

APPENDIX D: FEATURES OF GLOBAL PUBLIC GOODS

Both the demand and supply features of GPGs can provide an obstacle to their provision. Individual countries “demand” GPGs only to the extent that this demand serves a national interest. Moreover, the features of different GPGs imply large variations in the manner through which a GPG should be supplied. This section provides a framework for considering how the Bank and the international community should arrange for the most efficient approach toward providing GPGs.

From the Demand Side

The extent of divergence between national and global benefit (or cost) of a GPG varies across a spectrum, and so the extent to which a particular good is truly a GPG is not always easy to assess precisely. Clean air provides a good example of a GPG. In contrast, some facets of communicable diseases are primarily national in scope, notwithstanding the fact that there may be other reasons why responses are supported by global partnerships.

This distinction is noteworthy. A country’s perception of the divergence between national and global benefits and costs of GPGs influences whether a country “demands” a GPG and, therefore, whether there is action on the country level, the extent to which such engagement occurs, and the types of instruments that are used. For the Bank, the level of overlap between national and global net benefits can be one determinant of the type of role it can play in fostering GPGs, and the extent to which strategic intent is translated into action on the ground.

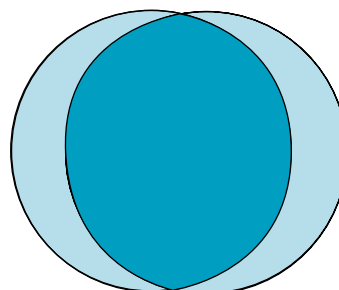
At one extreme, when the national benefits of the GPG coincide in large part with the benefits accruing to the global community (depicted in figure D.1), the Bank’s country-based model can

work well to encourage countries to integrate the GPG into their national programs because the country’s interests are already closely aligned with the worldwide interests. For example, a country will likely be more interested in controlling HIV/AIDS within its borders if it has a high HIV prevalence rate (and hence the health and social consequences are already felt at the national level). In such cases, the Bank should have influential national counterparts who are receptive to its support. In such circumstances, traditional Bank instruments such as IBRD and IDA lending can often be used.

At the other extreme, when the net benefits of the GPG are large at the dispersed global level but only minimally appropriable at the level of an individual nation state—as is the case for climate change—the Bank’s country-based model may not be as useful because of that very divergence (depicted in figure D.2). In such instances, the

Figure D.1: Country Perception of Net Benefits When National and Global Interests Coincide

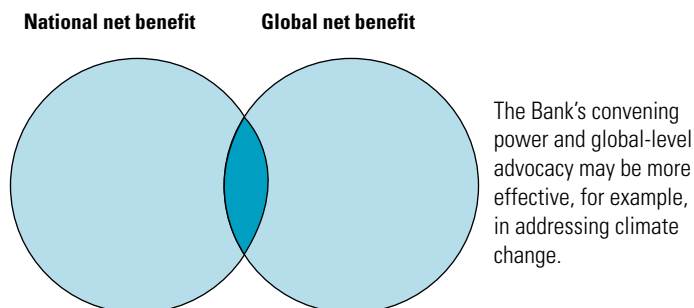
National net benefit Global net benefit



The Bank’s country-based model can work well, for example, in the case of an HIV/AIDS control program.

Source: IEG.

Figure D.2: Country Perception of Net Benefits When National and Global Interests Diverge



Source: IEG.

Bank may be more successful in fostering GPGs by leveraging its convening power and providing constructive advocacy at the global level.

Between the two extremes, when there is some level of convergence in national and global net benefit, the Bank has a chance to prompt national action, but has to “push hard at the door.” In fact there are several levers the Bank

can use to, as it were, “push the circles together” and create a coincidence of national and global interest. Those levers include: (i) financing instruments; (ii) global programs, and (iii) advocacy—including convening power and support for international frameworks.

From the Supply Side

GPGs also have different features in the way they have to be supplied and this has implications for the way in which the Bank (and other bodies) deal with them. As shown in table D.1, some public goods are supplied through aggregate efforts, others by single best efforts. Some depend on the weakest link, others require coordination. These distinctions are important because they reveal different incentive challenges. While the desire of some countries to coordinate may be strong, the supply of public goods requiring an aggregate effort is usually prone to free riding. Supply of public goods requiring a single best effort can be easier to achieve than supply of a weakest-link public good, which can be undermined by a single failed state.

Table D.1: Bank Uses Different Vehicles to Support the Provision of Different Types of GPGs

		Supply-type of Global Public Good			
		Single best effort The action of a single actor or country (or small group of actors) provides a GPG. <i>For example, researchers in the United States developed two polio vaccines in the 1950s that were available to many other countries.</i>	Weakest link Inaction or a weak effort by a single country leads to undersupply of a GPG. <i>For example, the inability of a country to eradicate a communicable disease forces other countries to vaccinate against it.</i>	Aggregate effort A critical mass of countries each contributes individually to a GPG <i>For example, countries reduce or eliminate their production of ozone-depleting substances to preserve the global ozone layer.</i>	Coordination Countries act in harmony to jointly achieve an agreed upon GPG. <i>For example, countries agree to standards of measurement that facilitate international trade and cross-country comparisons</i>
World Bank-supported activity	Country-based interventions		Crises and systemic risk The Financial Sector Assessment Program helps countries identify vulnerabilities in their financial systems and determine needed reforms in order to avoid financial crises and potential global contagion.	Climate change The Carbon Fund mitigates against climate change through market-based mechanisms. The Global Environment Facility (GEF) fights climate change and protects biodiversity through grant finance.	
	Advocacy and research	Vaccines The Global Alliance for Vaccines and Immunizations conducts research to provide new vaccines for communicable diseases that could then be shared with all countries. Trade The Bank's research and advocacy on trade provides pressure and evidence to encourage a prodevelopment Doha round of WTO negotiations.			Avian influenza The Bank conducted research that outlined the costs and benefits of avian influenza control, which served as an umbrella for international action.

Source: IEG.