – those focusing on climate change, those related to global governance, and those for capacity building.

- First, building on Russia's recent ratification of the Kyoto Treaty, a new strategy for advancing the agenda on climate change – "Beyond Kyoto" – is needed. An approach combining new and more ambitious emissions targets for both developed and developing countries with effective incentives and standards for new greenhouse-gas efficient technologies will be explored.<sup>39</sup>
- Second, some measure of institutional consolidation and strengthening is needed, accompanied by a multilateral surveillance system covering environmental degradation, progress towards internationally agreed targets, and early warning signs, perhaps relying on new technologies.<sup>40</sup> As a start, the approach would be to strengthen UNEP's monitoring and surveillance capacities through a concerted focus on clearinghouse functions for data collection, scientific knowledge exchange, and best-practice identification and dissemination. These efforts would be supported and complemented by the formation of clusters with lead specialty organizations for specific issues (including possibly an NGO such as IUCN for biodiversity) that together with UNEP would constitute a Global Environmental Network.<sup>41</sup>
- Third, as in the other areas, the recommendations call for the rationalization and improved effectiveness of technical assistance programs designed to help developing countries participate in environmental negotiations and comply with the international environmental agreements that they are party to. To this end, an assessment is needed of the effectiveness and strategic coherence of existing donor support programs for helping developing countries to meet their requirements under international agreements and to produce environmental GPGs in voluntary (that is, above-agreement-level) amounts.

## **F. Preventing the Spread of Communicable Diseases**

47. The origins of the international strategy to combat the spread of communicable diseases can be traced back to the 1851 Paris meeting on cholera mentioned above, and to an 1881 meeting on yellow fever among country representatives from the Western Hemisphere. These efforts took flight in the 1880s with the invention of the microscope and the subsequent confirmation of the germ theory of infections and the efficacy of quarantines. Since then, the knowledge and health issues have remained closely intertwined, with advances in knowledge on effective disease prevention the major cause of dramatically improved health outcomes over the past 50 years. This goes to the heart of what is the global public good in this area. Other instruments – of surveillance and avoidance of the spread of drug resistance – also produce major global benefits. Local capacity building has global public goods properties as well, in view of the importance of local systems as a basis for international surveillance and monitoring. Going forward, strengthened policies and actions in these areas by developed and developing countries and by international institutions are needed to reduce global and regional health risks and to minimize their social and human costs.

48. Proposals are under discussion in three areas – (i) those focused on prevention, including the critical R&D component; (ii) those focused on strengthened surveillance and global governance under the mantle of the WHO; and (iii) those focused on improving donor support for national capacity building in developing countries to strengthen, what are frequently, the weakest links in the global health system:

- First, it is essential for the international community to upgrade its attention to prevention, both of infectious diseases – especially HIV/AIDS, tuberculosis, and malaria – and of antimicrobial resistance. Clearly, an aggressive R&D strategy needs to be central to these efforts, with developed countries doing more both to support basic research on the essential drugs, vaccines, and microbicides for preventing the spread of diseases affecting people living in developing countries. As new medical products are developed, qualifying global funds could help developing countries purchase and distribute them, including through the use of advance purchase commitments, designed to promote incentives for such R&D.
- Second, a key issue at the systemic level is the need to increase and refocus WHO resources and strategy on monitoring and surveillance issues – in line with its unique global mandate. An effective multilateral surveillance system could be grounded in the revised International Health Regulations, the International Diseases Surveillance System and the Global Outbreak Alert and Response Network.
- Third, national health systems, which pose weakest-link risks to the international health system, must be strengthened. To this end, donors should increase the quantity and quality of their capacity building support in this area. They should be especially cautious in the implementation of global health programs, which too often erode rather than enhance national capacity.

## V. Preliminary Recommendations and Follow-up Work

49. This chapter builds on the previous chapters to develop a way forward, encompassing recommendations falling into two categories – “vertical” recommendations that relate exclusively to issues in one of the six priority areas discussed in Chapter IV and “horizontal” recommendations that cut across the six areas. The cross-cutting proposals are designed to address the political economy constraints that might otherwise prevent the recommended specific actions from being taken and the associated global (and national) benefits from being attained.

### A. Recommendations in Six Priority Areas

50. The proposed recommendations in each of the six priority areas, as discussed above, are summarized in Box 6. Still highly preliminary, they cover a range of activities, such as: (i) specific recommendations – such as sharpening the international focus on infectious diseases on *prevention* issues and completing the reform of the international financial architecture; (ii) actions to strengthen anchor institutions – such as empowering the WTO Director-General and Secretariat, updating country IMF voting shares, and widening WIPO’s constituency; and (iii) donor actions to help strengthen the capacities of developing countries to participate more fully in international cooperation in all six areas – from contributing to the formulation of the global health agenda to managing post-conflict situations and other peace and security issues to negotiating more open agricultural markets. Taken individually, progress on these – and the other individual actions set out in Box 6 – would clearly make an important contribution to global welfare. Taken together, their contribution would be greater, reflecting the important synergies across the various recommendations.

### B. Cross-Cutting Recommendations

51. But in reviewing Box 6, it is clear that for the most part the proposals are not new and it is not out of ignorance that the recommended actions (or some variant thereof) have not been taken to date. In some cases the failure to act may have been the result of opportunistic “free-rider” behaviour – behaviour which might be reduced by greater public scrutiny. But at least as often, inaction has reflected more fundamental reasons of national political economy, which prevent countries from supporting a particular issue when it is not in their national interest. In other words – and to use the technical language of Chapter III – despite the fact that there are *net global benefits* for each of the proposed actions, *net national benefits* are insufficiently positive to induce enough countries to agree to cooperate internationally on the needed actions.

**Box 6. Preliminary Recommendations in Six Areas**

- ✓ **Trade:** Slash tariffs on agriculture (and also domestic support and export subsidies); liberalize temporary movements of people supplying services. Strengthen WTO Secretariat and surveillance systems; empower **WTO** Director-General.
- ✓ **Knowledge:** Widen **WIPO's** constituency to include policy and scientific communities. Pursue standards for intellectual property legislation (i) keeping results of publicly financed scientific research, in common knowledge domain; and (ii) avoiding patenting of fundamental discoveries.
- ✓ **Peace and Security:** Revise Non-Proliferation of Nuclear Weapons Regime; increase coordination of anti-terrorist policies; prolong aid and military presence in post-conflict situations; fully fund international peacekeeping operations. Reform **UN Security Council** voting procedures towards weighted majority and strengthen its Secretariat; increase cooperation with and support for regional organizations.
- ✓ **Financial Stability:** Complete the reform of the international financial architecture, focusing on instruments and resources for debt management and sustainability in middle-income countries. Update **IMF** voting structure, in line with current economic and financial realities.
- ✓ **Global Commons:** Launch “Beyond Kyoto” approach to climate change, including new standards for greenhouse-gas efficient technologies, and strengthened cooperation on R&D combined with clear targets for greenhouse gas reductions. Strengthen **UNEP** oversight and information sharing capacities and support clusters of environmental organizations and networks.
- ✓ **Control of Infectious Diseases:** Focus on surveillance, prevention, R&D, and national capacity (the weakest link in surveillance, prevention, and treatment programs). Establish advance commitment programs to support development of vaccines and drugs for neglected diseases. Strengthen **WHO** disease surveillance and response functions.

52. **Proposed Approach.** Putting all the pieces together, the above suggests that forward progress requires a multi-faceted approach. Clearly, it will need to address the technical and substantive issues in each of the priority areas, as summarized in Box 6. But it also will need to address frontally the underlying political economy issues that too often has prevented national governments from endorsing international agreements. To this end, the proposed approach builds on three kinds of cross-cutting actions – monitoring, bundling, and financing.

- **Monitoring:** The specific proposal is the periodic publication of a high-profile GPG Monitoring Report. Such a report would provide a public account of the extent to which key global public goods are actually being provided and estimates of the extent of their under-supply. Building on available reporting and fresh analysis, such a report would take stock of developments within and across the six areas. Special attention would be paid to the institutional anchors, highlighting progress, problems, and priorities for action – thereby reinforcing accountabilities

by subjecting the institutions' performance to systematic external scrutiny. Even more important, the report would include a public accounting of which countries are doing what with respect to the provision of GPGs and their financing. It would play a key role in mobilizing global public opinion by "outing" free riders, naming and shaming "GPG sinners", and highlighting the contribution of "GPG saints".

- **Bundling:** The proposal is to introduce the concept of bundling for negotiating, financing, and reporting purposes, with the more concrete objective of constructing a *GPG Package*, which would be covered by the Financing Framework set out below. The idea is to help the international community progress beyond the traditional approach whereby agreements on global public goods are tackled one issue at a time – *and pass or fail one issue at a time*. Taking a bundled approach in those areas where it is possible to do so could help to increase the number of countries with positive *net national benefits* from an agreement, despite negative net benefits on some individual items. Of course, the proposed approach would not work for all GPG areas, as countries would consider some – such as key elements of national security – non-negotiable and off-limits to bundling.
- **Financing:** The incremental costs to developing countries of the GPG Package would be funded by the developed countries through the *GPG Financing Framework*. Burden-sharing for the latter would be in proportion to the respective net benefits that individual developed country would receive from the GPG Package. Hence, if a country's net national benefits from the Package were low, its assessed contribution to the Financing Framework would be correspondingly low. Contributions would be additional to traditional ODA – they would be "OGA" (Overseas GPG Assistance). Allocations from the Financing Framework to individual developing countries would be based on the latter's (i) net national benefits from the GPG Package; (ii) adjustment, transition, and capacity-building costs; (iii) level of development; and (iv) GPG policy and implementation performance.

53. ***Advantages of Proposed Approach.*** While not a panacea for resolving all the impediments to international cooperation currently in force, such a cross-cutting approach may be able to make a modest contribution in several areas, helping to galvanize action on at least some of the Box 6 proposals. Specific advantages include:

- First, the proposed monitoring takes aim at free riders, who may be deterred by systematic public scrutiny. For this reason the proposal involves systematic, comparative, and very public monitoring of country performance on critical measures of international cooperation, as well as coverage of the performance of the anchor institutions.
- Second, the proposed approach to bundling recognizes that considering a subset of proposed actions together rather than individually is likely to yield more countries with *net national benefits*, thus enhancing the probability of an agreement in areas where *net global benefits* > 0. The strength of the bundling approach is enhanced

by its interaction with the Financing Framework. For the developed countries, the Framework's donors, the burden-sharing formula would mirror their respective shares in the net benefits, in effect allowing side payments among them. For the developing countries, their incremental costs would be funded by the Framework, an approach followed successfully with the Montreal Protocol's Multilateral Fund and the GEF; however, here the coverage would be broader.<sup>42</sup>

- Third, the proposed approach to financing would distinguish the financing of global public goods from traditional ODA, making clear that the "OGA" transfers to developing countries are directly linked to their GPG-related adjustment and other implementation costs – costs that would otherwise preclude them from participating. In other words, these transfers would be part of the investment costs of securing the overall efficiency gains from the enhanced supply of global public goods. In addition, the proposed approach would avoid the further proliferation of global funds and might over time help to rationalize the current fragmentation of both funding and effort among anchor institutions; it takes that issue to heart by itself following the GEF model of working through existing institutions.

### C. Follow-up Work

54. The above proposals are still at an early stage of development and debate, and much further work is needed. To this end, a pragmatic due-diligence effort – drawing on existing sources, estimates, and analyses – is being launched, designed to ensure the internal consistency, coherence, and credibility of the proposals on which the Task Force will finally settle. In other words, the individual topics set out below are being pursued in a focused manner, as a basis for developing the general concepts as the proposals now exist into something more concrete and specific:

- ***Six Priority Areas.*** As summarized in Chapter IV's discussion of the six priority areas, a number of specific issues are being addressed. Follow-up includes the work mentioned there on: trade creation and diversion in regional trade agreements and the feasibility and desirability of introducing transfers for low-income countries into the WTO mechanism; facts on and analysis of successes as well as failures in international cooperation on humanitarian operations; the appropriate public/private incentive balance in the production and dissemination of knowledge; the adequacy of financial instruments and resources for heavily indebted middle-income countries in the face of market volatility; the "beyond Kyoto" proposal, in light of Russia's recent ratification of the climate change treaty; the efficacy of microbicides in global approaches to the prevention of infectious diseases; and the appropriate approach to capacity building in each of the six priority areas.
- ***Monitoring.*** The proposed approach to monitoring is fairly straightforward. But it will be essential that it be nailed down in a way that it is not perceived as yet another bureaucratic exercise to produce papers. Rather, it must be seen as a strategic and highly credible "apex" exercise designed to look across existing sources, alerting the international community when there is a problem and which

institution(s) and or country(ies) are to blame. In firming up the proposal, existing monitoring vehicles need to be inventoried to see how best the proposed report can add value. Of critical importance, the audience and forum for the discussion of the report must be determined. Without a high-profile platform, the strategic value of such monitoring in altering the political economy dynamic will be lost. Due consideration also will need to be given to an appropriate body for overseeing the monitoring work, issuing the report, and leading the high-level dialogue on its findings. This issue will be taken up in the contest of the other institutional issues raised below.

- ***Bundling.*** Three issues need to be pursued: (i) the scope for bargaining across the six priority areas, which tend to be organized into silos both nationally and internationally; (ii) the possible gains from systematic bargaining across these silos – clearly it already happens at present in isolated cases – and the areas in which the gains might be the highest; and (iii) the desirability or not of bringing the proposed bargaining in individual areas into the broader bundling framework (for example, considering whether the proposed trade-related transfers to low-income countries discussed above should be considered as part of the WTO silo or as part of the broader GPG Financing Framework).
- ***Magnitude of Needed Funding.*** This work on bundling will have obvious implications for the costing of the proposed GPG Package, which will need to be refined on the basis of further work on the individual items in each of the six priority areas. In the time available, it will aim for robust ballpark magnitudes, drawing on existing studies and estimates. To the extent possible, it will include regional breakdowns, especially relevant in light of the international reports to be published next year (on MDGs, the Blair Commission on Africa, and so on).
- ***Sources of Funding.*** Assuming the proposed approach yields increased resources as a result of increased cooperation on global issues, the question arises as to how such additional resources would be generated by the various mechanisms needed to gather them. To this end, follow-up work looks at national taxes, international taxes, and SDRs as complementary options for mobilizing the necessary resources. It will specifically consider the findings of the Landau Group and the Technical Group of the 2004 Geneva Declaration, which look at possible new financing vehicles for ODA.<sup>43</sup>
- ***Burden Sharing.*** The bundling concept suggests that developed-countries' burden sharing for the Financing Framework should be aligned with their respective shares of net benefits generated from the GPG Package. Notwithstanding the fact that this is a theoretical construct, exploratory work on options and scenarios will be done to gain an idea of inter-country relativities and the overall scale of benefits that might be mobilized. Any such analysis will need to take full account of experience to date. Lessons learned from the successive replenishments of the concessional windows of the multilateral development banks (the African Development Fund, the Asian Development Fund, and the World Bank's IDA), the GEF, the Montreal Protocol, and other such vehicles will be very helpful. Of particular interest will be ways of balancing the particular

principles on which these funding arrangements are built with the political and financing realities that permit the needed funding levels to be generated.

- ***Allocation Criteria and Implementation Arrangements.*** Further work on the specific parameters for developing country allocations from the GPG Financing Framework will be carried out. The approach referred to above needs to be test driven, and options developed for applying the approach to specific country circumstances. This will involve work on country eligibility rules as well as on the kinds of expenditures that might be eligible for support from the Framework. Within those parameters, the specific modalities of Framework support would be based on country submissions covering four areas: (i) country GPG strategy and policies; (ii) transitional adjustment costs; (iii) capacity building; and (iv) investment projects.
- ***Institutional Arrangements.*** Finally, further work will also be carried out on the design arrangements for the overall management of the Financing Framework. To this end, consideration will be given to the feasibility of a small GPG Secretariat, which would handle the fund-raising negotiations with implementation handled by operating units – such as the UNDP, the multilateral development banks, and other partners – reporting to and taking strategic direction from an Executive Committee. The latter could either be freestanding or subordinated to an international body such as the UN Economic, Social, and Environmental Council that has been proposed in some circles, which also could have broad oversight for the proposed monitoring function. The way in which the Executive Committee and Secretariat would relate to the GPG anchor institutions and the Multilateral Fund, the GEF, the Global Fund, and related mechanisms will also need to be considered.