



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
On the
Transfer of Real Resources to Developing Countries)



DC/2000-16

September 6, 2000

**POVERTY REDUCTION AND GLOBAL PUBLIC GOODS:
Issues for the World Bank in Supporting Global Collective Action**

Attached for the September 25, 2000 Development Committee meeting is an issues note prepared by World Bank staff on Poverty Reduction and Global Public Goods: Issues for the World Bank in Supporting Global Collective Action. This subject will be considered under item 1.A of the Provisional Agenda.

* * *

POVERTY REDUCTION AND GLOBAL PUBLIC GOODS:

Issues for the World Bank in Supporting Global Collective Action

Development Committee -- September 25, 2000

September 6, 2000

TABLE OF CONTENTS

A. Introduction	1
B. Defining Global Public Goods	1
C. Criteria for Selecting Priorities for Action	2
D. Five Main Areas for Bank Concentration	3
Facilitating Orderly Movement Across Borders of Information, Capital and Trade	3
Ensuring Broad Inclusion in the Benefits of Globalization	4
Preserving and Protecting Environmental Resources	4
Creating and Sharing Knowledge	4
E. The Bank's Role in Priority Areas	5
Promoting Improved Economic Governance	5
Trade Integration	5
Communicable Diseases	6
Protecting the Global Environmental Commons	7
Information and Knowledge	7
F. Financing Global Collective Action	8
G. Strategic Partnerships	10
H. Conclusion and Next Steps	12
I. Issues for Discussion	12
Deciding the Bank's Involvement in Global Collective Actions	12
Financing Global Public Goods	13

**POVERTY REDUCTION AND GLOBAL PUBLIC GOODS:
Issues for the World Bank in Supporting Global Collective Action
Development Committee -- September 25, 2000**

A. Introduction

1. In today's rapidly integrating world, national borders can no longer contain some of the most pressing development challenges. Technological gains, shifting geopolitics, expanding trade and cheaper communications have created tremendous opportunities and lifted the barriers to global knowledge sharing and problem solving. They have also opened the door wider to risks and challenges -- for example of financial instability, disease transmission and cross-border criminality. Many -- perhaps most -- of these challenges can and should be met by national governments and by private actors and civil society working within countries.

2. But it is clear that some key development problems have an increasingly important dimension of global collective action, and that there are great potential benefits if the international community can devise effective ways of tackling them. Not all of these problems are new, and indeed the Bank has played a role in a number of international initiatives that support its overarching mission of poverty reduction through collective international action. This paper, however, focuses on specific areas of action that demand our attention. It is intended to elicit ministers' advice on the issues involved, deepening a conversation already begun in the Bank's Board. This paper complements the paper on *Supporting Country Development: World Bank Role and Instruments in Low- and Middle-Income Countries* that is also on the agenda for discussion at the September 25 Development Committee meeting.

3. The trend toward global problem solving has potentially significant implications for international institutions and for development assistance more broadly: new approaches and instruments will need to be developed to enhance the current national frame of reference. The Bank is already supporting such global collective action in a number of areas and is involved in a range of key programs at national, regional and global levels. Reflection and guidance is needed, however, to define more sharply the priority areas for further action in the near term -- areas where the Bank has a comparative advantage among the global institutions. Interventions should be devised that respond to the particular mixture of global, regional and national public goods requirements some of the new challenges present. The strength and resources of the Bank should be used, in innovative partnerships with others, to benefit all member countries in this effort.

B. Defining Global Public Goods

4. Public goods are commodities, services or resources with shared benefits. They possess two characteristics: they produce benefits that are impossible to prevent everyone from enjoying, and consumption by one individual does not detract from that of another.¹ The classic example of a public good is clean air. Once produced, it is impossible to limit the enjoyment of clean air: everyone can breathe it. At the same time, the marginal cost of allowing another person to breathe the clean air is zero. If the benefit of the public good is limited geographically, it is a

¹ In economic parlance, public goods are nonexcludable and nonrivalrous.

local or national public good. However, if benefits accrue across all or many countries, it is a global or regional public good.

5. In practice, most such goods relevant to development are not “pure” public goods but are “mixed”: they provide individual, local or national benefits, but also have spillover effects that are important for other (or all) countries. For example, eradicating a deadly communicable disease is a pure global public good, since the benefits accrue to all people and adding another beneficiary does not detract from others’ benefit. Conducting research for a vaccine to prevent the communicable disease is a global public good since the knowledge it produces should, in principle, be shared by everyone and is inexhaustible. The vaccine itself and efforts to deliver the vaccine, however, are not global public goods, but a combination of a privately owned commodity and public action at the national level. Nevertheless, encouraging the development of a vaccine and funding its delivery at a cost-effective price is clearly worthy of collective action since it has a great impact on development and poverty reduction within the country concerned, while additional benefits also flow to other countries and populations from its availability.

6. It is this latter point that distinguishes eradicating a communicable disease as a global public good from other desirable goals such as provision of universal primary education. While education is correlated with poverty reduction, for the most part the benefits of education confer locally, and produce no significant cross border externalities. Moreover, national political commitment and donor resources are the essential ingredients to achieve universal primary education, not global collective action.

7. As a working definition for the Bank’s purposes, then, global public goods are commodities, resources, services -- and also systems of rules or policy regimes with substantial cross-border externalities that are important for development and poverty-reduction, and that can be produced in sufficient supply only through cooperation and collective action by developed and developing countries. It is worth noting that this approach involves the idea of both cross-national benefits, and of cross-national collective action to achieve them, by the Bank and its national and international partners. In practical terms, the determination that the development community should work cooperatively to produce a desired global public good also involves consideration of how such action should be implemented and how collective financing can be employed to ensure that the public good is not undersupplied.

C. CRITERIA FOR SELECTING PRIORITIES FOR ACTION

8. Given the range of possible areas for action, and the fact that rapid change means that there is no neat taxonomy of issues and assignment of self-contained responsibilities, it is important that Bank priorities are selected carefully, guided by the overarching development and poverty reduction objectives. It is also clearly critical that Bank action is grounded in our primary, country-focussed, work. Typically, collective action at the global level should scale up development impact by adding a limited but essential international public goods dimension to country-level action. In approaching the potentially expanding global public goods agenda, the Bank has therefore had four key criteria in mind.

- There needs to be clear value added to the Bank's development objectives at country level, as expressed by the International Development Goals for poverty reduction. Global action should, in that sense, be an international complement to the Comprehensive Development Framework (CDF) approach at the country level. The needs and priorities of developing countries should be a primary consideration in the selection of global priorities for Bank action.
- Global action by the Bank should catalyze other resources and build collaborative partnerships at the country, regional and global level.
- Bank action should play to its comparative advantage -- primarily its operational experience and instruments at the country level, but also its global reach and its ability to mobilize and manage large financial and knowledge resources. It is important to distinguish between intellectual and operational comparative advantage. In some areas, the Bank may have expertise and experience to make a significant contribution to conceptualizing and shaping global action, but other organizations may be better placed operationally to take the lead in mobilizing the necessary skills and resources. Second, comparative advantage is dynamic, and needs to be sensitive to changes in the global development environment. The Bank's definition of its comparative advantage should be flexible enough to accommodate these shifts and respond accordingly.
- Pragmatically, there should be emerging consensus in the international community that global action is required, or a base on which Bank leadership can muster sufficient support for collective action from key development partners.

D. Four Main Areas for Bank Concentration

9. Following these criteria, five broad areas are likely to be central to the Bank's agenda going forward. These broad areas do not cover a number of troublesome issues with several cross border externalities and that call for collective action, notably terrorism, narcotics trafficking and arms proliferation (i.e., "global public bads"). Remedying these problems would clearly confer a global public good to all countries, but the political dimensions of addressing these problems directly extend well beyond the Bank's mandate. Determining how to strengthen the role of the Bank on issues where political and developmental dimensions coincide, for example assisting in the establishment of civil order and post conflict reconstruction, will require further reflection on experience to date and guidance from ministers.

10. *Facilitating Orderly Movement Across Borders of Information, Capital, Trade and Labor.* The world economy's experience over the last few years has underlined the importance of developing, and helping countries put in place, broadly accepted international rules, standards and good practices. This would both facilitate orderly movement across borders of information, capital, and trade and also help dampen and manage the potential resulting volatility, shock, and other issues such movements raise. Freer involvement of labor is an important part of this agenda, but one which has been especially constrained by political considerations, and on which progress has been most limited. While it is normally up to other international bodies to take the lead in developing such rules and standards, the Bank does have considerable advantage in ensuring a proper hearing for the perspective of developing countries and in supporting implementation and relevant capacity-building, especially to ensure that developing countries

participate in the application of emerging global standards in ways which meet their capacities and interests. This is a critically important global task in which the Bank is fully engaged.

11. Combating financial abuse is another important dimension of promoting financial stability. Abuses such as money laundering, inadequate bank supervision and corruption present clear threats to the international financial system and should be addressed at the global level, though there is clearly a range of views about how this may best be done. While institutions such as the IMF and OECD have clear comparative advantage in dealing with these issues, the Bank can and should assist in efforts to strengthen the financial sector and improve governance at the country level, including strengthening the transparency and supervision of financial institutions and transactions. This is underway in several countries, and should be pursued further.

12. *Ensuring Broad Inclusion in the Benefits of Globalization.* Ensuring poor people benefit from globalization is clearly a major challenge, both at the country and community level. Many poor countries have been only marginally involved in the deepening of global integration. Only one per cent of capital flows, for example, goes to the poorest quintile of countries, and within countries, even the more successful ones, there are growing concerns about inequality and marginalization. Devising better ways to bring the interests of developing countries and all their people into the international framework of trade and finance would clearly have major benefits, not only for these countries but for the world. These are issues central to the Bank's objective of global poverty reduction, and the Bank is well placed to support many aspects of them. As distances shrink and borders become more porous, there is also a growing consensus on the need for global collective action to deal with some major social and human problems. This reflects the fact that problems like the transmission of disease, or the spread of civil conflicts and the misery and criminality often associated with them, are also influenced by global integration, increasingly travel beyond national borders, and require a broader response. While it falls to other international organizations to take the lead in global collective action in many of these areas, there are several ways (noted below) that the Bank can use its strengths to help.

13. *Preserving and Protecting Environmental Resources.* There is a need -- long recognized, but more urgent in an era of intensified growth and pressure on environmental resources -- for robust mechanisms to deal with long-term impacts of great significance for poor countries, particularly in areas such as water and food security, and climate change. At the same time, developing countries face challenges to their natural resources, such as forests and other sources of biological diversity, which are a global good but which they cannot adequately protect without assistance. The Bank has for many years played a leading role in supporting global and regional collective actions in these areas.

14. *Creating and Sharing Knowledge.* Knowledge is a pure public good, and the timely creation and dissemination of information is critical for development -- as, for example, in the remarkable benefits derived from international agricultural research discoveries. Bottlenecks in information flows generate inefficiencies that allow efforts to be duplicated unnecessarily and divert scarce resources from creating new knowledge. Limited information can also increase market volatility and prevent life saving cures from being discovered or applied. To help developing countries travel on the information highway, the Bank has a number of important

initiatives underway to enhance its role as a Knowledge Bank, in addition to its more traditional roles in economic research and the dissemination of its results.

E. The Bank's Role in Priority Areas

15. While the priority areas for action need to be broadly conceived, it is important that specific Bank programs to address these issues are carefully focussed and selective. Bank work already underway to address these issues therefore varies widely in its scope and level of engagement appropriately so, since it is more important to be focussed and effective in areas where Bank action can make a real difference than to be active across the board.

Promoting Improved Economic Governance

16. Given its development mandate and long-standing involvement and expertise on structural and social issues, the Bank can contribute to the reform of the international financial and development architecture in two ways. At the international level, the Bank is well placed to bring developing country experience and perspectives to fora discussing the development and implementation of standards, codes and good practice. At the country level, the Bank is helping countries better assess and manage structural and social sources of vulnerability, and providing support for institutional strengthening and capacity building -- thereby helping put in place more robust, outward-looking and competitive financial and economic structures.

17. There are many illustrations of Bank work in this aspect of global public goods. Within the framework of multilateral institutions, an effort is underway to harmonize operational procedures and policies of the multilateral development banks so as to raise standards, lower the transaction costs of doing business with them, and increase their contribution to member countries' development. To strengthen international financial architecture, the Bank is working closely with the Fund and interested governments on the Financial Sector Assessment Program (FSAP), the program of Reports on the Observance of Standards and Codes (ROSCs), and a series of studies on external debt management that are designed to develop a set of core principles for sovereign debt management. The Bank's dissemination of global experience and advice about competitiveness and foreign investment is fostering improvements in countries' investment climates as an encouragement for increased flows of investment and technology. A key element of work in the financial and corporate sectors is assistance to improve corporate governance and financial sector transparency, and to equip regulatory authorities with the means to counter financial misappropriation and abuse. These and Bank actions in a variety of other areas are designed to strengthen the global framework within which country development programs are pursued.²

Trade Integration

18. A key element of successful developing country integration into the international economic system is strengthened access to trade. For the benefits of free and open trade to be fully realized, however, the rules-based international trading system must be strengthened.

² For more information, see Development Committee progress report *International Financial Architecture: An Update on World Bank Group Activities* (forthcoming, September 2000).

Developing countries must be able to participate in all aspects of the system, from rule setting to negotiations. Developing robust and broadly agreed global trade rules is a clear global public good, which falls to the principal responsibility of the WTO. But the Bank provides support for this global action by sponsoring a program of research, training and technical assistance designed to promote trade reform, integrate trade more deeply into operational work, and give developing countries a stronger voice in international trade negotiations to seek improved access to export markets. Specifically, the Bank is engaged in a program of research and capacity building that focuses on key trade issues for developing countries. These include trade liberalization options and priorities in the area of agriculture, manufactures and services, complementary efforts to strengthen trade-related institutions (such as product standardization and certification bodies), and the implications for developing countries of possible new multilateral negotiations on topics such as competition or investment policy. The Bank is also responding to the growing regional dimension in trade integration, both in terms of accession to larger trade groupings (for example, of Central and Eastern European countries to the European Union) and in terms of developing stronger market links between neighboring trade partners.

19. In addition, the Bank participates in the Integrated Framework for Trade-Related Technical Assistance, in which the Bank provides trade-related technical assistance in areas such as infrastructure development, institution building, competition policy, and elements of trade facilitation. Work is ongoing to develop a trade integration component to help countries preparing Poverty Reduction Strategy Papers (PRSPs), and is expected to become a central pillar of efforts in the coming year to mainstream trade in the Bank's activities. The World Bank Institute has developed a comprehensive course on global integration and the new trade agenda, and is engaged in the development of a new distance learning course that will support the PRSP in the area of trade and complementary reforms.

Communicable Diseases

20. There is widespread and growing international consensus that communicable disease control is a critical global public good, for which urgent action is required. The HIV/AIDS pandemic, with 34 million infected worldwide, is heavily concentrated in sub-Saharan Africa, with devastating social and economic impact, and is spreading rapidly. HIV/AIDS, malaria, tuberculosis and key childhood diseases together account for 60 percent of the global disease burden, are the main cause of children's deaths worldwide, and represent almost 80 percent of the mortality differential between rich and poor countries. And, as the Bank's *Voices of the Poor* study demonstrated, disease is often the factor that pushes struggling families into outright poverty and destitution.

21. The Bank is sharply increasing the resources it devotes to this global development challenge. It is reinforcing its collaboration in international disease initiatives such as UNAIDS and Roll Back Malaria, and is supporting public-private partnerships such as the Global Alliance for Vaccines and Immunization (GAVI), International Aids Vaccine Initiative (IAVI) and the Medicines for Malaria Venture (MMV). As is often the case, there are also big public-goods gains to be won at regional level: the Bank's continuing partnerships in Africa with African governments and with international public and private actors on riverblindness and guinea worm are good examples.

22. At the national level, Bank lending for communicable diseases is being greatly increased as well, as part of a deliberate effort to raise the global commitment and resources devoted to defeating the key killers. The Bank intends to triple its commitment of concessional IDA lending in FY2001 for AIDS, malaria, tuberculosis and childhood immunization, from the recent annual level of \$200 million to between \$600 and \$700 million over the next year. IDA Deputies at a meeting in Lisbon in June lent strong support to a greatly expanded effort by the Bank, and have also signaled a willingness to increase resources further in the future and to consider innovative approaches to funding regional and global dimensions of disease control, including through grants.

Protecting The Global Environmental Commons

23. In the environmental area, Bank collaborative action on global public goods (or in preventing global public bads) is already well established through the mechanism of the Global Environment Facility. Other key initiatives such as the Global Water Partnership (which facilitates joint action on water management) are coming into place. The World Commission on Dams is a pioneering example of using the Bank's convening power to establish independent fora for developing standards on controversial issues.

24. A key area of further work is to devise broader mechanisms for dealing with long-term externalities, such as carbon emissions, where there is great scope for win-win solutions benefiting industrial and developing countries alike, and which also bridge some of the North-South controversies that have marked the environment debate. The Prototype Carbon Fund is a first step by the Bank in this direction, involving a framework for exchange between countries and regions, and then seeking country and transaction-specific opportunities for action. This use of market mechanisms needs to be extended as a public-goods instrument -- for example to include carbon sequestration through forests -- to increase the potential for big economic gains by developing countries from providing a global public good. Clearly there is a range of views, and strongly articulated interests, on these and many other global environmental issues, and Bank action must be conditioned to the progress of international agreements. The Bank's focus, therefore, is on devising practical approaches which offer benefit-sharing by all stakeholders, along with a clear transfer of environmental benefits and capacities to developing countries in particular.

Information And Knowledge

25. The Bank's contribution to knowledge through its research program has long been an outstanding feature of the institution, and the results of this research are a global public good in which the Bank has a distinct comparative advantage. In recent years the Bank has begun to focus as well on helping to bridge the digital divide, both by improving developing country access to, and application of, information technologies, and by helping to build the knowledge and education networks and the learning communities that comprise the human infrastructure of information. The Global Distance Learning Network (GDLN) is an expanding network of distance learning centers in developing and industrial countries connected by satellites to help policy makers, development managers and representatives of civil society share policy

knowledge and experiences with each other, and access expertise on a global scale. The Global Development Network (GDN) promotes international collaboration in the generating, sharing and applying knowledge.

26. The Bank's newest knowledge initiative is the Global Development Gateway. The Gateway, now being developed, is intended to build a powerful development portal on the Internet, providing easy pathways to high quality information and knowledge that will support the development activities of governments, the private sector, civil society, and communities at large. As in the GDLN and GDN, the Bank is exploring different types of partnerships with governments and the private sector that would permit the Gateway to be built over the next three years. A full prototype will be presented in September at the Annual Meetings.

F. Financing Global Collective Action

27. Financing global collective action and public goods pose special challenges for the international community. Supplying public goods at global and national levels present similar free-rider problems. But unlike the case of the nation-state, no governance structure is likely soon to emerge at the global level to exact taxation as a public-goods financing solution -- even leaving aside other objections to international taxation of transactions or resources. Large disparities in wealth between industrial and developing countries, and low incomes and poverty in developing countries, also exacerbate under-investment in crucial public goods. This is illustrated by the failure to provide market incentives for research and development into therapeutic drugs and vaccines best suited to developing countries, as compared to the ready market found for research-intensive medicines in industrial countries.

28. These features of global public goods underline the financing challenge for donors and the international community. Development assistance remains largely anchored in country-based projects and programs, rather than in systemic financing support for global initiatives. Going forward, donors will need to introduce greater flexibility -- as some are already doing -- to make it easier to support worthwhile regional and global programs as well. This does, however, raise an important issue of additionality: where global programs confer evident (and sometimes preponderant) benefits on industrial countries, there is a strong case for new financing rather than simple diversion of development assistance. Both the mobilization of such new resources and the adaptation of existing development assistance priorities will take time. In the meantime, some of the slack has been taken up by the rapid expansion of private philanthropy in the global public goods field (particularly in public health). This is an important new development, but clearly insufficient by itself as a substitute for public action.

29. The Bank, too, needs to adapt its instruments and financing modalities if it is to respond to global demands appropriately, and at the same time find ways of resourcing Bank work on global programs in a more effective way. Given the instruments already available within the Bank, what is required is not so much a completely new financial basis for supporting provision of global public goods, but a deliberate program of innovation and flexibility around existing instruments as the global agenda develops. Several specific directions for such innovation are already evident: all these require further development in the coming months as part of a work program to equip the Bank better in this area.

30. First, lending. As earlier noted, most global public goods are "mixed" goods which, in addition to their cross-national dimension, also have a close link to national programs. Appropriately focussed sovereign lending by the Bank and IDA provides a strong instrument for supporting national programs that reinforce global public goods objectives. A good example is HIV/AIDS, where a new IDA-financed Africa program will provide a cross-national financing framework within which individual countries can get support for effective national programs. By financing national efforts that have a powerful country-level rationale, the program will support interventions that also generate clear regional and global benefits. The same holds true for corporate governance and financial sector reform: these programs make financial and economic sense for individual countries, and should be undertaken (and financed) on a national basis. But they also have positive systemic externalities for the world, especially in encouraging the development of agreed frameworks of rules that promote financial stability and transparency.

31. Secondly, innovations to improve markets for public good provision. In some important cases, Bank financing can be deliberately designed to provide powerful signaling effects which demonstrate sustained commitment and which "pull" other resources -- including those of skeptical market actors -- into joint public-goods provision. IDA donors' recent endorsement of at least \$1 billion to be committed in the near term to communicable disease control is a powerful example of building such signaling. This is especially so since IDA's replenishable character holds out the promise of long-term commitment of resources to help finance disease programs, thereby reducing the risks and uncertainty of investing in R&D for poor-country markets. There is already evidence that this action by the Bank and its IDA donors is evoking the required market and political response. Without introducing rigid earmarking or premature precommitment of scarce resources, it will be important for the Bank to find more such ways of sending credible messages through its capacity to commit long-term financial support to critical programs at country level, and thereby "crowd-in" other key market and public participants in support of important programs.

32. Public-private partnerships are another growing avenue for dealing with global public-goods opportunities, often focussing on providing an institutional framework and incentives to change market behavior. These initiatives are at an early stage, with technical and political issues still to be resolved, including dealing with the potential for conflicts of interest or reputational risk. But the most promising examples indicate the value of more systematic work on the design of innovative financing frameworks that would involve bilateral donors, specialist agencies, in some cases the private sector, and the Bank.

33. Third, grant financing. Bank financing needs to evolve to address the specific global public goods component of national programs that may be undertaken by developing countries and financed by Bank or IDA resources. For example, a poor developing country should not alone have to pay, as part of a malaria or HIV/AIDS project, for a vaccine trial that helps all countries, or for late-stage eradication of vestigial disease incidence where the global social returns are much higher than the domestic return. Here again, IDA donors have recognized the case for the carefully limited, strategic use of grants, as part of broader programs based on normal lending, in order to finance such national contributions towards regional or global public goods. There is also scope for -- and some preliminary experience in -- the more systematic use

by the Bank of donor trust funds or cofinancing, for both IDA and IBRD borrowers, with the same objective: to reduce the effective interest cost to developing countries of undertaking actions with significant global benefits. Ministers may have additional suggestions to make in this important area.

34. Beyond IDA, the Bank has the mechanism of the Development Grant Facility (DGF) to catalyze and support global partnerships for public goods. The DGF is the Bank's principal instrument to extend grant assistance to other entities -- normally Bank partners -- for global and regional development initiatives that cannot be adequately supported through country lending operations alone. DGF-funded programs, undertaken with a wide range of partners, have made critical contributions in addressing shared problems. These include: disease prevention and control -- through programs that combat the ravages of river blindness, malaria and AIDS; widely acclaimed advances in agricultural research through the Consultative Group on International Agricultural Research (CGIAR); the spread of best practices in reaching the poor through micro finance by the Consultative Group to Assist the Poorest (CGAP); and the means to respond quickly to crisis situations through the Post Conflict Fund. Clearly, the DGF has the potential to play a key role in Bank support for a range of global public goods, especially in those areas requiring limited but carefully leveraged grants.

35. For the DGF to play its fullest role, some key issues will need to be addressed. One issue relates to the size of the DGF. If the Bank were to expand significantly its support for global public goods, the DGF would be a logical vehicle. In that case, the DGF's relatively small size would be an important constraint -- especially when added to the difficulties (including pressure from other donors) in exiting from longstanding programs whose financing accounts for a large proportion of DGF resources. Second, the DGF has been a powerful force in fostering partnerships, and that has been a valuable means of broader external engagement by the Bank. But more partnerships bring the potential for dispersion of Bank effort and proliferation of initiatives, and this has required Bank management recently to put in place special arrangements to ensure discipline in their initiation and management, and a firmer sense of priorities. Third, since DGF resources are generated from Bank income, it is also important to ensure broad equity among all Bank members in terms of the benefits from DGF-supported initiatives.

36. Finally, supporting key global public goods is already imposing considerable pressure on the Bank's own budget resources, in terms of analytical work, the negotiation and servicing of complex international partnerships, and the specialized operational work and staff skills that such programs demand. Work is underway to assess more accurately the real level of resources that global programs and partnerships absorb, and to review options for organizing and resourcing such programs adequately going forward.

G. Strategic Partnerships

37. Global public goods, with their requirement of collective action, are typically beyond the reach of any one agency, and there seems little international appetite for new global institutions or governance arrangements to change this. Instead, multi-actor coalitions involving national governments, international organizations, civil society and the corporate sector, and novel public-private alliances, appear to be emerging as central features of the evolving framework for

international cooperation and governance. For the Bank, as one of these actors at the global level, strategic partnerships must therefore be the fundamental basis of our engagement on public goods.

38. In forging these partnerships, the Bank needs to recognize and deal with marked differences in the capacities of different national, community and global institutions involved. Weaker or less experienced partners may need special help with capacity-building; care must be taken to balance different interests and perspectives; and divisions of labor need to be worked out and respected. The goal must be inclusiveness and commonality of effort – but without diverting too many resources into complicated partnership management and away from the primary objective. As these efforts evolve, both the Bank and its bilateral and multilateral development partners will need to improve performance along these lines.

39. Since Bank participation in global programs is designed in part to scale up the impact of our country level work, partnerships for these initiatives begin at the country level, with national governments and, increasingly, with members of civil society. Tapping the knowledge of national governments and community-based organizations ensures that global action will be sustainable nationally, is inclusive of underrepresented groups, and takes into account the voices of the poor. The Managing the Environment Locally in Sub-Saharan Africa (MELISSA) program is one example of a partnership embedded in local knowledge to solve local and regional problems with global dimensions.

40. Partnerships at the regional and global level supplement country-based collaboration. Just as global programs transcend borders, they also cut across the capacities and mandates of individual international institutions and organizations. Over the past five years, the Bank's involvement in regional and global partnerships increased as the need for coalitions to solve global problems became more apparent. There are also important long-standing models of partnership, such as CGIAR, which has deployed Bank, bilateral and national resources to support an international network of agricultural research and knowledge which provides a vital global public good. At the regional level, regional development banks have been increasingly involved in the diagnostic work and capacity building necessary to enable to participate in regional and global collective action, and the Bank has greatly increased its formal and informal collaboration with the multilateral development banks across a wide range of these issues.

41. The Bank's partnership with the UN, already robust, will likely grow in significance. Many of the global priorities for Bank participation involve significant collaboration with UN agencies, as in the Global Environment Facility, or in UNAIDS, where the UN has the convening role. The UN brings to such partnerships its global membership and convening role, its large in-country presence, and the substantial expertise of its specialized agencies. The Bank can add its operational expertise and its capacity to mobilize and leverage resources.

42. For the Bank, successful partnerships require great flexibility -- to lead on some issues where there is a genuine institutional gap, but to devolve responsibility for other issues where the Bank does not have a clear comparative advantage. The degree of formality in these partnerships should vary, with some partnerships requiring very precise joint agreements while others can rely on much more informal understandings and working arrangements. As noted earlier, this will

also require a firm prioritization and management of the partnership commitments the Bank takes on. The CDF vision of donor coordination is a useful paradigm. In that model, the Bank endorses and promotes a number of development pillars, but acts only where it adds value, devolves responsibility whenever other actors would play a more valuable role, and leverages partnership resources when there is an overall dearth of participants.

H. Conclusion and Next Steps

43. The Bank's approach to the growing current international effort in global public goods has been pragmatic, and focused for the near term on a small number of key areas of comparative advantage, most notably in health, environment, information/ knowledge and economic standards and governance. These are areas of great substantive importance for the entire membership, and of great significance for reducing poverty, misery and risk in both the short and the long term. As discussed above, even this limited priority agenda will prove very demanding for the Bank to deliver its part, and meet high and growing expectations from its partners and shareholders. And, as the international agenda moves forward, the Bank will be called on to be an important collaborator, and sometimes to take the lead, in other issues as they arise.

44. As the current priorities move forward over the coming months, a key part of the work program will be to transform the broad commitments and partnerships underpinning them into specific implementable programs. At the same time, there will be a more systematic review of financing needs for global public goods and of any consequential innovations needed in the Bank's array of instruments, and implementation of a more disciplined approach -- already discussed with the Bank's Board -- for managing the partnerships that are fundamental to the effort. Finally, work will continue on equipping the Bank better, in terms of organization and budget, to deal with a portfolio in which the global dimension is growing strongly in importance, alongside the Bank's country business.

45. It is intended that this work, which will be further discussed with the Board after the Annual Meetings and integrated into the Bank Group's Strategic Framework and Action Plan, could usefully be drawn together in a progress report for Ministers at the April 2001 Development Committee Meeting.

I. ISSUES FOR DISCUSSION

Ministers may wish to focus on the following issues:

Deciding the Bank's involvement in global collective actions

- Are ministers comfortable with the proposed definition of global public goods found in the paper?
- What criteria should we use to define more sharply the priority areas where the Bank should be involved?

- Do Ministers think that the current level of Bank involvement -- as described in the paper -- is appropriate?
- Do they see any other gaps to be filled through Bank participation in regional or global actions?
- Do ministers place a high priority on the Bank working with its partners and clients to reduce transaction costs of development assistance by harmonizing policies and approaches among the development community (e.g., on procurement, environmental, and social requirements)?

Financing global public goods

- How should these global collective actions be financed?
- Should more Bank/IDA administrative effort and resources be provided for global public goods?