DEVELOPMENT FINANCING 2000

Financing and Providing Global Public Goods

Expectations and Prospects

Executive Summary 2001:2

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Ministry for Foreign Affairs
Sweden

Financing and Providing Global Public Goods

Expectations and Prospects

Executive Summary

Prepared for the Ministry for Foreign Affairs
Sweden

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on behalf of:

Institute of Development Studies
Sussex

November 2001

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Foreword

A couple of years back the Swedish Ministry for Foreign Affairs initiated the project Development Financing 2000 with a view to increase awareness, knowledge and international commitment to a strong, effective and well-funded multilateral system for development. Previous studies within the project have focused on the roles and financing needs of the Multilateral Development Banks and the UN development agencies as parts of the multilateral system.

Globalisation in its many aspects has led to opportunities and challenges that require unprecedented efforts in international cooperation. Viewing global concerns – such as HIV/AIDS, peace and security, climate change, biodiversity and financial stability – through the lens of global public goods may offer new insights on how to bring all the relevant actors and financial sources together in a more efficient and coherent international system.

With this independent study we want to bring more clarity into the policy and financing aspects of the much debated concept of global public goods and point to implications and choices for the institutional framework.

Gun-Britt Andersson
State Secretary for Development Cooperation, Migration and Asylum Policy

Preface

This report is the product of an intense period of work of several weeks by a team under the direction of Keith Bezanson, Director of the Institute of Development Studies (IDS) at Sussex University. Francisco Sagasti, IDS Senior Associate, was the principal researcher and author of the report. Peter Newell, IDS fellow, and Silvia Charpentier, Geoffrey Oldham and Sandy Thomas, IDS senior associates, were in charge of the case studies. Rachel Sabates-Wheeler, IDS fellow, contributed to the main report, and Ursula Casabonne, Fernando Prada and Jill Clements provided research assistance and helped with the preparation of the analytical reviews.

The authors are grateful to Andreas Ershammar and Pernilla Johansson of the Swedish Ministry for Foreign Affairs for their constant support and many valuable suggestions. Uma Lele, Mats Karlsson, Natasha Landell-Mills, Gonzalo Castro, Julian Fleet, Lennarth Hjelmåker and Pierre Schori provided most useful comments on the draft report at two events in Stockholm and New York.

Executive summary

Introduction

This study is part of the 'Development Financing 2000' initiative of Sweden's Ministry for Foreign Affairs. Other studies that form part of the initiative include policy reports on financing the United Nations system, on the future of the multilateral development banks (MDBs) and on transboundary water management policies. Among other things, these previous studies drew attention to the growing mismatch between, on the one hand, new demands for international public goods as a consequence of globalisation, and the existing system of institutions, including financing instruments, on the other. An important and logical extension is the present report and supporting case studies, which focus specifically on financial mechanisms for the provision of global public goods.

The notion of global public goods[1] has recently assumed centre stage in the international agendas of policy-makers. At the same time, global public goods have become a subject of extensive new academic study and scholarship. This study is an attempt to bridge the two by examining academic discussions on global public goods in the context of actual and ongoing policy processes. Such a bridging effort seems especially important at this time, for two reasons. First, political and social pressures are mounting for the financing of a wide range of new initiatives in the name of global public goods. Second, there is currently considerable disagreement on the value and potential of an international public goods approach to addressing global concerns. While some scholars and policy-makers indicate considerable enthusiasm over the concept and its potential value, others have serious reservations. Indeed, there are many who have expressed alarm about claims being made in the name of global goods and about what they view as the 'fuzziness' of the concept of a global public good, especially when it is inscribed into policy processes.

The central concern of this report, therefore, is of a practical nature and centres on whether the concept of global public goods can advance *thought and action on common concerns that affect a large portion of humanity*. This raises a number of challenges for clarity on three interrelated sets of factors associated with the growing attention paid to global public goods.

The first of these factors involves the very idea of a public good. The concept of a 'public good' originates in the academic discipline of economics, where it is accorded an exacting technical definition. There are major difficulties in extending it beyond its narrow economic scope and applying it at a global level. The second factor is globalisation, a force which many claim is generating an ever greater need for global public goods. Yet, globalisation is a paradoxical phenomenon of numerous definitions and few tight conceptual boundaries. The third factor is the system of international development co-operation that has been placed at the centre of demands to ensure the provision of global public goods. This system finds itself under greater stress today than at any time since its launch over 50 years ago.

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[1] Much of the impetus for this derives from the seminal 1999 study, *Global Public Goods: Development Cooperation in the 21st Century*, produced under the auspices of the United Nations Development Programme (UNDP).

Each of these factors has its own share of conceptual imprecision and ambiguity, contradictory interpretations and competing viewpoints, and each is in rapid evolution. Their convergence makes attempts at developing integrative conceptual frameworks problematic and risky. This is further compounded by the rapid pace of intellectual production and of policy shifts in relation to issues such as biodiversity, HIV/AIDS, peace and security, and climate change, among others, which bear directly on the conception of global public goods and their financing.

These difficulties and risks may be formidable, but for policy-makers, they make all the more urgent the need for a conceptual framework that integrates the key factors affecting the definition, delivery and consumption of global public goods. Viewed positively, the potential payoffs from such a framework, particularly in terms of better and more effective policies to address common concerns, may be substantial. Viewed negatively, the lack of conceptual clarity could lead to misguided policies and involve high opportunity costs. This study presents an attempt to construct an appropriate conceptual framework. It adopts a systems approach and builds on analytical contributions from economics, international relations and political science to focus on the design of an idealised 'international public goods delivery system'. Among other things, the conceptual framework makes clear that it is not possible to escape values, preferences, interests, asymmetrical knowledge and power relations in defining global public goods and in arranging for their provision. It also makes clear that, without policy processes that take all these factors into consideration, declarations that something is a global public good are essentially empty rhetoric.

Public goods, globalisation and development assistance

Public goods: basic concepts

In a 1954 article, Paul Samuelson introduced *non-excludability* and *non-rivalry* as the essential characteristics that differentiate a private good from a 'pure' public good. *Non-excludability* means that it is either impossible or prohibitively costly to exclude those who do not pay for the good from consuming it. Once the good has been produced, its benefits, or harm, accrue to all. The *non-rivalry* property implies that any one person's consumption of the public good has no effect on the amount of it available for others. The corresponding concept of the *public bad* refers to goods that have a negative utility – air pollution, water contamination, civil strife, financial instability, spread of disease – which the community would benefit from preventing or reducing. Public bads are the other side of the same public goods coin.

Additional concepts closely linked to the notion of public goods are *externalities* and *free-riding*. *Externalities*, or third-party effects, involve situations where the costs or benefits of any particular good or action are not reflected in the price of the good itself. The cost of impacts is transferred from the actors directly responsible to others. The incentives to correct this do not exist as long as the externalities remain external. When the cost of the externality is effectively attributed to the agent that generates it, that externality has been 'internalised.' Ultimately, the motivation to invest in the provision of public goods arises from the desire to encourage positive externalities, or to correct for negative ones. *Free-riding* is directly associated with the non-rival and non-excludable character of public goods, and refers to a lack of incentives on the part of users to finance their supply.

Public goods elicit patterns of behaviour that, from the individual agent's viewpoint, are quite rational. Yet from a collective viewpoint, such as that of a local community, a nation or humanity as a whole, the result is sub-optimal and can be disastrous.

Since Samuelson's initial exposition, there has been increasing criticism of the strictly economic definitions and notions of public goods. Samuelson himself maintained that in real life, public goods are rarely 'pure' and that what he had postulated was in fact an ideal theoretical concept that could not strictly be applied to real policy matters. Ultimately, he insisted, public goods were determined by qualitative ethical factors and depended upon political consensus. In effect, it is the fact that most public goods are 'impure' rather than 'pure' that makes *collective action* (government intervention, agreements between private agents or a combination of both) the focal point for the intellectual and policy concerns regarding public goods.

Globalisation and public goods

The reason usually given for the increasing centrality of global public goods in international policy debates is globalisation. Globalisation is a deeply paradoxical phenomenon that puts all human beings in contact with each other but simultaneously maintains deep fissures between different groups of countries and between peoples within countries, and exempts few from an interdependent vulnerability to global forces. This is described as the *fractured global order* – global, but not integrated.

One way of conceptualising the fractured order is in terms of three closely interconnected and partially overlapping domains (the global, the networks and the local), each of which has its own specific features and ways of interacting with the other two. The *domain of the global* comprises the impacts of actions by individual agents (including the exchange of symbols and intangible goods), which through aggregation and amplification affect the majority of the world's population and even future generations. The *domain of the networks* consists of the multiple channels and nodes that interconnect social groups all over the world and that establish a tangled web of overlapping and intertwined network of networks. The *domain of the local* is constituted by those human activities anchored in time and space, and which comprise the actual production, exchange and consumption of tangible goods and services by organisations and social groups of all kinds.

The fractured order resulting from globalisation involves the transference of political power and modifies the boundaries and the relative importance of the three domains. Many concerns, issues, decisions and activities that were previously national or local in nature have now acquired a wider scope and have moved beyond the exclusive control of the nation state. Although many of these 'cross-border externalities' are not new (war and disease have spread internationally for thousands of years), the speed and broad reach of their contagion effects have changed their character in a fundamental way. As the actions of one or more agents (government, corporations, associations and even individuals) create costs or benefits for other agents not party to the transaction and located far beyond national, institutional and organisational boundaries – and even across generations – narrowly construed domestic and local policy responses are clearly insufficient.

Thus, to address effectively the cross-border characteristics of these externalities, will require increasingly cooperative actions by multiple actors widely spread throughout the world. Because cooperative actions on this basis are likely to involve significant degrees of non-rivalry and non-excludability, the concept of global public goods is being applied increasingly in analysing and articulating policy responses to the new challenges of this fractured global order.

The emphasis on the 'global' character of certain public goods, however, must not lose sight of the fact that their actual provision is ultimately rooted in the domain of the local – in specific activities at the national and local levels. This lack of capacity to engage in actions that contribute to the supply of global public goods does not allow governments, organisations and individuals to take advantage of and consume the global public goods.

Development assistance and international public goods

The decade of the 1990s saw a stagnation of Official Development Assistance (ODA) in nominal terms and a decline in real terms. A huge increase in private flows also occurred, but this was concentrated in a handful of developing countries. Against the background of these shifts, and particularly the volatility of private flows, the financing needs of developing countries in general, and those of poor countries in particular, remain very high and vastly exceed available resource flows.

As a consequence, the last decade of the twentieth century has witnessed many efforts at reversing downward ODA trends. Global public goods have become a major part of these efforts. Many established development organisations interpret global public goods as providing a new rationale for development assistance and as a possible basis for mobilising 'additional' financing. The basic proposition is that by focussing significant increases in financing on global public goods, richer countries would be acting in their own direct interest (i.e. if you/we do this, you/we will enjoy major direct benefits). This appeal to 'enlightened self-interest' is aimed principally at domestic constituencies in developed countries and is quite distinct from rationales based on appeals to charity or ethical responsibility. The advocacy of a global public good approach to development assistance, therefore, is directly linked in the minds of many to 'additionality' (i.e. more financing for development) and the possible reversal of a decade of declining ODA.

A conceptual framework for examining the provision and financing of global public goods

The confusion and ambiguities that have become evident in discussions linking global public goods and development cooperation indicate the need for greater clarity and an agreed conceptual framework. If this is to be achieved, a first problem is to define what exactly is a global public good, before determining how to provide it. As indicated, the theory of public goods offers only very limited assistance in arriving at meaningful definitions that are also useful to policy choices. Second, the collective action problems that are inherent to public goods in general apply to global public goods to an even larger extent. Even if there is general agreement that the potential gains from international concerted action are great, there is no supranational government authority to devise and impose solutions as the norm at the national level (e.g. taxation, regulation, market creation). Third, the range of spill-overs across countries can vary significantly. This begs the question of how 'international' a public good must be before being considered as a global public good. It is obvious that the broader the range of spill-overs the more 'global' a public good would be. But the boundaries between international and global public goods are quite diffuse and these terms are frequently used interchangeably. Finally, regardless of how 'global' public goods are they have to ultimately be produced, utilised or provided by some individual or agent in a specific location. For this reason, it is necessary to differentiate between the *core component* of the delivery system, which should be taken care of by the international community, from the *complementary* activities that are the primary responsibility of national and local entities, for its provision and existence.

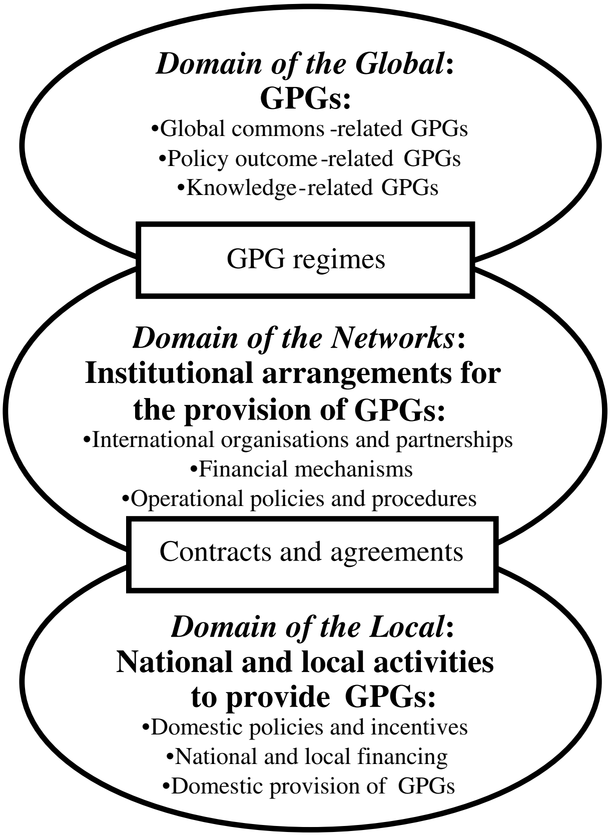
As a consequence, the transition from acknowledging a good, service or outcome as desirable to declaring that it is a 'global public good' is anything but straightforward or automatic. It is heavily influenced by public awareness and political decisions, and requires collective action at the level of the international community (which includes not only national governments, but also private corporations and civil society organisations). It also begs the question of 'desirable for whom?' Declaring something to be a global public good has meaning only when embedded in a political process that assures its delivery.

An idealised 'international public goods delivery system'

One way to conceptualise the requirements outlined in the foregoing section and to integrate the various issues that have been raised in discussions about global public goods, is to articulate what may be defined as an idealised 'international public goods delivery system'. Such an idealised construct can help to separate the elements that constitute the core component of a global public good delivery system in a more restricted sense from those that relate to the complementary regional, national and local activities involved in its production, delivery and consumption, placing all of them in a common interconnected framework.

The components of an idealised international public goods delivery system can be placed in the three domains of the fractured global order. As shown in Figure 1, global public goods – whether related to the global commons, to global policy outcomes or global knowledge – belong in the *domain of the global*. The host of institutional arrangements, including international organisations and partnerships, supranational financial mechanisms, and operational policies and procedures that are in charge of ensuring that the global public good is made available belong in the *domain of the networks*. The multiplicity of national and local activities related to the actual production and consumption of global public goods, which include domestic policies and incentives, national and local financial mechanisms, and the activities of government agencies, private firms, civil society organisations and individuals, belong in the *domain of the local*. The conventions, treaties and protocols that formalise agreements for the provision of a global public good – also known as global public good regimes – mediate between the upper two domains. Contracts, agreements and other lower level legal instruments mediate between the lower two domains.

Figure 1 Global public goods in a fractured global order



It follows from this conceptualisation of an idealised system that attempts to define and arrange for the provision of global public goods cannot avoid issues of asymmetrical knowledge, capacities for benefit, differences in values and power relationships. It follows equally that any claim that something is a global public good is merely exhortation, unless the essential elements to deal with these issues, that is, the delivery system, have been established. Seven such elements are suggested and are summarised in Figure 2. These are:

1 *Knowledge, public awareness and political decision*. Declaring that something is a global public good depends primarily on knowledge about its characteristics and effects, the extent of public awareness and pressures to provide the global public good, and on the political decision that providing the global public good merits concerted actions by the international community.
2 *Global public goods regimes*. Regimes are a key concept in the literature on international relations with obvious application to global public goods. Regimes have been defined as the 'arrangements peculiar to substantive issue-areas in international relations that

are characterised by the condition of complex interdependence.' The regimes in an idealised international public goods delivery system would include the conventions, treaties, protocols, agreements and other legal instruments resulting from negotiations in an issue-area. However, not all regimes require complex inter-governmental negotiations and may be a result of the gradual evolution of practices, implicit agreements and *ad-hoc* arrangements between the various parties involved in a particular issue-area. The nature of the interactions between the parties interested in its provision will influence the results of such negotiations.

3 *International organisations and partnerships*. Intergovernmental organisations, specialised secretariats or partnerships between public, private and civil society organisations are required to interpret, administer, monitor, enforce and evaluate the provisions specified in the agreements that give rise to the global public goods regime.

4 *Financing mechanisms*. The provision of international and global public goods requires that special resources be allocated to finance the activities involved in their delivery.[2] A whole host of activities, from raising public awareness and negotiating international public goods regimes, to the performance of specific tasks at the local level that actually provide the public good, need to be considered in the design of financial mechanisms.

5 *Operational policies and procedures*. These refer to requirements for the consistent and effective application of the principles and norms of global public good regimes (i.e. the policies, decision-making procedures, regulations, codes and other rules internal to the organisations and financing mechanisms).

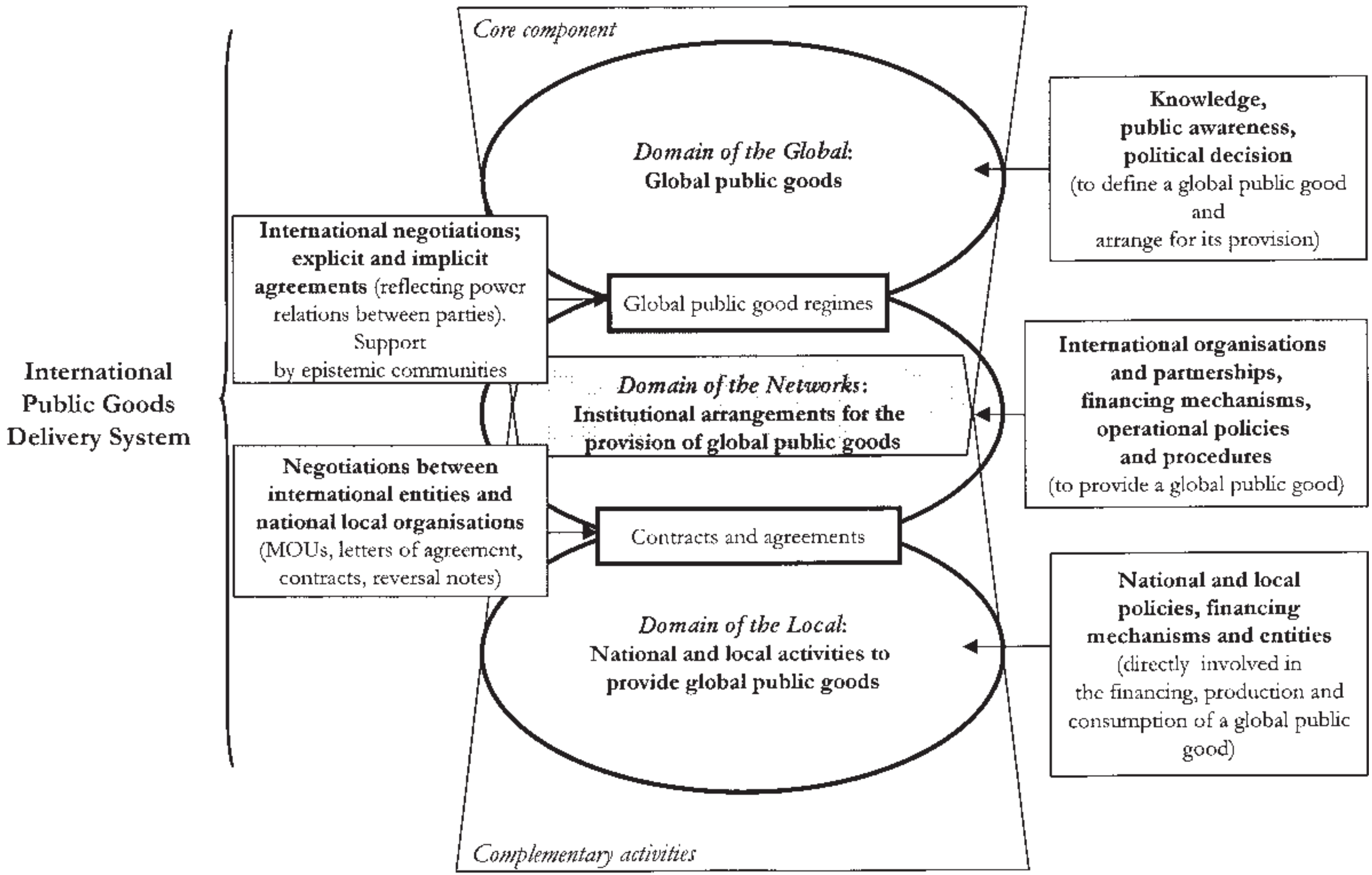
6 *Agreements and contracts*. Mediating between entities placed in the domains of the networks and of the local in an international public goods delivery system, are many types of lower level legal instruments. These specify the terms of reference, obligations and rights of the national and local entities involved in the actual production and consumption of a global public good.

7 *Capabilities and arrangements for the inclusion of national and local entities in the provision and consumption of a global public good*. The last component of an international public goods delivery system refers to the government agencies, private firms, civil society organisations and individuals that are actually involved in activities that produce or consume a global public good.

An idealised international public goods delivery system would be made up of all of the components indicated above, extending from the core component (the upper trapeze in Figure 2) to the complementary regional, national and local activities linked to the provision and consumption of the good (the lower trapeze in Figure 2). Yet, as Figure 2 suggests, the way in which these two sets of activities relate to each other is perhaps the most crucial aspect in establishing arrangements for the provision of international public goods. The main question is *how far to go down along the continuum from global to local activities in defining what constitutes the core element of the global public good delivery*

[2] There is a major issue and considerable controversy over applying financial resources whose purpose is development assistance (i.e. ODA) to the provision of global public goods. It is highly questionable that ODA should be applied to the provision of global public goods that benefit developed countries at least as much as developing countries. *Additional* resources are required, above and beyond ODA, for this purpose.

Figure 2 An international public goods delivery system



system? The answer to this question will, in turn, determine which international organisations and programmes should be involved in their provision and, most importantly, how the provision of the global public good should be financed.

A decision could be made to separate the core component from the complementary activities of the international public goods delivery system, and to limit the financing arrangements associated with the global public good just to the core component (for example, to produce and guarantee the availability of HIV/AIDS drugs at a reasonable price). This would imply that regional, national and local entities would have to make their own preparations to finance and organise the complementary activities, although this would have to be done in close coordination with the entities in charge of the core component. Alternatively, a decision may be made that the core component of the global public good should incorporate the organisation and financing of the means to deliver it all the way down to the national and local levels (for example, to actually provide treatment for HIV/AIDS infected persons). In this case, the 'complementary activities' in the delivery system would overlap with and, in effect, would become part of the 'core component'; they would thus have to be included in the financial arrangements associated with it.

The advantages of using the conceptual framework of an 'idealised international public goods delivery system' should now be apparent. It identifies the elements that must be in place for a global public good to be defined, produced and consumed, and invites, therefore, assessment of what is missing in the case of a particular global public good and how far down in the international public goods delivery system it will be necessary to go in order to arrange for its provision. This conceptual framework also underscores the point that there is no way of escaping values, interests and power relations in defining what is a global public good; that the knowledge of epistemic communities is critical to underpin a decision and to establish global public good regimes; that institutions and partnerships, financing mechanisms, and operational policies and procedures are required at the international level to facilitate the production of the global public good; and that all of the preceding arrangements would be useless without the identification and involvement of national and local entities that will be in charge of actually producing and consuming the global public good.

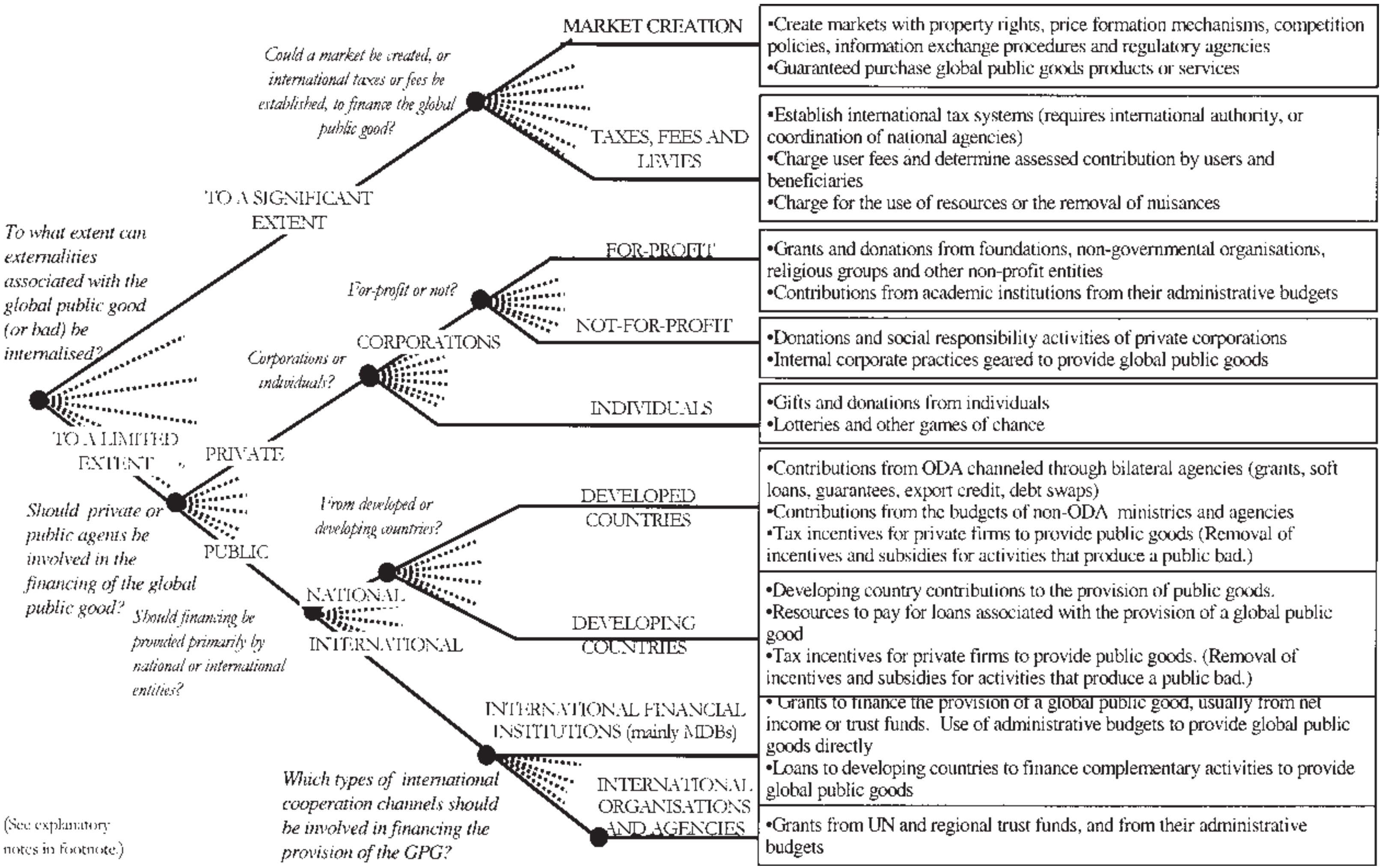
Exploring financing options for the provision of global public goods

Even with all the problems of definition and of obtaining accurate figures, there is no doubt that increased resources have been allocated over the last decade of the twentieth century to what have become broadly considered as global public goods. The World Bank estimates that, during the mid-1990s, approximately 30 per cent of the US$55 billion of total Official Development Assistance was allocated directly and indirectly to global public goods.[3] The Bank also draws attention to the fact that this is an allocation trend that appears to be increasing.

This trend has produced expressions of deep concern to the effect that this amounts to a net transfer of resources *away* from developing countries. For this reason and because

[3] The direct component was estimated at about US$5 billion with another US$11 billion allocated to the complementary activities that are necessary to produce and consume the global public good.

Figure 3 A framework for exploring financing options for the provision of global public goods



of the multiplicity of channels that could be involved in an international public goods delivery system, a scheme for the systematic exploration of financing options is needed. Figure 3 suggests a framework to begin such exploration. It consists of a logical sequence of questions to guide examination of the range of financial mechanisms that have been used in practice or have been proposed. The framework applies primarily to the financing of global public goods (the upper trapeze in Figure 2), and to a lesser extent to the regional, national and local activities linked to the provision of the global public good (the lower trapeze in Figure 2).

As indicated by the dotted lines at each node in Figure 3,[4] choices are not necessarily 'either' – 'or', and combinations of the two extreme branches in different degrees are possible, leading to a mixture of financing mechanisms. Partnerships between different types of institutions would usually lead to such combinations of financing mechanisms, for they involve intergovernmental agencies, private sector corporations, foundations, academic institutions, international non-governmental organisations, national government agencies and the like.

Mechanisms to finance global public goods

There are many categories of financing mechanisms for the provision of international and global public goods. Table 1 divides these into four groupings: users and beneficiaries; private sources; public sources; and finally, various combinations that usually take the form of partnerships.

Table 1 Financing mechanisms for global public goods

Internalising externalities	Market creation or strengthening	
	Taxes, fees and levies	
Private sources	Corporations (for profit)	
	Corporations (not for profit)	
	Individuals	
Public sources	National	Developed country sources
		Developing country sources
	International	International financial institutions
		International organisations and agencies
Partnerships	Combination of various different sources	

[4] *Explanatory Notes to Figure 3*: (a) Framework applies mainly to financing of the core component of an international public good (less so to complementary activities) and the questions should be adapted to each specific global good and distinct case. (b) Choices are not necessarily 'either-or'. Financing mechanisms could involve partnerships. Combinations of private and public financing may be required even in cases of market mechanisms, fees and taxes.

Payments by users and beneficiaries associated with internalising externalities

These are associated with internalising externalities and they take the form of market mechanisms and of international taxes and fees. There are two ways in which producers and consumers of an international or global public good could be made to finance directly its provision: by creating a market for it, and by levying taxes, fees and charges.

Market creation and strengthening to ensure provision of global public goods would require a range of institutional arrangements, including the assignment of property rights,[5] allocation of quotas, putting in place mechanisms for information exchange, procedures to set prices and the establishment of regulatory agencies. When markets are created to ensure the provision of global public goods, incentives are accorded to private agents. For example, the idea underlying the establishment of carbon trading permits is to establish market incentives for the provision of a global public good. It is noteworthy, however, that the effective and efficient operation of such mechanisms demand transparency and effective regulatory frameworks, which, in turn, require public financing. This is a critical factor in considering financing options for global public goods. Essentially, even where markets can provide, or be created to provide, global public goods, a certain amount of public financing is also required to ensure that private market mechanisms work well.

Taxes, fees and levies are another way in which externalities associated with global public goods could be internalised. A number of such mechanisms have been proposed to finance the provision of public goods related to international and global commons, global policy outcomes and knowledge. While taxes, fees and levies could be used to finance the provision of global public goods directly associated with the specific source of revenue (for example, revenue from carbon taxes used to finance energy conservation and programmes to prevent climate change), they could also be employed to finance the provision of global public goods in general, as well as the national and local activities related to their production and consumption.

Taxes are an important potential source of finance for the provision of international and global public goods. Their application has been a subject of discussion during the preparations for the meeting on Financing for Development that is scheduled to take place in Mexico in 2002. While some of the discussion has centred on whether an 'international tax system' could be created, in practice there is no necessary requirement to create a supranational tax authority. It could be enough to collect any such tax at the national level through existing revenue collection agencies, and to coordinate the way in which the revenues would be used at the national level and transferred to some international institution. More generally, however, current enthusiasm for the vast theoretical potential of international taxation to finance global public goods should be viewed against the fact that many of these proposals have been around at least since the Brandt Report of 1980.[6] The political feasibility of international

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[5] Property rights would comprise ownership rights, such as land titles and water rights, use rights (licenses, concessions, usufruct certificates, access rights) and development rights, such as the right to engage in bioprospecting and in natural resource exploration).

[6] Brandt specifically raised the possibility of revenues for development purposes from taxes on international trade, particularly trade in arms, crude oil, durable luxury goods, exploitation of mineral deposits and the use of the international commons, among others.

taxes may be no greater today than when Brandt made his recommendations over 20 years ago.

User fees and levies have also been proposed as a means to generate resources to finance international and global public goods. Most such proposals refer to very small fees for the use of the global commons,[7] and would have a moderate to limited revenue generation potential in comparison with widespread international taxation (which implies large collection and administration costs).

Private resources for financing global public goods

Private resources for financing global public goods derive from three broad sources: not-for-profit corporations, profit-making firms and individual persons. In relative terms, these are modest sources of financial support for international and global public goods, and here follows a brief sketch of all three.

Not-for-profit corporations include independent foundations, non-governmental or civil society organisations, and academic institutions. Private independent foundations usually have endowments that generate income from investment, which is used to award grants (grant-making foundations) or to run programmes (operating foundations). Grant-making foundations finance non-governmental organisations, academic institutions, community associations and individuals to carry out specific activities linked to the provision of public goods. Operating foundations engage directly in the production of such goods.

Large *international non-governmental organisations* (NGOs) obtain funds from a variety of sources and may have operational budgets that run in the tens of millions of dollars, though most NGO budgets are considerably smaller. In many cases, these have become major sources of financing for global public goods. The World Wildlife Fund (WWF, now the World Wide Fund for Nature) and Nature Conservancy, for example, has become a principal source of finance of global biodiversity conservation.

Academic institutions, including research centres, policy-oriented think tanks and the statistics departments of various international and national institutions, also contribute to the provision of global public goods through research on international issues, the compilation and processing of information and statistical data, the dissemination of knowledge and the spread of best practices, and the creation and consolidation of epistemic communities. Academic institutions obtain financing from the budgets of private and public universities, from research contracts, from the regular budgets of bilateral and multilateral agencies, from private donations and government grants.

For-profit corporations giving programmes, are established and administered directly by profit-making firms (and do not require establishing a separate endowment). The cost of running these programmes is considered part of the operating expenses of the company and usually funded from pre-tax income. These programmes may provide gifts, award prizes, contribute through price discounts and give paid leave for employees to

[7] For example, the proposals include a surcharge on airline tickets to reduce the use of congested flight lanes, changes for maritime transport to curb ocean pollution, user fees for activities in Antarctica to reduce their environmental impact, parking fees for satellites using the geostationary orbit to avoid congestion, and charges for the utilisation of the geomagnetic spectrum.

engage in pro-bono activities. Although there is evidence that corporate giving programmes are on the increase, they are not usually directed to the provision of global public goods and the magnitude of financial resources involved is very small, relative to other sources of financing for public goods in general. In addition, some large transnational corporations, such as Shell International and British Petroleum have modified their internal operating procedures to contribute to the reduction of greenhouse emissions, thus helping to provide the global public good of climate change mitigation.

Individual contributions are contributions made by individual persons to the provision of international and global public goods, which take the form of direct donations, large gifts by wealthy individuals, earmarking a portion of payments for services (e.g. credit card purchases) and purchasing lottery tickets. Small donations to non-governmental organisations and civil society associations, either of permanent character (Red Cross, Greenpeace, Amnesty International), or of temporary nature (fund raising campaigns, pledges from viewers and listeners in TV and radio concerts), constitute a financing mechanism that may, in exceptional cases, add up to significant amounts.

Public resources for financing international and global public goods

This encompasses funds provided by government agencies in developed and developing countries, tax incentives that imply governments foregoing revenues, and funds from international financial institutions and other international organisations. These resources, obtained from government revenues, are channelled through *national* mechanisms which include donor country contributions (from ODA and non-ODA ministries), budget allocations by developing country governments, tax incentives (foregone public revenue), and from the removal of incentives and subsidies for activities that produce public bads. Public resources are also channelled through *international* institutions and organisations such as the international financial institutions (IFIs), which include the IMF and the multilateral development banks and a variety of international funds, and also through international and regional organisations and agencies.

Four different mechanisms are used by developed countries to finance global public goods: Official Development Assistance (ODA) through bilateral agencies; debt swaps and debt reduction operations; contributions from the budgets of non-ODA ministries and agencies; and tax incentives for private firms to encourage the provision of a public good (including the removal of subsidies for activities that produce global public bads). Global public good financing through bilateral agencies is obtained from general tax revenues at the national level and allocated as development cooperation to agreed global public goods. Debt swaps involve legal and financial instruments that transform debt obligations into resources for the provision of global public goods, and often discount the original face value of the debt of developing countries. A recent innovation to debt swaps involves combining debt relief with the explicit redirecting of public expenditures towards activities associated with the provision of an international or global public good (e.g. increased investment in biodiversity conservation by Costa Rica, in return for debt relief).

Budget allocations by non-ODA ministries and agencies are another way for developed countries to finance the provision of international and global public goods. An agreed international system of criteria and norms to track and report on such allocations (along the lines of the DAC system for ODA expenditures) is a clear requirement if the vexing question of additionality of financing for global public goods is to be addressed. Few countries currently have established procedures to allow this.

The granting by developed countries of t*ax incentives for private firms* for the production of a global public good is a recent innovation. There are as yet, few examples of the application of this mechanism, perhaps not surprisingly as it implies foregoing tax revenues. One example, under the Millennium Vaccine Initiative, is President Clinton's announcement in January 2000, of up to US$1 billion in tax credits to corporations to promote the delivery of existing vaccines to developing countries and accelerate the development of new vaccines.

Developing countries contribute to the financing of global public goods through their *national budgets* and in some cases through the budgets of state and local governments. These resources cover primarily the cost of national and local activities required for the provision of an international public good, but also involve the direct financing of cooperative programmes with other, mostly developing, countries. These contributions should be acknowledged as part of the total amount of resources devoted to the provision of international and global public goods, even though it may be quite difficult to separate precisely those resources that fund such goods from other national and local expenditures.

International Financial Institutions (IFIs), which include the multilateral development banks (MDBs) and the IMF, finance the provision of international and global public goods from their net income, member contributions, their administrative budgets and by managing trust funds from a variety of sources. Available data demonstrate clearly that IFIs have become increasingly involved over the last decade of the twentieth century in financing global public goods. This has created policy conflicts and exerted great pressures on the use and allocation of MDB net income, primarily because of competing priorities. Some MDB shareholders, including many developing countries, are concerned and even alarmed by the trend towards financing global public goods, which they interpret as diverting scarce resources away from national development priorities. Other shareholders prefer the allocation of net income to strengthen the financial position of the institution, while still others want net income applied to reduce loan charges and interest rates. Finally, some stakeholders would prefer to see a continuing increase in the allocation of finances to global public goods.

The IMFs role in the provision of global public goods is centred squarely on 'financial stability.' The IMF raises its funds primarily from quota subscriptions, or membership fees. One potential source of financing for international and global public goods associated with the IMF, is the creation of 'Special Drawing Rights', the original intention of which was to allow international reserves to be increased in line with needs without imposing costs on member countries. Although this mechanism has not been activated since 1981, it could be used to build up developing country reserves and even to finance the provision of global public goods. Similar remarks would apply to the sale of gold reserves held by the IMF.

The United Nations system was created to coordinate international policies aimed at maintaining peace, promote development and, in general, provide what are now called global public goods. Financing is obtained through assessed budget contributions from member states, voluntary contributions to various funds, and *ad-hoc* funding arrangements such as cost-sharing and special pledging sessions, which usually cover emergencies (e.g.

relief for natural disasters) and shortfalls in assessed and voluntary contributions. Most of these funds are provided by governments, although occasionally private sources may be involved, as is the case with the United Nations Foundation that was established with a US$1 billion gift by television magnate Ted Turner. In a few cases, such as that of the World Intellectual Property Organisation (WIPO), resources are raised through payments for services.

Partnerships for financing international and global public goods

Partnerships, which have become more common during the last decade of the twentieth century, usually combine several sources of financing for specific purposes and often take the form of temporary programmes. They involve coalitions of government agencies, private firms, foundations, civil society organisations and international institutions to different degrees and have evolved a diversity of *ad-hoc* financing, decision making and administrative procedures. Several of these partnerships have focused on the provision of global public goods and their presence has stimulated action beyond what governments alone can do, but the experiences to date also provide evidence of serious limitations and governance problems.[8]

Some implications of the conceptual framework

An approach to the evaluation of financing mechanisms

There are many mechanisms that could potentially finance the provision of international and global public goods. The appropriateness, convenience and feasibility of using one or another of these mechanisms will depend on the specific characteristics of the public good in question and on a variety of other factors, as the case studies examined in this study clearly illustrate. The preceding analysis has presented a general idea of the characteristics of the range of financing options, but dimensions and criteria are also required if the overall potential for effectiveness and efficiency of a particular financing mechanism are to be determined systematically. Table 2 suggests a possible, although very broad, framework for such determination involving the following dimensions:

- *Applicability and scope*, which refers to the variety of international and global public goods it can be used to finance. It can be narrow, broad or intermediate.
- *Amount of funds generated*, which refers to the total amount of resources it can generate, and whether it would be sufficient to adequately finance the provision of the international public good. This amount can be very large, large, moderate or limited.
- *Sustainability of funding*, which indicates whether or not the financing mechanism can guarantee access to funding over time and on a stable and predictable basis. It can range from long-term to sporadic financing.
- *Fairness and equity*, which focuses on whether equal beneficiaries or producers contribute to the financing mechanism in a similar manner, and on whether there is

[8] For examples, see section 3.4.4. in the main report.

a progressive element in the participation of unequal beneficiaries or producers that reflects their different capacities to contribute. It ranges from high to low.
- *Flexibility and capacity to adapt*, which indicates whether it is possible to change and modify the way in which the financing mechanism operates without cumbersome and difficult arrangements. This dimension varies from very high to low.
- *Administrative complexity*, which refers to the legal, administrative, logistic and record keeping burdens it imposes on those in charge of operating the financial mechanism. It also ranges from very high to low.
- *Political feasibility and support*, which indicates whether the financial mechanism can mobilise political support from key constituencies for its implementation within a reasonable time frame. It ranges from high to low.

The matrix of Table 2 is presented only to stimulate policy discussions of financing alternatives for global public goods. Working through the various mechanisms and dimensions should help to shift discussions of global public goods away from statements of moral imperatives and exhortations, and also to anchor them in the practical financial aspects required for their provision. It should help, for example, to differentiate cases where relatively low cost and discrete collective action could produce disproportionately large and sustainable gains, from cases where provision can be assured only with massive, predictable and assured financing. It might also indicate situations where a relatively simple reorienting of priorities might prove more important than the provision of additional financing for the provision of global public goods.

Finally, a case-by-case examination of the financing mechanisms and dimensions set out in Table 2 for specific global public goods should also serve to bring burden sharing issues into better perspective. For example, the emphasis currently being accorded to what may be considered as the 'global' aspects of certain public goods (e.g. basic education) may miss the point that the burden and responsibility to provide and finance them falls largely at the national and local levels. Alternatively, the careful examination of other cases is likely to provide compelling evidence for policy decisions on where exceptions to the principle of subsidiarity need to be made.

Institutional and financing implications

A further set of implications of the proposed conceptual framework relates to the institutional arrangements required for the provision of a global public good. This involves many different institutions at various levels and in different domains from the global to the local. The conceptual ambiguities that have accompanied the emergence of global public goods in the international scene have made it difficult to obtain a clear and orderly picture of the different institutions involved in their provision.

Yet, if the international community were to agree on an individual global public good, a division of labour for its provision would then be required. Two general principles that might prove especially useful in seeking efficiency and effectiveness via an appropriate division of labour are those of economies of scope and subsidiarity. *Economies of scope* occur when the cost of providing two or more international public goods in the same institution is lower than when supplying them through separate institutions. The principle of *subsidiarity* suggests that only those directly involved in the provision and consumption

Table 2 General features of financing mechanisms for International and Global Public Goods

Financing mechanisms \ Dimensions			Applicability	Amounts generated	Sustainability	Degree of fairness	Flexibility	Administrative complexity	Political feasibility
Internalising externalities	Market creation or strengthening		Narrow	Moderate	Long term	High	High	High	Medium
	International taxes, fees and levies		Broad	Very large	Long term	High/ medium	Medium	High	Low
Private sources	For-profit corporations		Very narrow	Very limited	Sporadic	Very high	Very high	Low	High
	Not-for-profit corporations		Intermediate/ broad	Limited	Long/ medium term	High	Very high	Low	High
	Individuals		Narrow	Limited/ moderate	Sporadic	Medium	Very high	Very high	Medium
Public sources	National	Developed countries	Very broad	Very large	Long term	High	Low	Medium	High/ medium
		Developing countries	Very broad	Very large	Long term	Low	Low	Medium	Medium
	International	IFIs	Intermediate	Large	Long/ medium term	Medium	Medium/ low	Medium/low	High
		Int. org. and agencies	Very broad	Moderate	Long term	High	Medium	Medium	High
Partnerships	Combination of sources		Broad	Variable	Long term	Medium	Medium	High	Medium

of an international public good should be involved in making and putting into practice initiatives for their provision.

Beyond such general principles, however, it is necessary to determine which organisations and institutions would be better suited to perform the various functions in a global public good delivery system. Table 3 offers a preliminary attempt at defining an inter-institutional division of labour. It proposes that *the United Nations and the regional organisations should take the primary responsibility for setting in motion the political decision processes leading to the establishment of international public goods delivery systems.* In particular, they would have to determine what constitutes the core component and the complementary activities, and which entities should be responsible for each. The UN and the regional organisations have political legitimacy and are representative of the diversity of national interests that must be reconciled in the process of identifying whether a good, service or outcome should be considered as an international or global public good. The multilateral development banks and other international financial institutions should play a moderate role in such political decision processes, while developed and developing country agencies, foundations, private firms and non-governmental organisations would play minor roles, although they could convey their concerns and views through the UN and regional organisations.

Table 3 Division of labour for the provision and financing of international and global public goods

Functions / Actors	Private sector	Foundations and NGOs	Developing countries	Developed countries	IFIs	UN and regional orgs.
Defining and arranging for the delivery of international and global public goods (establishing the delivery system)	*	*	*	*	**	***
Support the core component of an international public goods delivery system	*	**	*	***	**	**
Support the complementary regional, national and local activities in the international public goods delivery system (capacity building, institutional development, knowledge brokering)	**	**	***	**	***	**

*Minor role; **Moderate role; ***Major role

Table 3 suggests further that the support and financing of the range of complementary activities linked to the provision of international and global public good would be the primary responsibility of developing countries and of the international financial institutions (World Bank, regional and sub-regional development banks, international funds), with the United Nations and regional organisations, developed country agencies, together with foundations, private firms and non-governmental organisations, playing a secondary role. Finally, the support and financing of the core component of the delivery system would be the primary responsibility of developed countries, both for international solidarity and enlightened self-interest reasons, while United Nations, regional organisations, international financial institutions, foundations and non-governmental organisations would play a moderate role, and the private sector and developing countries would play just a minor role.

Case studies

This report applies the conceptual framework outlined above to five areas of common concern, which many have claimed to be global public goods. These are: biodiversity conservation, climate change mitigation, HIV/AIDS research, peace and security, and financial stability. In the first of these, the focus was on how evolutionary resilience and the possibility of developing useful products are related to the global public good defined as *conservation of biodiversity*. In the second case, the global public good was identified as the *mitigation of climate change*, which leads directly to the reduction of greenhouse gas emissions that contribute to it. In the third case study, the *generation and dissemination of knowledge to produce HIV/AIDS vaccines* was considered the global public good. Building on the work of the Carnegie Commission on Preventing Deadly Conflict, in the fourth case the global public good was identified as the *operational prevention of violent conflicts*, and in the fifth case the *maintenance of financial stability* was identified as the global public good.

Some common features of the case studies and analytical reviews

The complexity and diversity of conceptual and policy issues associated with global public goods make their systematic treatment a rather difficult proposition. Nevertheless, the cases suggest that the conceptual framework advanced in this report can be of assistance to organise, in an orderly manner, discussions about the provision and financing of global public good.

A first observation is that *it is useful to restrict the use of the term 'global public good'* only to those aspects of the common global concern that satisfy to a large extent the three criteria of significant cross-border externalities, non-excludability and non-rivalry. Second, in all cases *it is possible to identify the various components of an international public goods delivery system*, and also, to a lesser extent, to differentiate the core component from the complementary activities that are essential for its provision. The roles played by knowledge, public awareness and political will, in determining what becomes a 'global public good' – be it biodiversity conservation, mitigating climate change, generating knowledge to reduce the incidence of HIV/ AIDS, maintaining peace and security, or preserving financial stability – highlight the *political nature* of the decisions involved in the provision and financing of global public goods, and in particular the decisions about what constitutes the *core component* and what the *complementary activities*.

Third, the *appropriate design and operation of regimes* is crucial for the functioning of an international public goods delivery system. The problems faced in the provision of the global public goods mitigation of climate change and peace and security are related to the great difficulties in establishing equitable and effective regimes, which in turn are a reflection of the diverging interests of key players. They are also related to the slow process of achieving consensus in the relevant epistemic communities, be it on the extent and causes of climate change or on the appropriate ways to resolve violent conflicts. In contrast, the problems associated with providing the global public good biodiversity conservation appear to be related more to institutional arrangements than to the characteristics of regimes and to disagreements among members of its epistemic community.

These questions are closely related to a fourth observation: the importance of *effective participation*, both in terms of involving all relevant countries and related actors in the design and operation of global public good regimes, and in terms of an individual country taking part in as many regimes as possible. The former is a prerequisite for the legitimacy of regimes, which highlights the need to support the participation of developing countries in the negotiations that lead to their establishment. The latter would help to expand options and allow compromises and tradeoffs across global issues, rather than focusing on a single or just a few negotiations with a limited set of potential outcomes.

A fifth observation refers to the variety of financing mechanisms involved in the provision of global public goods, and the way in which these are employed in the case of a specific global public good. In some cases there is the possibility of making beneficiaries and producers of the global public good pay for its provision and in others the private sector can contribute with significant financial resources, but in all cases *there is a most important and irreplaceable role for the public sector*. There is no way of taking out the 'public' in the financing of global *public* goods. At the same time, public financing can be arranged by using many different mechanisms and by combining them in a variety of ways. As shown by the case studies, the set of possible instruments to finance a particular global public good will depend on its characteristics. There is no 'general' solution to the problem of global public good finance. Theoretical considerations based on the economic theory of public goods can help to obtain insights about their nature and about institutional considerations, but they are less likely to be useful in determining how best to mobilise financial resources to ensure the provision of a global public good.

Concluding remarks and suggestions

The conceptual framework of an idealised international public goods delivery system makes it possible to begin answering at least some of the preoccupations and reservations that are frequently expressed about global public goods.

- *To what extent is the international public goods approach useful in addressing global common concerns?*

  To quite a significant extent. Indeed, by focusing attention on the limitations of current political, legal, institutional and financial arrangements for addressing global problems, the global public goods approach has already made an important contribution. However, there is a need for pulling together a growing number of disparate conceptual contributions (including, of course, the ideas put forward in this report), to reach consensus and broad agreement on definitions, and to move from the intellectual to the policy arena. In a sense, this would be similar to what happened with the concept of 'sustainable development' during the last decade. Initially it generated a controversy and debate, but gradually it became more precise, policy-oriented and widely accepted.

- *How should the process of defining global public goods be approached?*

  With restraint, circumspection, rigour and patience. Current practice has led to grouping all types of global concerns, aspirations or desirable situations under the title of 'global public goods'. Without defining a global public good with precision – a task that involves complex negotiation and interactions of political and technical nature among many stakeholders – this could soon to render this term meaningless. Also, the more focused the definition, the greater the possibility of deriving useful policy implications and of mobilising financial resources. This requires adopting rather stringent conditions regarding the reach of cross-border spill-overs or externalities, and the degrees of non-excludability and non-rivalry. The elements of an 'idealised international public goods delivery system', together with the distinction between the core component and the complementary activities, can be of help in this task.

- *How should choices be made on which international and global public goods to provide?*

  By emphasising the political nature of these choices. The determination of what are international public goods and which ones have priority for provision involves a multiplicity of actors with different interests and agendas. The international community of nations, corporations and civil society associations faces difficult choices in setting priorities, allocating all types of scarce resources (political capital, attention of key decision-makers, institutional and organisational capabilities, finance), and in mobilising support for such choices. These choices must be informed by global equity considerations, by international solidarity and by the need to eradicate world poverty, or, at least, to meet the internationally agreed target of halving poverty by 2015.

  The lack of public spaces specifically devoted to the discussion, negotiation and agreement on such matters can be seen as a major shortcoming of the current international system. A possible response to this might be the establishment of a task force or working group to address the issue of global public goods, preferably of a temporary nature and within the UN system but with a mandate to hold consultations with international private sector and civil society representatives. Its function would be to debate these issues systematically and to give recommendations on priorities and on the structure of international public goods delivery systems. It would, of course, be no easy task to reach consensus on whether halting the spread of HIV/AIDS is more, or less important, than conserving biodiversity, or on whether maintaining peace and security should take precedence over abating climate change. Such choices, however, are currently being made –albeit implicitly – without much discussion and without attention to the asymmetries that are inherent in international power relations. The establishment of a task force or working group may be seen as a first step to redress this situation, and could be one of the recommendations of the International Conference on Financing for Development, scheduled for early 2002 in Mexico.

- *How can the widest possible participation be ensured in the design and implementation of international public goods delivery systems?*

  It cannot, unless better institutional arrangements are put in place. The varying extents to which countries – as well as firms, associations and individuals – benefit from and contribute to the production of an international public good lead them to assign different priorities to externalities, spill-overs, degrees of excludability and other characteristics of international public goods. Identifying and responding to such diversity of demands requires highly inclusive institutional arrangements, capable of processing a multiplicity of viewpoints and of ensuring the participation of all relevant stakeholders, while at the same time avoiding glaring inconsistencies and maintaining overall coherence. In this regard, the perception that arrangements for the provision for some public goods are an imposition of rich donor countries and Northern NGOs reduces their legitimacy, creates ownership problems and conspires against the active involvement of those who actually produce the international public good. Therefore, discussions and negotiations regarding the definition, provision and financing of international public goods should involve the participation and cooperation of as many of the affected stakeholders and constituencies as possible.

  This is not happening, and will not happen, in the absence of mechanisms to build and support the capacity of developing country stakeholders – which are usually at a disadvantage – for active and meaningful participation in the design and operation of global public goods regimes. Such mechanisms could take the form of a general 'participation fund' along the lines proposed by the UNDP,[9] or of specific participation financing tied to an individual global public good. They would allow reaching out to researchers, academics, intellectuals, entrepreneurs, government officials and informed representatives of civil society in developing countries, whose participation in decisions affecting the provision of global public goods could also be considered, in itself, as an international public good.
- *How can global, regional, national and local interests be aligned so as to ensure that effective actions are taken to ensure the supply of an international or global public good?*

  By creating appropriate incentive systems and financing mechanisms. A great variety of state, private and civil society actors must be involved in the functioning of an international public goods delivery system, all the way from raising awareness about its importance at the global level down to the specific activities that actually produce or consume it. In particular, it is important to reach agreement on what constitute the core component and the complementary activities in the delivery system. The international community bears the main responsibility for undertaking and financing the activities that are in the core component, while national and local organisations have a similar obligation with regard to the complementary ones. Both sets of activities should be closely coordinated and harmonised to create an effective and efficient international public goods delivery system. This implies, among other things, agreeing on a division of labour between the various international institutions, government agencies, private sector entities and civil society organisations that participate in the delivery system.

[9] For further information on the UNDP participation fund, see Kaul *et al.* 1999. See footnote 1.

The regimes that are part of the delivery system should establish rules, regulations, incentives, financing mechanisms and procedures to influence their behaviour and motivate their active involvement in the provision of the public good. Yet, it may not be enough to focus on the explicit policies directly associated with an international public good delivery system; other international, national or local policies can thwart its purpose and contain, in effect, an array of 'implicit' public goods policies that neutralise efforts to provide it. For example, energy pricing policies may stimulate the consumption of fossil fuels and undermine emissions reduction programmes; agricultural and forestry policies may override biodiversity conservation efforts, and industrial property regulations may constrain the ability to halt the spread of HIV/AIDS. In addition, well-designed and properly aligned incentive systems could help in avoiding free-riding and the underprovision of international public goods.

Aligning the activities of the variety of public, private and civil society agents that intervene in an international public goods delivery system demands is a complex task that requires substantive policy analysis and administrative capabilities. These are not always found in international organisations and may be available only to a limited extent in the national and local governments, private sector and civil society institutions of developing countries. Therefore, it is essential to strengthen their capacity to contribute to the design and operation of an effective international public goods delivery system. At the international level it is important to reinforce UN bodies and other regional organisations, and to avoid an excessive reliance on the multilateral development banks. As indicated in the preceding sections, the multilateral development banks should have an important, but not primary role in the provision of global public goods, for they must balance this role with their central functions of financial intermediation and national capacity building aimed at reducing poverty and improving living standards. At the same time, multilateral development banks should include international and global public goods concepts and practices in their operations, and particularly in their policy dialogues with borrowers and grantees.

- *How best to approach financing issues in an international public goods delivery system?*

There is no single 'optimal' approach to the financing of global public goods. While some general principles and questions are useful in the examination of financial issues and alternatives (e.g. to what extent can the externalities be internalised? Could a market be created? Could international fees or taxes be levied? How far down along the continuum from global to local should a global public good stretch?), a singular set of appropriate financial arrangements will apply for each specific international public good. This implies adopting a systematic case-by-case approach to the identification and choice of financing mechanisms. Nevertheless, a few guidelines can be inferred from the conceptual framework, the case studies and the review of the literature in this report.

First, even in cases where externalities can be internalised and market-based instruments established to provide incentives for private agents to engage in the production of an international public good, public intervention, including public financing, will be required. This is because the proper operation of a public goods delivery system requires transparency, openness, accountability and an effective regulatory framework. These good governance features require public financing. Thus, a certain amount of public financing will be required for market mechanisms to deliver international public goods.

Second, public funding is and will remain by far the main source of financing for international public goods. The scope for private sources, including both for-profit and not- for-profit corporations and individuals, is important and growing, but the amounts generated are likely to remain quite modest in comparison to public funding. Moreover, there is a much higher degree of uncertainty with regard to predictability and sustainability of funding from private sources. There is, in the end, no substitute for public funding of international public goods.

Third, to the extent that the numerous proposals and calls for the provision of international public goods become operational (i.e. delivery systems are put in place), more stable and predictable sources of public funding for such goods will be essential. Existing arrangements, based on limited assessed and substantive voluntary contributions to the United Nations and other international organisations are weak and unreliable. They will not provide the security that is essential for an expanded provision of international public goods. Even legally binding periodic replenishments have often been ineffective, as donors sometimes do not honour their commitments. Thus if the international system evolves to the provision of global public goods on a widespread basis, international taxation, fees and levies become essential, indeed inevitable.

- *Will a global public goods approach lead to additional resources for development cooperation?*

  It is possible, but not likely in the short term. While it has been claimed that a global public goods approach could 'rescue aid' and increase resources for development assistance, there are equally compelling arguments that it may divert scarce aid resources. The messy subject of 'additionality', with its many conceptual, statistical and political ramifications, comes to the fore when examining such claims and counterclaims. For additional financing to be raised through the use of a global public goods approach it would be first necessary to clearly define these goods, to identify the delivery systems and specify the funds required. It would then be necessary to ensure that resources allocated for this purpose do not reduce the amount of aid, and also that such allocations do not affect negatively the prospects for future increases in development assistance.

  In order to do this, it is essential to separate clearly those resources allocated to development assistance in general, which would benefit primarily the recipient countries, from those used in the provision of global public goods, which benefit developed countries at least as much as developing countries. The financing of international and global public goods should not come at the expense of development assistance flows, and particularly those directed to the poorest developing countries. This has important implications for development assistance reporting procedures and statistical data gathering activities.

- *How can uncertainty, time lags and the dynamic character of international public goods be dealt with?*

  By being flexible, adaptive and adopting a learning stance. In the relatively short time international and global public goods issues have acquired prominence, and despite the confusion and controversy that have accompanied their eruption onto the international scene, an informal collective learning process appears to be under way. Even as the concept of public goods has become a moving target, intellectual contributions are now building on one another and academic and policy-oriented debates are focusing on the most relevant of these. But, if the concept of international and public goods is to realise its potential, it will be necessary to put into practice a broader and more operational collective learning process.

This would involve treating initiatives to provide international and global public goods as experiments from which to learn. Temporary and highly focused institutional arrangements involving multiple stakeholders may be a way to proceed forward without undue rigidities and without committing excessive amounts of resources. Such arrangements would have to be monitored and evaluated continuously, with the aim of spreading best practice (this could be a task for a possible 'international and global public goods' entity associated with the UN). Without too much exaggeration, enhancing the learning capacity of the international community to improve the provision of international and global public goods may be itself considered as a public good.

In the last analysis, transforming a most promising approach – international and global public goods – into an effective instrument for dealing with common global concerns will require, beyond instituting a collective learning process, very strong leadership along with forward-looking countries, institutions and persons committed to the goal of global equity and sharing the responsibility of realising such potential.

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The study aims at bridging the academic discussion on global public goods with ongoing international policy processes. A conceptual framework for assessing financing and institutional arrangements for the provision of global public goods is suggested. Some of the key issues brought forward are:

- A global public goods delivery system
- A decision tree for evaluating financing options for global public goods
- A possible division of labour for the international community
- Case studies on climate change, biodiversity, financial stability, peace and security, and HIV/AIDS

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