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THE LENS OF GLOBAL PUBLIC GOODS:  
ITS ANALYTICAL AND PRACTICAL-POLITICAL  
RELEVANCE

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## Introduction

No need to worry: Global public goods are *not* a new, additional set of problems confronting humankind. "Global public goods" is just a concept, offering a fresh perspective on global challenges, and as we will argue in this presentation, a better understanding of today's major policy challenges and how we could respond to them in a pragmatic and practical way. "Global public goods" are a lens that can help sharpen our vision and allows us to see more clearly feasible next steps.

In order to elaborate this point, the discussion will proceed in *four steps*:

- How to define global public goods? Or put differently: "How to recognize them when we see them?"
- How important are global public goods to our daily lives?
- Looking at global public goods from the special viewpoint of developing countries;
- Possible policy responses to enhance the provision of global public goods.

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## I How to Define Global Public Goods?

*Global* public goods (GPGs) are a special category of public goods. So in trying to understand the term "GPG", it is best to start with the general concept of public goods.

### Introducing public goods

Public goods as here defined are those that can be--and often even, must be--consumed by all. Put differently, public goods are the "things" in the public domain: the air; sunlight; traffic noise; law and order, or when those are absent, street crime and violence that affects innocent by-passers randomly; peace and security; financial stability; or the knowledge and information floating through the corridors, market places or the Internet.

As the foregoing list of examples suggest, public goods fall into three main categories:

- Goods that cannot be made excludable (even if one were to try to do so). A case in point: the sunlight.
- Goods that are placed into the public domain by policy design: e.g. "law and order", or in many societies also, basic health care and basic education (because they not only generate private benefits for the person, who is healthy and educated, but also important positive externalities, i.e. benefits for society as a whole); and
- Goods that could be made excludable but left in the public domain either due to lack of knowledge, because of the "capture" of policymakers by certain lobbies (e.g. representatives of polluting industries), or simply, due to oversight and neglect. Examples could be: excessive traffic noise or water and air pollution through "dirty" industries.

What does this categorization tell us? The message clearly is that a good's privateness (i.e. its consumption being the exclusive and excludable right of its owner) or publicness (i.e. its being there to be consumed by all) is often not an innate property--a fixed and unchangeable characteristic of the good. In fact, there are very few goods that are naturally public, i.e. which cannot be made excludable. The sunlight, the moonlight and also "conditions" such as peace and security could be mentioned. But in many other instances, privateness and publicness are social constructs. They are human-made, reflecting policy choices.

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It is important to keep this aspect, the social-construct nature, of public goods in mind, when now moving on to defining *global* public goods.

### **Adding the global dimension**

Simply put, global public goods are public goods that do not "respect" national borders. Some public goods are *naturally global*. We mentioned already the sunlight and could add as further examples, the atmosphere or the ozone layer. Yet many others have been *made global* and constitute in a way previously national but now globalized public goods. Just think of financial stability, food safety or public health. When national borders were still more closed, these public goods could be provided through national policy actions. Today, in the wake of increasing openness of borders, national-level policy measures alone often do not suffice any longer. Globalization has led to an interlocking of national public domains. Hence, national-level public policy today needs more and more to be complemented by international cooperation efforts in order for globalized public goods to be available to local communities.

But what about the naturally global public goods like the atmosphere? This category of GPGs poses a similar challenge of cross-border cooperation. Remember, many of these goods are non-excludable; and this is so because we cannot reach them or fence them in. So in order to reduce the risk of their overutilization,<sup>1</sup> we have essentially two policy choices available: 1) to insert between us humans and the global commons a barrier (e.g. pollution permits); or 2) to invent and disseminate new technology that allows us to be less polluting. Both, the "pollution permit system" and the "clean energy system" would be intermediate global public goods, a management regime, for producing the final GPG "climate stability". Put differently, we would try to protect the essentially non-excludable atmosphere through a public policy shield composed of a net of harmonized national public goods (or policy regimes).

Therefore, GPGs can be said to be public in consumption as well as public in provision. In most instances, it is not possible for any one country to achieve them by "going it alone".

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## **II How Important are Global Public Goods to Our Daily Lives?**

As is perhaps already evident from the foregoing, public goods, including global public goods, are critical to people's well-being and the prosperity of nations. Consider the following examples:

- SARS has in recent weeks driven home the message of health interdependence; and so does of course in most winters one or the other type of flu, occasionally resulting in outbreaks that can evolve into epidemics.
- As world economic growth is slowing and financial markets are becoming jittery, don't even those with comfortable incomes and savings begin to worry about their financial security?
- As our daily food-basket is more and more international in its composition, don't many worry about how well and reliably food safety standards are being maintained in the countries of origin?
- Are people in industrial, northern countries still enjoying the sun as thoroughly as they did when there was no concern about the ozone layer?
- Are those who use airplanes for business or leisure purposes still able to do what the plane's captain tends to suggest, viz. to "sit back and relax"? Is not deep down in their mind some worry about international terrorism?

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<sup>1</sup> It is probably useful to indicate here that public goods, including global public goods, tend to come in a so-called "pure form" and in an "impure" form. Pure public goods are carrying to characteristics of publicness: they are non-exclusive and non-rival in consumption. Non-rivalry means that one person's consumption of the good does not diminish its utility for additional consumers. The impure public good carry only one property of publicness, i.e. either non-rivalry in consumption or non-exclusiveness. The global natural commons are mostly non-exclusive (because non-excludable) but rival in consumption.

- Will those struck by diseases such as HIV/AIDS, malaria, SARS, or tuberculosis have access to affordable medicines or will the global system of knowledge management cater only to the rich segments of the global public and ignore the poor--to the detriment, however, of all, resulting in global inefficiency?
- And of course, there is the question of what kind of world political order do we bequeath to our children: a world whose social fabric is fraying?; or a world marked by clashes between civilizations or conflicts between rich and poor?

Global public goods touch our daily lives, wherever we live and to whatever income group we belong. They are not an issue "out there", for others to worry about: they are our, *the public's*, concern.

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And therefore, we, *the public*, need to act and demand from our politicians, parliamentarians, government officials, diplomats, experts, scientists, that they help us to figure out which GPGs really matter and should receive preference over possible spending on private goods or other public goods, local, national or regional.

In fact, civil society has already become an active advocate for a number of GPGs. Just think of the strength of the environmental movement. Or, think of the engagement of civil society organizations (CSOs) for a free and fair multilateral trade regime. Or the landmines campaign! Business, too, is often demanding GPGs, such as an international harmonization of contract law or common banking standards. Both civil society and business find it sometimes easier than governments to think and act globally--beyond the confines of national borders. Therefore, it is primarily up to the public to generate demand for better policy attention to GPGs and for strengthened international cooperation.

But what precisely should one ask for? Since what is at stake are globalized public goods, the most obvious action would be to request those policymakers who have traditionally been in charge of the (now globalized) public good to deal with both, the good's domestic component and its new, additional, international cooperation component. Put differently, health ministers/ministries could, for example, address global health concerns; environment ministers/ministries global environment concerns; and agricultural ministers/ministries concerns of biotechnology, food safety and so on.

Needless to say that it would also be but logical, if it were the concerned technical/sector ministries that would program, and request necessary budgetary allocations for, the required international cooperation components of GPGs--and if the needed money were *not*, as it often happens, just "quietly" taken out of official development assistance (ODA).

In other words, the provision of global public goods requires in many instances: 1) that we continue to provide the national component of the good--but perhaps now, in a way that is more harmonized across borders; 2) that an international-level component be added, which could take the form of an international agreement and/or the form of an international operational cooperation program. The Global Environment Facility (GEF) is an example for the latter.

Note that some estimates suggest that the ratio between international-level action (spending) and national-level efforts in support of GPGs ranges between 1:400 and 1:200. In other words: The international-level component is but the dot on the "i". It is small but critical.

[Consider, for example, the production path of climate stability.]

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### **III Looking at Global Public Goods from the Special Viewpoint of Developing Countries**

Research has shown that just as our preferences for private goods vary with such factors as income, age, or geography, our preferences for public goods also vary. Hence, it is not surprising that developing countries tend to have different priorities for GPGs than industrial countries do. Malaria control, for example, is primarily in the interest of developing countries, while financial stability is more highly valued in developed countries (peace and security would be an example of a GPG that is valued equally by both developing and industrial countries).

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Developing countries tend to ascribe high priority to global public goods that they perceive as being important for their development and well-being. In fact, it can be argued that without an adequate provision of GPGs that matter to developing countries, development effectiveness and the realization of the Millennium Development Goals (MDGs) by 2015 will remain elusive objectives. Therefore, developing country strategies and international assistance should *explicitly* address the issue of "Which of a country's development goals can be achieved through domestic action alone? And where is international cooperation in support of a particular GPG required?"

For GPGs that are in the interest of developing countries, aid resources could be used to support their provision. To see why, it is important to distinguish the financing of aid from the financing of the provision of GPGs. Aid, ideally, is a distribution matter and primarily involves a resource transfer, mostly a flow of money from richer to poorer countries. Basically, it is guided by an equity rationale and is meant to help the poor. On the other hand, providing global public goods is mainly an allocation issue.

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Where a GPG is clearly and primarily in the interest of a developing country – as in malaria control for example – the use of ODA funds to enhance its availability is, given the rationale for aid, fully justified. Where a GPG is in the mutual, shared interest of industrial and developing countries, such as in the case of peace and security, a sort of "50:50" formula of cost-sharing could probably be employed. (And where the good is primarily in the interest of industrial countries, like in financial stability, or where a problem, such as global warming, has been primarily caused by industrial countries, resources that are new and additional to current ODA should be made available.)

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### **IV Possible Policy Responses to Enhance the Provision of Global Public Goods**

The most important step towards enhancing the provision of now lacking GPGs is, of course, to determine to which goods to give preference. There is nothing "good" about public goods. They are means of contributing towards economic growth and human development. And their provision should be improved to the extent that it fosters economic growth and sustainable human development. Five possible actions that could be taken in order to enhance the provision of global public goods are described below.

#### **1 Making cost/benefit analyses**

First, we have to ask, which GPGs promise high returns in terms of our private and social welfare? Is it beneficial to invest in the provision of global public goods? One way to assess whether this is a good investment is to compare the costs of enhanced provision with the costs of inaction – how much we have to pay to deal with the consequences of underprovision.

A preliminary analysis suggests that, indeed, it is cheaper to enhance the provision status of global public goods rather than dealing with the consequences of underprovision. The global public goods agenda is affordable.

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## **2 Developing strategies for securing the needed cooperation of others**

International cooperation, just like other economic and political activities, is worth engaging in if it makes "sense": if it yields a positive net-benefit. Of course, if "we" expect this, then "them", our potential cooperation partners, will most likely expect the same. Since international cooperation has to succeed voluntarily (given that there exists no analog of the state at the international level, i.e. no agent with coercive powers over others), it follows that it must generate clear and fair net-benefits for all (at least in the longer run and across various issue areas).

This also means, among other things, that our politicians and diplomats have sometimes to change gears. In an age of openness of borders, problems need to be resolved, lest they "travel" and affect us. Modalities of defense, competition and rivalry, or free-riding are counterproductive in the case of GPGs. If we want to enjoy certain GPGs, we need to think in "win-win" terms: all parties to a cooperation effort should be able to be better off with cooperation than without it. Otherwise, we will continue to suffer from the problems we typically see now: lack of compliance with treaties; lack of policy ownerships; and problems remaining unresolved, accumulating and becoming more and more difficult--and costly--to resolve.

## **3 Selecting the right tools for the right purposes**

Open any textbook of public economics and finance and it will tell you that different types of public goods and external effects require different policy responses. Some are best addressed through regulation, others through incentive measures or compensatory payments, and yet others through defining and assigning new property rights and creating new markets. And sometimes direct procurement of goods and services through state agencies is the most desirable path. The same, of course, applies in the case of GPGs.

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## **4 Creating political space for, and strengthening the voice of, all stakeholders**

Within the national context, it is by now largely self-understood that local-public-good issues are best decided locally; those of a provincial or state nature at the province or state level; and national ones at the national level.

The reasons underlying this principle of federalism or subsidiarity are of an efficiency nature as well as equity nature. Matching the span or circle of a good's benefits and costs with the circle of stakeholders, i.e. the size of the jurisdiction, which decides on the issue, can help avoid over- or under-provision; and it can help match the shape of the good to local tastes and requirements.

Internationally this matching of circles is still far from perfect. All too often, a few policymakers in powerful "clubs" take decisions affecting all. At first sight this may appear like being in the powerful's interest. But this is not necessarily so. Those who did not have a say often ignore decisions taken in this way. And sometimes, they also lack technical soundness, because the "few" simply are not sufficiently enough knowledgeable about the circumstances of the "many" others, and hence, many policy prescriptions are ill-fitting.

For international cooperation to succeed, a better matching of the circles of stakeholders and decision-makers is important.

## 5 Getting to the good through strategic management and partnering

The main organizing principles in today's world are economic sectors (e.g. health, industry, agriculture, or trade) and geography (especially countries and regions). But what we want to do when enhancing the provision of a GPG is to focus on a particular good, an issue such as HIV/AIDS control or financial stability.

Consequently, we may have to re-organize our world a little bit in order to get to the goods we desire. And because of this need, it is also not accidental that we have in recent times witnessed the emergence of so-called public policy partnerships--bringing together multiple countries, sector agents, and actor groups (states, CSOs, and private business). We have, in effect, also seen the creation of posts of "issue ambassador", e.g. for human rights, the environment, disarmament or trade. And we have seen more matrix management--between ministries of foreign affairs and sector ministries.

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## Conclusion

To conclude, let us think through the following questions:

- *Do we need the concept of GPGs?---*It seems the answer is "yes"--"yes", if you want to have a term to label the growing number of challenges affecting our lives in a public, and therefore, often indiscriminate way.
- *If we look through the GPG lens do we understand reality better?--*It seems "yes"--because, we now see for example, a new, hitherto largely neglected dimension of globalization, viz. the globalization of national public goods; we can even now disaggregate globalization and look at it on a GPG-by-GPG basis;<sup>2</sup> we recognize that each GPG follows a good-specific production path; and we also know that allowing some GPGs to be underprovided is much more costly than taking the necessary corrective action.
- *If we look through the GPG lens, would we choose to do things differently from how we are doing the now?--*It seems that most certainly this would be the case. For example, the GPG notion allows us to see more clearly why we have to check where best to put our money; and that even the biggest pile of private goods won't protect us against SARS or a world getting derailed by war and terrorism. It also explains why it is *the public* that has to demand of policymakers to be more concerned about GPGs. And it points to many other concrete--and importantly, most do-able--actions, such as the use of public policy partnerships, issue ambassadors, matrix management, and of course, the selection of the right tool for particular purposes.

The global-public-goods lens is intended to shed new light on how globalization could be better managed in the mutual interest of all. It is a simple analytical tool but one with potentially far-reaching consequences for the world's future.

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<sup>2</sup> Intriguingly, such a GPG-by-GPG perspective reveals that there are "satisfactory" GPGs, which are more or less acceptable to all, like for example, the international civil aviation network or the universal postal system; and there are contested ones, like the international financial architecture and the multilateral trade regime. The question is "Could we draw lessons from the former for better organizing the latter?"