

Chapter 5

Evaluation Highlights

- Development issues that involve international collective action, such as climate protection, present some of the greatest challenges of our time.
- Fostering global public goods is now one of the Bank's six strategic priorities.
- The differing nature of the various GPGs influences the way in which the Bank and its development partners address them.



Satellite image of hurricane; photo ©Adastra/ Getty Images, reproduced by permission.

The Challenge of Global Public Goods

In an era of rapid globalization, the importance of coordinated global solutions to cross-border problems has risen in tandem. In recent years there has been enormous growth in international attention to climate change, avian flu, international trade agreements, and other supranational issues collectively known as global public goods.

Many important GPGs—whose key characteristics are highlighted in box 5.1—need collective action across countries to be delivered effectively. This applies, for example, to keeping the air clean or concerted campaigns against communicable diseases. Individual countries may not have the incentive or wherewithal to take action, and thus GPGs can be chronically undersupplied even when there is widespread recognition of the urgency of worldwide action.

The Bank, for its part, is taking steps to address some of these issues. In previous decades, while most of the Bank’s financial and advisory support was about providing public goods, it was traditionally focused at the country level, on national public goods such as public health, regulatory frameworks, and the provision of infrastructure. More recently, the Bank has increasingly been called upon to help in the supply of public goods that transcend borders.

Box 5.1: Key Characteristics of Global Public Goods

Economists describe pure public goods as “nonrival” and “nonexcludable.” Nonrival means the supply of the good, such as clean air, to one person (or country) does not lead to there being less of it for another. Nonexcludable means that once the good is provided for one person, it is available for all to benefit from it. Typically, at the margin, the net benefits accruing to private individuals from such goods are less than the net benefits for society as a whole, and hence the public good is undersupplied in private markets. Public goods require collective action to be properly provided and, at the national level, this can

often be coordinated by using government powers (including taxation, spending, and regulation).

Importantly, public goods also have a spatial dimension. Their geographic reach runs across a continuum from local community boundaries, to national borders, to regions of several countries, to the global sphere. The usual problems in supplying public goods are exacerbated for truly global public goods. That is because there is a divergence between the costs and benefits captured at the national and global levels, and it is particularly difficult to secure collective action across countries.

To this end, the World Bank Group president has promoted the fostering of GPGs as one of the Bank's six strategic pillars (World Bank 2007c). And the Development Committee endorsed a new framework for the role of the Bank in this arena in October 2007 (World Bank 2007d). The World Bank Global Public Goods Working Group has been appointed to take forward the president's strategic pillar. Further steps are needed for the Bank to achieve its objectives outlined in the framework.

It is important to recognize that the variety of GPGs have very different features, as discussed in more detail in appendix D. From a demand side, when viewed from an individual country perspective, some have benefits that are closely aligned to national interest (for example, the control of HIV/AIDS). In others, such as protecting the earth's climate by reducing emissions of greenhouse gases, there is a great divergence between national and global benefits. Part of the Bank's role—particularly in advocacy work and in providing grant finance—can be viewed as a way of “internalizing the externality” and bringing national and global demand for GPGs closer together.

Global public goods have different features, which has implications for the way the Bank deals with them.

From a supply side, GPGs also have different characteristics. Some require only one or a few countries to be involved in their supply, whereas others need all countries to be active (for example, ensuring the participation of a country that would, otherwise, be the weakest link in a strategy to stop the spread of a communicable disease). Some GPGs require many donors to be involved—opportunities for the Bank to use its convening power—while the supply of others may rest with other major public and private institutions.

The differing nature of GPGs therefore has implications for the way in which the Bank (and other bodies) deals with them. The Bank, as a global

institution with considerable reach, is potentially well positioned to help the international community work at all levels in fostering GPGs. The Bank claims (World Bank 2007d) its comparative advantage in fostering GPGs is that it can:

- Work with countries to help them integrate GPGs into their national policies and programs as well as country assistance strategies, analytical and advisory activities, and lending.
- Display constructive advocacy by using its research and analytical capacity to communicate the perspectives and interests of developing countries in international arenas.
- Be an active partner in responding to global challenges and a source of innovative financing mechanisms.

Putting such comparative advantage into action has posed challenges for the Bank and its partners. The Bank has focused on five identified GPG clusters: preserving the environmental commons, controlling communicable diseases, enhancing the participation of developing countries in the global trading system, strengthening the international financial architecture, and creating and sharing knowledge relevant for development (World Bank 2007d).

This report examines the ways in which the Bank's country-based model helps or hinders its support for GPGs. Given the breadth of the topic—spanning numerous programs and virtually all sectors—and the lack of comprehensive evaluative evidence, this report is necessarily a partial stocktaking of the situation. It pays special attention to evidence on experiences with two of the most prominent GPG themes—the environmental commons and communicable diseases—and refers to other examples (including trade) where the context and available information warrants. The closing chapters review the Bank's experience as an advocate for action on GPGs and draw overall lessons for the Bank as it develops its approach in this area.