

International Cooperation
in the National Interest

Summary Meeting Global Challenges



Summary

Meeting Global Challenges: International Cooperation in the National Interest

Summary Report of the International Task Force on Global Public Goods

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All but one of the members of the Task Force fully endorsed and signed off on the report. Inge Kaul did not.

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The organizations and individuals listed here are in no way accountable for any mistakes, errors or other inadequacies in the report. The Task Force accepts full responsibility for the contents and recommendations of the report.

Summary

Most peoples' lives are grounded in local and national contexts and conditions. Yet, more and more, those lives are shaped by events, decisions and politics beyond national borders. People pay taxes for local and national healthcare, but some of the gravest threats to health arise from infectious diseases that respect no borders. Among other reasons, people vote for governments on the basis of their economic and fiscal policy, but those policies are heavily constrained by international financial, trade and investment circumstances. And both people and governments recognize that their "national" security is determined in large part by the actions and attitudes of groups and governments far afield.

Indeed, the world's promise can be realized and its perils restrained only through extensive and ambitious cooperation across borders. Ours is a world of shared risks and common opportunities, grounded in the realities of mutual dependence and growing interconnection. All peoples' health, security and prosperity depend in part on the quality of their international cooperation, as does the health of the environment.

Because this is so, international cooperation has evolved from being a sphere of interstate negotiations on foreign policy matters to a central part of how governments and people manage their day-to-day lives. And it has been a powerful and tangible force for progress. Past successes provide solid evidence for what can be achieved in the future. With shared vision and collective action, major accomplishments can be realized. The spread of infectious diseases can be halted, their effects cured. Climate change can be slowed, its effects mitigated. International terrorism can be deterred, and the use of weapons of mass destruction prevented. These goals are difficult, but achievable. So too is the goal of expanding the prosperity that arises from a combination of peace and security, financial stability and international trade.

These global issues pose special challenges. In broad terms the goals are widely shared, and all states have national interests in achieving them; but in most instances no state and no private actor, however rich and powerful, can achieve them alone. Only by acting together, by cooperating across borders, can problems like these be effectively and efficiently addressed. International cooperation is in the national interest of all states.

Global public goods: What they are and why many are in short supply

International cooperation has many uses. It is a tool for altruistic purposes, importantly so; and it serves geopolitical interests, certainly. But it is also a tool for states to align their long-term, enlightened national interests to achieve common goals. Some of these goals are “global public goods”.

Technically, public goods are those that share two rare qualities—non-excludability and non-rivalry, in economists’ jargon. This means, respectively, that when provided to one party, the public good is available to all, and consumption of the public good by one party does not reduce the amount available to the others to consume. Traditional examples of national public goods include traffic control systems and national security—goods that benefit all citizens and national private actors but that none could manage or supply on their own initiative.

Public goods can be regional or global in character, as well as national. There are many cross-border challenges that are more effectively dealt with at the regional or global rather than the national level. Clear examples of regional public goods are the provision of tsunami early-warning systems, the management of river basins and measures to deal with region-specific vulnerabilities created by regional openness—for example, cross-border transmission of human and animal diseases.

The sphere of global public goods we are concerned with is delineated by issues that are broadly conceived as important to the international community, that for the most part cannot or will not be adequately addressed by individual countries acting alone and that are defined through a broad international consensus or a legitimate process of decision-making.

Global public goods are those whose benefits could in principle be consumed by the governments and peoples of all states. Examples include mechanisms for ensuring financial stability, the scientific knowledge involved in the discovery of a vaccine and international regulations for civil aviation and telecommunications. Once such global standards and systems are established, they are available to all states, and consumption of the good by one state or its people in no way reduces its availability to others.

If all states and people can benefit from the provision of global public goods, it seems logical that they should be easy to supply and should be available in abundance. But the opposite is true. In fact the very nature of global public goods means that demand will tend to outweigh supply. There are a number of reasons for this.

Sovereignty. Governments (or their citizens) are often unwilling to limit or constrain sovereign decision-making, for example by accepting binding rules or international monitoring of their own compliance with agreements. This weakens the prospects for cooperation by adding a high degree of uncertainty to most international agreements. This basic problem underlies all the others.

Differing preferences and priorities. Governments often have divergent short-term interests in specific solutions even where they share common long-term goals; moreover, even the long-term goals themselves may resonate differently for different governments. Climate change, for example, impacts differently on different countries, and in the short-term some may even profit from changes to the local climate. Thus the “good” in global public goods is often contested. What might be a highly desirable public good for one country or group of people might not be so for another.

The “free rider” problem. Once a public good is produced and made available to one, in principle it becomes available to all and it is hard to exclude others from its consumption. Consequently there is an incentive for every party to wait until another provides that public good, then enjoy its consumption.

The “weakest link” problem. Some global public goods can only be produced when every government fully complies with a common approach—such as in efforts to eradicate an infectious disease. Success can be eroded by a single act of non-compliance. This makes for arduous long-term problems of cooperation. And the risk of failure is such that it is hard to convince governments to make the necessary investments.

The “summation” problem. This occurs where the successful production of a particular global public good is literally the result or sum of the individual efforts of all the separate participants—such as mitigating global climate change. There are hard challenges in ensuring compliance and sustaining momentum with long-term global initiatives.

Purpose of the Task Force

Global public goods are not abstract concepts; they are instruments to address real-world problems. When they are not provided in adequate measure, global ills spread. It is as much avoiding these ills as providing the good itself that generates states’ interest. For example, no state has a desire to see its population subject to the spread of an infectious disease.

And though some countries will benefit in the short term from the local effects of climate change, in the long term the net global cost of dramatic climate change will outweigh most countries' specific benefits. Although states and their private sectors have different interests and stakes in the international financial system, only the most obstinate of governments fail to recognize that financial shocks are deleterious to all. In the absence of the international trade regime the global economy would sharply contract, and most economies and most people's livelihoods would suffer as a result. Perhaps most importantly, all states and populations will lose if there is a further erosion of international peace and security.

More positively, investment in global public goods can propel efforts to achieve key development goals. As an example, financial stability is critical to achieving broader economic development. Similarly, improving the international trading system to bring it closer to an actual most-favoured-nation mechanism, eliminating harmful tariffs and subsidies including on agricultural products, will bring substantial development benefits. Of course the achievement of peace and security underlies development just as development underlies international security.

It was for the purpose of elucidating the concept of global public goods, and proposing ways to improve their provision, that this Task Force was created. Our report explains the concept of global public goods using historical evidence; illustrates their importance by highlighting six priority global issues where their provision is critical; suggests broad strategies in those areas for more effectively providing the good in question; and makes more specific recommendations for the kind of structural changes needed at national and international levels.

Our report concentrates on the specific challenges posed by the need for international cooperation. This does not negate a recognition that the national level is critical in the provision of global public goods. Indeed we stress the principle of subsidiarity—solving problems closest to where they occur. But the most enduring difficulties in providing global public goods are found at the international level, and it is at this level that we have been mandated to focus our analysis.

At the local and national level the provision of public goods is typically organized by the state, with authority to tax, regulate and even coerce to ensure such provision. At the global level there is no institution with equivalent powers. For good reasons, there is no world government with the authority to tax, to conscript, to regulate or to quarantine. Therefore, at the international level, action to initiate the provision of a public good has to be voluntary. But, given the natural reluctance of national states to

constrain their sovereignty, as well as the free-rider problem, voluntarism to trigger the provision of a global public good does not occur easily.

Historically it has proven necessary for one or several countries with an enlightened vision and clear sense of responsibility to ignite the processes conducive to the solution of problems that may affect all of humanity.

The question is: it is up to whom to play this role in our time? We submit that it is up to the countries that are relatively more prosperous, with larger populations, bigger defence and security capabilities, that have been historically influential and that, typically, have benefited the most from the rule-based multilateral system. These countries have a special responsibility to catalyse action for improving the provision of global public goods. These countries have the responsibility to move first towards goals for the good of everyone, putting forward initiatives for enhancing cooperation and committing resources for their effective realization. And when this happens, international leadership emerges, not as an imposition, but as a natural result of the assumption of responsibility. With this type of leadership countries can stimulate change and use their position to persuade others to participate in common endeavours to advance global goods or tackle global ills.

The difficulties involved in cooperating to provide global public goods can be overcome when three critical factors are present: first, the catalytic leadership and action described above; second, effective institutions for the delivery; and third, adequate and appropriate financing.

Priority global public goods

To illustrate the importance of generating greater provision of global public goods, we have focused on six whose provision is critical: preventing the emergence and spread of infectious disease; tackling climate change; enhancing international financial stability; strengthening the international trading system; achieving peace and security, which underlies and is essential to all the others; and the cross-cutting issue of knowledge.

Preventing the emergence and spread of infectious disease. Infectious diseases have the potential to threaten the health of every person and the prosperity of every nation. National health defences are inadequate and will not work in isolation. The actions of other countries matter to any nation seeking to defend its population. Ideally the risk of emergence and spread of infectious disease would be met by a fully func-

tioning surveillance system and a fluid supply of vaccines for the most deadly diseases. An immediate strategy to control infectious diseases would entail the following three elements:

- Improving the global preparedness-to-response chain through five steps: preparedness—creating mechanisms for effective production and distribution of vaccines and early and strategic use of antiviral medicines; prevention and treatment—giving equal weight to both; surveillance—building surveillance capability through the creation of a network of regional health centres overseen by the World Health Organization; reporting—establishing compliance mechanisms for full transparency of member states to complement the revised surveillance protocols; and response—providing the additional human resources and financing required to increase the capacity to develop, manufacture and distribute new treatments and vaccines.
- Strengthening the capacity of public health systems of developing countries to prevent and treat infectious diseases through injections of financing and human resources.
- Increasing knowledge for vaccines and treatment. The dearth of research for preventing infectious disease and containing epidemics in tropical countries can be redressed by establishing a network of research facilities specializing in tropical diseases, guided and financed by an international consultative group, and endorsing and adopting the proposal to use advance market commitments to create incentives for innovation.

Tackling climate change. A growing body of evidence demonstrates that global warming is occurring and the pace of change is increasing. Its long-term consequences will likely be severe. The most efficient response is to broaden the use of carbon taxes, which would both reduce emissions of carbon dioxide, the most important greenhouse gas, and generate revenues to pay for global public goods. There currently is a reluctance to consider the international adoption of carbon taxes. Hopefully this reluctance will be overcome in the future. In the meantime the international community should not settle for less than the following four priority strategies:

- Emissions caps and trade—Governments should agree on technology-forcing targets and timetables as well as a cap-and-trade scheme to control emissions. Developed countries would adopt a specific target, and developing countries would

adopt differentiated targets—first increasing emissions to meet immediate economic development needs, but then stabilizing emissions and eventually reducing emissions by a set date, all while increasing their energy efficiency.

- **Clean energy technologies**—Substantial emissions reductions will require a technological revolution. Coordinated responses could include establishing an international consultative group on clean energy research; encouraging diffusion of new greenhouse gas-efficient technologies; adopting incentives to assist developed countries to increase the efficiency and reduce the cost of clean energy technologies through research and development (R&D), as well as adopting specific targets; and creating incentives to encourage further action by private companies, who will be critical to any prospects for large-scale technological innovation.
- **Adaptation**—Developing countries will need assistance in reducing their vulnerability and enhancing their preparedness to respond to climate change. Potential strategies include increasing and sustaining financing to strengthen adaptation capacities; supporting the Consultative Group on International Agricultural Research in its work on tropical agricultural R&D programmes; and ultimately delivering new seeds and breeds tolerant to climate variations.
- **Capacity building**—A comprehensive approach to capacity building in developing countries is key for creating and disseminating clean energy technologies, establishing carbon markets and implementing international protocols.

Enhancing international financial stability. Policies and actions that promote financial stability and prevent instability are clearly in the international public interest, for financial turbulence tends to spill across borders and has substantial economic and social costs. With a greater sense of urgency than has been demonstrated over the last few years, the international community should focus on four priority actions:

- **Crisis prevention**—Stronger macroeconomic, financial and exchange-rate policies are critical for both developing and developed countries. It is essential that the International Monetary Fund (IMF) ensures even-handed treatment on exchange-rate monitoring and other surveillance issues of all member countries—including through a new procedure for multilateral surveillance.

- Crisis management—For crisis management further progress is needed on three mechanisms: sovereign debt rescheduling and restructuring among bondholders, including collective action clauses in new bond issues; further application of the Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets; and development of an insurance-type instrument. Alongside these measures, the IMF must pay more attention to the impacts of policy options on the most vulnerable sections of society, both in its surveillance work and in crisis management.
- Combating money laundering—The inadvertent assistance provided to criminal elements for the cross-border financing of illegal and terrorist activities is an important, negative side-effect of the global financial system. An effective response would involve the adoption of global standards on asset freezes and forfeitures and further efforts within the Organisation for Economic Co-operation and Development (OECD) to include tax evasion at home or abroad among the offences subject to prosecution. The IMF should also produce a periodic global report on money laundering.
- Strengthening the IMF—Any strategy for financial stability must ensure a strong and effective IMF. There are risks to the financial system, including the current account imbalances that loom over the international economy, the risks associated with undersupervision of derivatives and the intervention of large-scale hedge funds into the international capital market. We see the current moment of relative calm as a time for preparedness not complacency—an important opportunity to take the necessary policy, governance and financial steps to ensure the IMF is well prepared to take on future crises.

Strengthening the international trading system. Since the inception of the General Agreement on Tariffs and Trade (GATT) in 1947, a process to build a rule-based multilateral trading system has been taking place. This system has supported the progressive liberalization of international trade, which, in turn, has been a chief engine of global economic growth for well over half a century.

Despite its remarkable evolution, the multilateral trading system is not quite as global, as public or as good as potentially it can be. Notwithstanding the ideal of universality and the principles of reciprocity and non-discrimination that have been present since its origins, as the

system has grown, over time it has accommodated rules that, in contradiction to those principles, allow for discriminatory treatment of products and trading partners.

The system has permitted greater protectionism in products of significant export interest for developing countries. The provisions allowing for special and differential treatment for these countries, and the trade preferences granted by developed countries do not compensate in any meaningful way for the trading opportunities missed as a consequence of the remaining protectionism. Objectively, the system is unbalanced against the interests of developing countries.

Balancing the system to make it more supportive of developing countries' development was a core objective of the Doha Round—dubbed for this reason the development agenda—launched in November of 2001. But this sense of purpose was short-lived. In fact, a total suspension of the negotiations for lack of agreement on any of the important issues occurred in July 2006.

The main reason for the Doha breakdown is to be found in the agriculture negotiations. The majority of developed countries have resisted effective liberalization in farm trade all along. Years of negotiations could not make these countries agree on formulas that would effectively open their farm markets to imports and significantly reduce their most distorting farm subsidies. In fact what was brought to the table even up to the very collapse of the talks would have accomplished little to open up agricultural markets and to temper the huge distortions caused in those markets by the high subsidies granted by OECD countries to their farmers.

The cost of failure in the Doha Round is not only the income opportunities forgone for both developed and developing countries that its successful conclusion would provide, but more importantly the losses that all will incur if the system is allowed to deteriorate and eventually proves incapable of preventing countries from back-pedaling into protectionism, as has happened before in history. Despite its achievements, the multilateral trading system is not yet a consolidated global public good. It remains vulnerable to serious erosion by episodes of protectionism. It also has limited capacity to support the integration into the world economy of many countries which have been left on the sidelines of globalization despite formally belonging to the World Trade Organization (WTO).

This Task Force endorses the full resumption of the Doha Round as soon as possible. But we believe that simply going back to the status

quo which existed before the suspension of the talks would be a futile and frustrating exercise. A more reasonable chance of success entails a two-part strategy:

- Commitment to agricultural reform—This involves a transparent agreement among the biggest beneficiaries of the multilateral trading system (Canada, the European Union, Japan and the United States—the so-called Quad) to commit at last to real agricultural reform, including ambitious reduction in trade barriers and abatement of trade-distorting subsidies, without the loopholes that they have systematically pursued. We suggest this should be a pre-requisite to restart the talks with a reasonable chance of success.
- An “aid for trade” fund—The Quad members, given their pre-eminence as providers of official development assistance, could also take the first clear steps to constitute an “aid for trade” fund to compensate the poorest countries for their loss of trade preferences and support them to improve their infrastructure and develop their export capacity.

The Quad would not need to grant unilaterally an offer of agricultural reform and aid for trade; the Quad could make it conditional upon satisfactory completion of the other key issues included in the Doha Development Agenda. An agreement of this kind among the Quad members most likely would have a powerful catalytic effect on the rest of the WTO membership. Other developed countries resistant until now to remove agricultural barriers would have to reconsider their positions. Large developing countries, that have had in rich countries’ farm protectionism a good reason (or the perfect excuse) for not moving in the negotiations, would also find compromise towards a good agreement to be inescapable. Finally, a solvent aid for trade fund would help in bringing other developing countries on board.

But the WTO trade negotiators’ capacities can never exceed the mandate received from the governments they represent. It will be up to the highest levels of political leadership to do what it takes to complete the Doha agenda.

Achieving peace and security. In the absence of an effective collective security system, not only will the levels of war, terrorism and other forms of strife increase, but international prosperity will be at risk or even reversed. There are many urgent and important policy challenges ahead in this area, but for present illustrative purposes we emphasize three fronts in need of urgent action: combating international terrorism;

nuclear non-proliferation and disarmament; and agreement on when the use of military force is legitimate. All of these rely significantly, in turn, on reforms to ensure that the United Nations (UN) Security Council has the authority to act and the means to succeed.

Detering international terrorism. Terrorism is truly a global phenomenon; nevertheless, there is no clear consensus on what are the necessary elements of a strategy to combat it. We concur with the UN Secretary-General that in fighting this scourge, five distinct goals have to be pursued simultaneously: dissuade disaffected groups from choosing terrorism as a tactic; deny terrorists the means to carry out attacks; deter states from supporting terrorists; develop state capacity to prevent terrorism; and defend human rights in the struggle against terrorism.

The pursuit of these goals requires the following operational elements: a protection strategy focused on preventive national security; safeguarding trade and transport routes and ensuring that potential terrorists have no access to fissile nuclear material; a strategy for enhancing cooperation among police, intelligence services and, in very extreme cases, military forces; a political strategy to tackle grievances that manifestly increase domestic support for terrorist actions; a capacity-building strategy to help states develop their own ability to combat terrorism; and a psychological strategy, including the universal adoption, by a vote at the General Assembly, of the definition of terrorism proposed by the UN High-Level Panel on Threats, Challenges and Change. Among other elements, that definition describes terrorism as any action that is intended to cause death or serious bodily harm to civilians or non-combatants when the purpose of such an act, by its nature or context, is to intimidate a population or to compel a government or an international organization to do or to abstain from doing any act.

Preventing the spread and use of nuclear weapons. The establishment of the Nuclear Non-Proliferation Treaty (NPT) and its related agencies, protocols and control mechanisms constitutes one of the most important accomplishments of the multilateral system. Yet, appallingly, several events have eroded the viability of the NPT, and successive opportunities to reverse that trend have been lost. Political attention to the disarmament agenda has receded, but the threat these weapons pose is growing. These developments are a recipe for mounting risk, possibly disaster.

To address this crucial issue we fully endorse the four sets of recommendations on nuclear weapons of the Weapons of Mass Destruction Commission (otherwise known as the Blix Commission): agreeing on the general principles of action—that is to say that disarmament and

non-proliferation are best pursued through a cooperative, rule-based international order, negotiations on which need urgently to be revived; reducing the dangers of present arsenals by securing nuclear material, taking nuclear weapons off high-alert status, prohibiting the production of fissile materials and adopting no-first-use pledges and other security assurances; preventing proliferation, including by bringing the Comprehensive Nuclear Test-Ban Treaty into force, reviving the fundamental commitments of the Treaty on the Non-Proliferation of Nuclear Weapons, continuing negotiations with Iran and North Korea towards their effective and verified rejection of the nuclear option and exploring international arrangements for an assurance of supply of enriched uranium fuel; and working towards outlawing nuclear weapons, including by implementing regional nuclear-free weapons zones and by prohibiting any stationing or use of nuclear weapons in outer space.

Criteria for the use of force. No issue has been more controversial in recent years than the use of military force. We insist on the urgency of the adoption by the Security Council and endorsement by the General Assembly of five key principles of legitimacy for the use of force applied in conformity with the charter of the United Nations: seriousness of threat; proper purpose; last resort; proportional means; and balance of consequences.

Generating knowledge. Knowledge is perhaps the clearest example of a public good. Once knowledge is generated it can be shared, in principle, by many people at the same time and it is hard for creators of knowledge to maintain exclusive property of it. Hence, if left to market forces alone, there would always be a tendency to underinvest in the generation of knowledge. Knowledge is not only a national public good but a global public good as well, because its diffusion is not stopped by borders. People in any nation could in principle benefit from scientific or technological knowledge produced in other nations.

Knowledge is by itself critical for development, at the same time as it serves as an input to the provision of other global public goods. The spontaneous globalization of knowledge does not occur, however, largely because many countries, due to deficiencies in their educational systems, have limited capacity to assimilate existing and new knowledge. Another important barrier to spontaneous globalization is that knowledge has been made to some degree excludable by the adoption of intellectual property rights. The most important step taken recently to protect intellectual property rights has occurred on the multilateral front with the

adoption of the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

This and other changes in the intellectual property system have resulted in a relative contraction of the common knowledge platform. The knowledge gap between the rich countries and the majority of poor countries is widening and with it the possibilities of closing the development gap between them. Furthermore, the role of knowledge as an input for the production of other global public goods is also being limited by the protection of intellectual property as clearly exemplified by the cases of R&D for disease control and climate change.

The Task Force strongly endorses two types of initiatives. First, those aimed to enhance the common knowledge platform through international partnerships. Specifically, donor countries should expand their financial commitments to enhance the global research and information capabilities necessary to overcome some crucial problems in the areas of rural development, environment and health in the poorest developing countries. It is essential to ensure additional funding for the institutions already conducting research in these areas, particularly the Consultative Group on International Agricultural Research and the various partnerships in the medical sectors. On health, serious consideration should be given to the creation of new partnerships, preferably a network of research facilities specializing in tropical diseases.

Second, the Task Force endorses initiatives aimed to balance the effects of TRIPS on developing countries. Specifically we call for the establishment of a multilateral agreement for access to basic science and technology (ABST) to facilitate the transfer of scientific knowledge and technological information to developing countries. Through ABST, developed countries would be committed to support poor countries in enhancing their capacity to assimilate, diffuse and generate knowledge. With the necessary safeguards, ABST would adopt regimes to allow researchers from all countries to compete for local research grants and for increasing global access to research outcomes. These regimes should be built on the most-favoured-nation and national treatment principles.

Improving the provision of global public goods

We conclude, as others have before us, that the best hope for generating the kind of catalytic leadership necessary for the provision of global public goods lies with the establishment of a new, informal forum. We propose,

accordingly, a Global 25 forum that brings together the heads of state and government from the developed and developing countries that are the most responsible, capable and representative, as well as relevant representatives of other groups and regions. With appropriate links to existing formal institutions, such a forum could do much to spur action towards shared goals. And without such a forum—that marries inclusion and agility—it will be extremely hard to achieve the reforms to international policies, institutions and financing necessary to achieve common goals.

But we cannot stress enough that such a catalytic forum must be matched to—indeed it must strengthen and make more effective—formal institutions and the wider process of negotiation and decision-making. This process is necessary to ensure that all states have a chance to express their preferences and participate in the authorization, or rejection, of action, even if the direction is initially set by the Global 25. That the legitimacy of the decision-making mechanisms of the major international institutions is in doubt poses a major obstacle to this process, one requiring structural reform. We thus add our voices to those who have called for reforming the mechanisms and representation of the UN Security Council and the governing bodies of the IMF and the World Bank, as well as the broader UN system—reflecting its dual roles in promoting development and managing global issues.

The effectiveness of international mechanisms needs also to be enhanced through improved accountability, starting with greater transparency. Such reforms will also aid national mobilization and resource commitments.

Effective institutions: governance and accountability

In most cases, producing a global public good will require action by international institutions, including building on, reinforcing and often coordinating national action; channelling funds to national programs; monitoring and reporting on progress; and, in a growing number of issue areas, considering and implementing decisions taken at a global level. Thus the quality and the management of international institutional capacity are vital for the provision of global public goods. The greater concern is with the question of whether or not, systemically, international institutions have been suitably adapted to play an appropriate role in the provision of global public goods.

Of major concern is the need to improve the governance and enhance the legitimacy of the key international institutions, with par-

ticular focus on the representation and voice of nations. With regard to the IMF, and in line with the IMF Managing Director's strategy, more weight should be given to the most underrepresented countries in the governance of the IMF to better reflect the changing structure of the world economy. In the World Bank, developing countries should be more fully represented on its board. The almost identical composition of the IMF and World Bank boards is outdated and should be replaced by boards whose composition better represents the interests of the key stakeholders and the mandates of the respective organizations.

The UN Security Council's ability to maintain international peace and security would be strengthened by reforms to its membership and abolition of the veto. If this ideal reform cannot be attained, an interim strategy is to add elected, but renewable, seats to the Security Council, open primarily to the states within regional groupings that make the largest financial, military and political commitments to the UN—the "Option B" proposed by the UN High-Level Panel on Threats, Challenges and Change.

We also call for three additional reforms to increase the accountability and effectiveness of international institutions: improved data on the costs and benefits of global public goods, better monitoring of compliance with international obligations and independent evaluation of the performance of international institutions.

Enhanced support to and use of evidence-based research is an essential step for more effective management of global issues. One important source is the research departments of specialized agencies. The value of their work would be stronger were such agencies to develop a well coordinated research programme focused on the costs and benefits—and distributional impacts—of global public goods. OECD can play an important role in this regard. Institutional research should be supplemented by independent scholarly research and assessment. Governments and the private sector should sponsor independent research capacity and the development of research networks on global public goods.

More consistent monitoring of state compliance with international obligations is a second necessary reform. In international negotiations governments should encourage the adoption of formal—or, if necessary, informal—monitoring mechanisms to accompany international agreements.

Better, more consistent and more independent evaluation of institutional performance would also enhance the accountability of institutions and help national governments make the case for investment. As

part of their reform programmes, international institutions need to set up or upgrade their monitoring and evaluation capacities, including those for independent evaluation of their own performance.

Together these reforms would enhance the governance, accountability and effectiveness of international institutions. Their ability to play their global role and aid national mobilization and resource commitments would be strengthened. The Global 25 would help initiate and monitor such reforms. They need to be complemented by a drive for greater accountability at the national level for states' international actions—a role perfectly suited to civil society actors and national electorates.

Adequate and appropriate financing

As emphasized already, stronger national engagement and leadership on global issues are critical for determining the appropriate policy and institutional frameworks and setting priorities for the provision of global public goods, thereby also determining financing needs. Similarly, national governments bear the primary responsibility for ensuring that financing needs for global public goods are met through direct public funding and appropriate incentives and regulatory frameworks that stimulate private funding and the use of market mechanisms.

Nations will gain major benefits by increasing their expenditure on global public goods. Initial cost-benefit analyses of various global public goods confirm that money spent on providing them can produce significant savings compared to the cost of dealing with the ills that arise when such goods are not provided, including financial shocks, spread of new diseases, nuclear proliferation crises and so on. Indeed past experience demonstrates very high benefit-cost ratios for global public goods. This suggests that significant additional expenditures on global public goods are well justified.

We are, however, concerned that increased financing for global public goods could crowd out traditional development assistance. Most donor countries have few funding sources to pay for global public goods activities in developing countries, except for those that can be considered to fall within official development assistance (ODA). For instance, money spent on building public health capacity in developing countries will have development results and will also contribute to global efforts to combat infectious disease. Going forward, the international community will have to ensure that funding of global public goods is

made on its own merit and that the development purposes of ODA are not eroded. Indeed governments will have to ensure that global public goods spending is additional to ODA.

Turning now to how additional financing for global public goods can be provided, we recommend a five-part strategy:

Make better use of existing resources. For governments to convince sceptical publics of the value of investing in global public goods they will have to demonstrate better use of resources. Improved governance and increased accountability of international institutions are critical as discussed above; so are increased international efforts to combat corruption and money laundering. Such improvements would enhance the credibility of multilateral cooperation and, hence, improve the prospects for additional funding for global public goods.

Improve resource mobilization by applying emerging best practices for fund raising. The best results have been achieved from the use of regular multiyear funding cycles, or replenishments, of global programs and institutions with particular attention given to effectiveness and results and to fair sharing of the financial burden. The governing boards of those organizations—mostly UN funds and programmes—that currently have ad hoc or annual funding cycles should explore such new funding models that would allow them to demonstrate results and to be held accountable for their actions, drawing on best practices.

Improve national financing systems for global public goods by:

- Revising national budget mechanisms to allow for greater flexibility in spending abroad, including creating new mechanisms for more flexible use of domestic sectoral budgets to pay for international activities and capacity building within those sectors.
- Adopting dual-track national budgeting systems to ensure that global sectoral spending is properly allocated in national budgets and not incorrectly allocated against development budgets.
- Tracking expenditure on global public goods by introducing a line item for them in the OECD statistics. Once new statistics are established, a “league table” of global public goods spending could be published to encourage governments. It is important that the OECD elaborates its mechanisms for cooperation within the context of its growing cooperation with the major developing economies who are important contributors to global public goods expenditure.

- Fulfilling pledges for increased allocations for development assistance and ensuring that sufficient resources are provided for development activities that are also critical for the provision of global public goods (such as health sector capacity building).

Work with the private sector and markets. Governments should also do more to tap the energy and initiative of the private sector (including civil society) and markets and to take advantage of the specialized knowledge they can bring to bear. Examples include recent developments in emission permit trading and advance market commitments. We envisage market-based approaches being expanded to address other global issues, in particular in the areas of health, environment and knowledge. Governments should provide the necessary regulatory frameworks and incentives.

Adopt innovative arrangements for financing. In addition to broader partnership with the private sector, governments should make greater use of innovative sources of financing. Among the various proposals for innovative financing arrangements at the international level, we see most merit in, and endorse, the airline ticket solidarity contribution and the International Finance Facility. We also urge governments to consider adoption of carbon taxes.

Taken together these reforms would help ensure adequate and appropriate financing of critically important global public goods. And again, the Global 25 would help initiate and monitor these reforms.

Conclusion

Transcending current international political divisions, the litany of failed reforms or missed opportunities and mounting dissatisfaction with the governance of the major international institutions will not be an easy task, or one that can be accomplished quickly. It will take sustained efforts over time.

Moving forward in this direction requires action from all sectors—government, private and civic; and national, regional and international. The net result would be an international system more able to supply global public goods—in other words, a system less divided and more concerted in its action, more capable of joint, global action and less vulnerable to global ills. It would be a good, surely, to be desired by all.

About this report



This report explains the concept of global public goods using historical evidence and illustrates their importance by highlighting six priority global issues where their provision is critical. It suggests broad strategies in those areas for more effectively providing the good in question, and it makes more specific recommendations for the kind of structural changes needed at national and international levels.

The world's promise can be realized and its perils restrained only through extensive and ambitious cooperation across borders. Ours is a world of shared risks and common opportunities, grounded in the realities of mutual dependence and growing interconnection. All peoples' health, security and prosperity depend in part on the quality of their international cooperation, as does the health of the environment.

Because this is so, international cooperation has evolved from being a sphere of interstate negotiations on foreign policy matters to a central part of how governments and people manage their day-to-day lives. And it has been a powerful and tangible force for progress. Past successes provide solid evidence for what can be achieved in the future. With shared vision and collective action, major accomplishments can be realized. The spread of infectious

diseases can be halted, their effects cured. Climate change can be slowed, its effects mitigated. International terrorism can be deterred, and the use of weapons of mass destruction prevented. These goals are difficult, but achievable. So too is the goal of expanding the prosperity that arises from a combination of peace and security, financial stability and international trade.

These global issues pose special challenges. In broad terms the goals are widely shared, and all states have national interests in achieving them; but in most instances no state and no private actor, however rich and powerful, can achieve them alone. Only by acting together, by cooperating across borders, can problems like these be effectively and efficiently addressed. International cooperation is in the national interest of all states.

