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# Global Public Goods

A concept for framing the Post-2015  
Agenda?

*Inge Kaul*



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with contributions by:

Frederick Abott

Nick Drager

Christian Flachsland

Stephany Griffith-Jones

Helmut Reisen

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The lead author, **Inge Kaul**, is adjunct professor at the Hertie School of Governance, Berlin, and former Director of UNDP's Human Development Report Office and Office of Development Studies, UNDP, New York. She can be contacted at: [inge-kaul@t-online.de](mailto:inge-kaul@t-online.de)

The co-contributors are:

**Frederick Abbott:** Edward Ball Eminent Scholar Professor of International Law at the Florida State University College of Law

**Nick Drager:** Honorary Professor, Global Health Policy, London School of Hygiene and Tropical Medicine, and Professor of Practice, Public Policy and Global Health Diplomacy, Mc Gill University

**Christian Flachsland:** Head of Working Group on Assessments and Scientific Policy Advice, Mercator Research Institute on Global Commons and Climate Change, Berlin

**Stephany Griffith-Jones:** Financial Markets Programme Director at the Initiative for Policy Dialogue at Columbia University and former Professorial Fellow at the Institute of Development Studies, University of Sussex

**Helmut Reisen:** Head of Shiftingwealth Consulting, Professor of International Economics at Basel University and former Head of Research at the OECD Development Centre, Paris

© Deutsches Institut für Entwicklungspolitik gGmbH  
Tulpenfeld 6, 53113 Bonn  
☎ +49 (0)228 94927-0  
📠 +49 (0)228 94927-130  
E-mail: [die@die-gdi.de](mailto:die@die-gdi.de)  
<http://www.die-gdi.de>

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Inge Kaul

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## Abbreviations

|                 |  |
|-----------------|--|
| AIDS/ HIV       | Acquired Immune Deficiency Syndrome/Human Immunodeficiency Virus |
| CDM             | Clean Development Mechanism                                      |
| CO <sub>2</sub> | Carbon dioxide   |
| ETS             | Emission Trading System  |
| EU              | European Union   |
| G20             | Group of Twenty  |
| GISRS           | Global Influenza Surveillance and Response System                |
| GPG             | Global public good   |
| IMF             | International Monetary Fund                                      |
| IPCC            | Intergovernmental Panel on Climate Change                        |
| IPR             | Intellectual Property Right                                      |
| KP              | Kyoto Protocol   |
| MDGs            | Millennium Development Goals                                     |
| MRV             | Monitoring, reporting and verifying                              |
| NAMA            | Nationally appropriate mitigation action                         |
| ODA             | Official development assistance                                  |
| OECD            | Organisation for Economic Cooperation and Development            |
| PIP             | Pandemic Influenza Preparedness                                  |
| REDD            | Reducing Emissions from Deforestation and Degradation            |
| SDG             | Sustainable Development Goal                                     |
| SMTA            | Standard material transfer agreement                             |
| TRIPS           | Trade Related Aspects of Intellectual Property Rights            |
| UK              | United Kingdom   |
| UN              | United Nations   |
| UNDP            | United Nations Development Programme                             |
| UNFCCC          | UN Framework Convention on Climate Change                        |
| US              | United States  |
| WHO             | World Health Organization  |



## Summary

In about two-years time, on the eve of the Millennium Development Goals (MDGs) reaching their target date, United Nations (UN) member countries will discuss the post-2015 Agenda of inclusive and sustainable global growth and development during the 68<sup>th</sup> session of the UN General Assembly. The preparations for this debate are well underway. The UN Secretary-General has appointed a High-Level Panel to advise him on a possible vision and shape of the Agenda. The Rio+20 Conference also discussed this issue, and policy papers and studies suggesting goals to be included in the Agenda and how to monitor progress towards them are proliferating.<sup>1</sup>

### **The aim of this paper**

This paper intends to contribute to this debate by approaching the question ‘What should be the vision and shape of the Agenda?’ from a less conventional angle. It will not focus on which specific global goals the Agenda ought to define: Should it build only on the MDGs or also include the type of goals that have become known as Sustainable Development Goals (SDGs)?<sup>2</sup> Nor will it focus on how well the goals to be selected would lend themselves to monitoring and impact measurements.

Rather, the focus of this paper will be on what ought to happen ‘in the meantime’: How should countries, individually and collectively, go about governing the attainment of the many global goals that have already been established or will, in the future, be added to the list of global challenges? Thus, the main focus of this paper is on identifying the governance requirements posed by global challenges.

This question is important because at present we are being confronted with a lengthening list of global challenges. Many, if not most, have the character of global public goods (GPGs). They transcend national borders and often affect all, or at least a multitude of countries. Moreover, some of these challenges are likely to spread their costs and benefits across several generations – past, current and future. They are, as economists say, ‘public in consumption’.

Examples of GPG-type policy issues are global climate stability, international financial stability, communicable disease control, peace and security, the institutional architecture of international trade and finance, global communication and transportation systems, and global norms such as basic human rights.

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1 An overview of the preparatory process for the Post-2015 Agenda can be found at <http://www.un.org/millenniumgoals/beyond2015.shtml#What'shappening/>. For studies on possible Agenda contents and formats, see among others United Nations (2012a) and Bates-Earner et al. (2012).

2 The MDGS are composed of a list of eight main goals. These are: end poverty and hunger; achieve universal education; promote gender equality; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; and develop a global partnership for development. See, for more details: <http://www.un.org/millenniumgoals/>. A list of the current suggestions on SDGs is available at <http://www.uncsd2012.org/rio20/index.php?menu=115/>.

Unfortunately, many GPG-type issues today are not addressed with adequate provisioning, but linger in a state of underprovision, and, as some analysts warn, challenges are rapidly escalating into crisis. Considering this reality, it seems opportune to explore what insights we gain about the governance of global challenges when examining them through the analytical lens of GPGs; and what these insights suggest about how to frame the Post-2015 Agenda so that it stands a chance of fostering real and sustained progress.

Certainly, improved governance will not be a ‘silver bullet’ that solves all problems. Yet, it can be argued that it is a key, if not *the* key, to further progress. The reason is that effective and efficient – and, to those ends, open and participatory – governance can do much to create the right incentives for various actor groups to contribute their fair share to the attainment of agreed-upon goals – as scientists, inventors, investors, producers, or consumers.

So, what then are some of the governance requirements of today’s global challenges?

### **Global challenges seen through the lens of global public goods: the findings**

Analysing global challenges from the GPG perspective sheds light on four main facts that appear to be of special importance in the present context.<sup>3</sup>

*First*, many, if not most of these goods emerge from a multi-level process, requiring policy action at the national, regional and global levels.

*Second*, although inputs to be provided at the international level (e.g. multilateral agreements) are often critically important, the main ingredients of these goods tend to be policy initiatives that must be undertaken domestically, by several nations. No single nation, however powerful, can produce these goods on its own. GPG-type challenges depend on effective international cooperation and thus entail policy interdependence among countries.

*Third*, and following from the preceding point, an important ingredient of a number of GPGs is development, specifically strong policymaking capacity in developing countries. Conversely, an adequate provisioning of GPGs is ever-more important to development. This means that development cooperation and international cooperation in support of GPGs are closely intertwined. Though they do not constitute separate agendas, each needs to be governed according to its own logic. In the case of development cooperation, the primary focus must be on the country context; and in the case of GPG provisioning, it must be on the good whose provision level or shape is to be enhanced.

*Fourth*, preferences for GPGs, as well as various aspects of development, vary across countries. These divergences call for measures of ‘incentive tipping’ in order to align countries’ willingness to engage in international cooperation and to agree on taking corrective action.

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3 For a more detailed discussion on GPGs the interested reader may turn to Kaul et al. (2003).

What advice can we distil from these findings on the framing of the Post-2015 Agenda?

### **Key recommendations on the framing of the Post-2015 Agenda**

Considering the GPG nature of today's global challenges, including the close links between GPGs and development, and considering further the current and fluctuating patterns of global power relations,<sup>4</sup> and assuming that our goal is to foster more inclusive and sustainable global growth and development, it appears advisable to adopt a three-pronged approach to the framing of the Post-2015 Agenda:

1. To organise the Agenda as a *recurrent global policy loop*. This would be a country-driven process that starts, both in industrial and developing countries, with the formulation of national programmes of international cooperation. The process would subsequently move up, in order for countries to explore how best to combine national priorities with regional and global constraints and opportunities. In considering this issue, they ought to be supported by studies on the potential for cooperation within their region, as well as by global-issue studies. Then the process would move back down, setting up various tasks and functions at the level at which they could best be implemented. Periodically, the loop would be repeated so that the Agenda process advances through repeated cycles of review, learning, and flexible readjustment, as and when necessary.
2. To think positive-sum, i.e. to recognise that due to the advancement of democracy, as well as the due to the ongoing global power shifts, *fair and just international negotiations* are now key prerequisites to reaching international agreements and ensuring effective follow-up.
3. To utilise more fully the new and additional *resource-mobilisation opportunities* provided by GPGs in order to make meeting the Agenda goals more affordable.

If approached in this way, the Post-2015 Agenda would primarily be an *agenda of commitments to international cooperation*. It would not just set goals like 'halving poverty' or 'mitigating climate change' while failing to specify who would do what in order to progress towards those goals. Instead, the Agenda would specify the cooperation initiatives that countries wish to undertake, nationally (e.g. in terms of cross-border policy harmonisation or externality management) or internationally (e.g. in terms of providing finance for a global fund such as the Green Climate Fund).<sup>5</sup> It would essentially be a global partnership for doing together what needs to be done in order to foster inclusive and sustainable growth and development.

For each agreed-upon cooperation initiative one could identify the goals to which it is expected to contribute. And, of course, one would also make provisions for monitoring whether the expected impacts (e.g. reductions in terms of poverty or CO<sub>2</sub> emissions)

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4 Including those among countries as well as between state and non-state actors

5 For information on the Green Climate Fund, see <http://gcf.net/>.

are actually achieved. For this purpose, one could draw on existing indicator studies, including those undertaken in preparation for the Post-2015 Agenda. Regarding the ‘deliverables’, i.e. the international cooperation commitments that would form the core elements of the Agenda, if one were to follow the recommendations set forth in this paper, it would, in many instances, be necessary to develop additional indicators.

Yet, impact assessments of the agreed-upon international cooperation commitments would frequently show that one particular international cooperation effort can help achieve multiple goals. To stay with the international example of financing the Green Climate Fund, this measure could help improve mitigation and adaptation to climate change. But it could also contribute to energy security, alleviate water scarcity and prevent the emergence of new diseases or the resurgence of diseases thought to be under control. Growth and development, including concerns of sustainability would be promoted in an integrated way.

### **Complementary recommendations on institutional reform**

Evidently, a global-policy-loop approach to the formulation and implementation of the Post-2015 Agenda would not fit easily into the present governance moulds, as they have been set up for a world of relatively closed national borders, marked by a sharply-drawn foreign/domestic divide and international relations based, in large measure, on power politics. In many respects, this world still exists. Yet, parallel to it, there now is a world of economic openness and policy interdependence. Consequently, international relations have become more diversified; and so have the governance institutions, both nationally and internationally.

This paper draws attention to four institutional reforms that perhaps ought to accompany the Agenda process: creating an Agenda Support Facility for least-developed countries; adding issue-focus as a new organisational criterion; strengthening leadership for, and management of, the global public domain; and fostering enhanced awareness of what would constitute a smart exercise of sovereignty in policy fields of interdependence. In brief, the rationale for each reform is as follows:

- *Creating an Agenda Support Facility* – Today’s policymaking realities are complex, and ought to be complex, if we want them to also be more open and participatory, as well as more interlinked and coherent. As a result, though, the Agenda process outlined in this paper is also quite complex, as it takes account of the actual complexities present in the world. Therefore, it is important to be mindful of the differences in countries’ policymaking capacities. Thus, in order to ensure an ‘equal and level playing field’ it would be desirable to create an Agenda Support Facility for countries that need to rely on external expertise for Agenda-related purposes.
- *Adding issue focus* – At present, economic activities are mainly organised along geographic and economic-sector lines. However, GPGs not only depend on multi-level interventions, but also on inputs from multiple actor groups and multiple sectors. This fact calls for issue management: making sure that the right types of inputs are produced at the right time and in the right amounts. Of course, each

GPG requires different inputs from different actor groups. So, for issue managers to get the incentives for international cooperation right, it could even be advisable to break down complex issues like energy security or mitigation and adaptation to climate change into sub-components.

- *Strengthening the leadership for, and management of, the global public domain* – As more and more GPGs are placed in the global public domain, including more global norms and international regimes, such as multilateral trade, we are beginning to realise in specific instances that some of these goods conflict with each other. Just think of Trade Related Aspects of Intellectual Property Rights (TRIPS) and global health. Also, the global public domain is ‘littered’ with good intentions that are still awaiting full implementation. Just think of the shortfalls in terms of reducing world hunger or the slow progress towards the goals of mitigation and adaptation to climate change.

Moreover, as an international community we tend to act only following the outbreak of a crisis. So, for these and other reasons, it would be desirable to strengthen the leadership for, and the management of, the global public domain. A step in this direction has been taken with the creation of the G20 at the level of world leaders. Further steps would be desirable to promote more institutionalised, as well as representative forms of global leadership. While the aforementioned global-issue managers would function more on the side of operational implementation, global leaders would oversee the structure and functioning of the overall composition of the global public domain, fostering coherence, watching out for emerging risks and new opportunities.

- *Exercising ‘smart sovereignty’* – In many policy fields, competition and rivalry among countries will continue. Up to a point, this is healthy. However, in policy areas marked by interdependence and GPG-type issues, including linked development issues, fair international cooperation is often the better strategy – it is in countries’ own enlightened self-interest. Therefore, fostering inclusive and sustainable global growth and development in the post-2015 era will critically depend on a *smarter exercise of national policymaking sovereignty*. National policymakers must not shy away from international cooperation as a rule, but engage in it where it represents the best strategy for meeting national priorities.

### **Grasping the opportunity of the Post-2015 Agenda: entering a new era of multilateralism**

Few persons, if any, would question that the early years of the 21st century have been markedly different from the last decades of the 20th. This will undoubtedly be ever more the case as the current change processes, notably the ongoing shifts in global power relations, continue to evolve. This situation calls for policy innovation, especially because in some policy areas the world is fast approaching dangerous thresholds. With ‘business as usual’ we are on track to miss the 2-degree global warming limit, likely to see more human despair, and to blindly walk into a world of increased volatility, exclusion and non-sustainability. We are likely to generate the opposite of what we expect to achieve with the Post-2015 Agenda.

Therefore, now is the time to innovate.

In fact, many of the reform proposals set forth in this paper already exist in an incipient way. The demand and the capacity for more decentralised and participatory globalisation exist, as the emergence of the new economic and political powers and the growing trends towards regionalism indicate. Political preparedness for externality management is growing stronger. Just think of the many forms of ‘peer review’ and mutual reporting and accountability initiatives already ongoing in the international community. Or, consider the many civil-society organisations that support global environmental, food safety or ‘fair trade’ concerns. Being ‘green’ in one’s consumption or production is fast becoming a matter of personal pride and corporate social responsibility. The political support for smart sovereignty is broadening. Political leaders can increasingly campaign on such platforms.

Thus, it would be timely and, most likely, effectiveness-enhancing, if countries were to allow the Post-2015 Agenda to provide an outlet for this groundswell of change. The Agenda process should not be envisioned as one that must be ‘pushed down’, but instead as one that bubbles up – and then trickles back down. Because, contrary to what has often been argued in the past, development and growth can trickle down, provided they are embedded in a conducive institutional framework, including the type of global policy loop process outlined here.

In 2015, the international community has a unique opportunity to foster such an adjustment and lift the world into a system of governance and international cooperation fit for the 21<sup>st</sup> century. For world leaders to follow such a course of action, more policy research and development (R&D) needs to be undertaken. This paper only sketches the broad contours of a new agenda-framing approach. Many details still need to be worked out, including the question of which multilateral body or bodies would be mandated to undertake the synthesis of the national and regional programmes of international cooperation. These efforts would also need to be matched by, among other things, the proposed studies on global concerns like basic human rights and agreed-upon emission targets.

However, the main issue to settle first and fast is whether to follow the 20th century route of essentially top-down global policymaking (perhaps embellished with a bit more consultation than in previous years) or to work toward a decentralised, country-driven but globally embedded policy approach that is in tune with the realities of the 21st century.

## 1 Introduction

Looking at today's global challenges through the analytical lens of global public goods (GPGs), this paper argues that the GPG concept provides important insights about how we should *frame* the Post-2015 Agenda.

More and more policy challenges today have the character of a global public good (GPG). They pertain to things and conditions that transcend national borders and often affect many, if not all countries. Moreover, some of these challenges spread their costs and benefits across several generations – past, current and future.

Examples of GPG-type policy issues are global climate stability, international financial stability, communicable disease control, peace and security, the institutional architecture of international trade and finance, global communication and transportation systems, and global norms such as basic human rights.

As recent crises have shown, 'good' national policies – e.g. commitment to financial-market regulation, limiting trans-border pollution, reporting disease outbreaks, or respecting human rights – are, in many instances, key ingredients of an adequate availability of GPGs. Development depends on an adequate supply of GPGs; and an adequate provisioning of GPGs will remain an elusive goal without enhanced global development. Whether we live in the North or in the South, whether we are poor or rich, our daily lives depend, in large measure, on the adequate availability of these goods.

So, if we consider the GPG nature of today's global challenges *plus* the current – and still shifting – global power relations, including those among countries as well as those between state and non-state actors, and assuming that the end goal is fostering more inclusive and sustainable global growth and development, it is advisable to adopt a three-pronged approach to framing the Post-2015 Agenda:

1. To organise the Agenda as a recurrent global policy loop, that is, as a country-driven process that starts, in both industrial and developing countries, with the formulation of national programmes of international cooperation. The process would subsequently move up in order to explore how best to combine national priorities with regional and global constraints and opportunities. Then it would move back down, setting up various tasks and functions at the level at which they could best be implemented. This loop would periodically be repeated so that the Agenda process advances through repeated cycles of review, learning and flexible readjustment, as and if necessary.
2. To think positive-sum, i.e. to recognise that due to the advancement of democracy, as well as ongoing global power shifts, *fair and just international negotiations* are now key prerequisites to reaching international agreements and ensuring an effective follow-up.
3. To exploit more fully the new opportunities *for resource-mobilisation* provided by GPGs in order to make the Agenda's goals more affordable.

If approached in this way, the Post-2015 Agenda would differ from many of the Agenda proposals submitted to date in at least three important ways:

*First*, instead of being an essentially top-down process, it would be a genuinely global one: spanning the national (including local), regional and worldwide levels, on the upward, as well as on the downward path of the policy loop.

*Second*, it would not just call for goals like ‘halving poverty’ or ‘mitigating climate change’ while failing to specify who would do what in order to progress towards those goals. Instead, it would specify concrete *commitments to international cooperation*. These could be cooperation initiatives that countries undertake either voluntarily or based on an international commitment, nationally, e.g. in terms of cross-border policy harmonisation or management of cross-border spillover effects, or internationally, e.g. in terms of providing pooled finance for a mechanism such as the Green Climate Fund.<sup>6</sup>

*Third*, it would facilitate *enhanced coherence and efficiency*. For each cooperation initiative one could identify the goals to which it is expected to contribute. Of course, provisions would be made for monitoring whether the expected impacts are actually achieved. To stay with the international example of financing the Green Climate Fund, this measure could help improve climate change mitigation and adaptation. But it could also contribute to energy security, alleviate water scarcity and prevent the emergence of new diseases or the resurgence of diseases thought to be under control. In this way, issue managers could more easily recognise possible partnerships, avoid conflicts and strengthen synergy between issues.

It has not been for lack of good intentions that international cooperation has failed to fully meet previously agreed goals. Rather, what has been holding back progress has often been inadequate resourcing. Therefore, it appears desirable to focus the Post-2015 Agenda on concrete inputs of international cooperation. Those inputs should, of course, be deployed in a result-oriented way that allows states to sustainably achieve their respective policy goals – nationally, regionally and globally. Yet what good would it do to focus the Agenda only on the ultimate goals and remain non-committal about the critical aspect of international cooperation? Adequate GPG provisioning and development both largely depend on states pooling and coordinating their policy efforts. Therefore, this paper focuses on opening up what, in the Post-2015 discussions, has so far remained a more or less closed ‘black box’: the issue of governance, notably that of international cooperation.

But before discussing these points further, let us take a step back to consider the properties of GPGs that are of special interest in the present context (Section I). Section II then discusses the key features that would need to be embedded in the Post-2015 Agenda to ensure a fit with current policymaking realities. This discussion leads to the three aforementioned policy recommendations: to design the Agenda as a recurrent global policy loop; to pursue negotiation strategies based on positive-sum thinking; and to fully exploit the resource-mobilisation potential of GPGs. Lastly, Section III explores the institutional implications of approaching the Post-2015 Agenda in this manner.

The main conclusion emerging from this analysis is that fostering inclusive and sustainable global growth and development in the post-2015 era also requires taking a fresh look at the strategies that countries employ when pursuing their national interests.

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6 For information on the Green Climate Fund, see <http://gcfund.net/>.

National policymakers must not as a rule shy away from international cooperation, but engage in it where it represents the best strategy for meeting national priorities. This would be what is called here *exercising smart sovereignty*.

Of course, in many fields competition and rivalry among countries will continue. Up to a point this is healthy. However, in policy fields characterised by interdependence and GPG-type issues, fair international cooperation is often the better strategy – it is in countries' own enlightened self-interest. The special contributions by Frederick Abbott and Nick Drager, Christian Flachsland, Stephany Griffith-Jones and Helmut Reisen in the Annexes to this paper illustrate the scope for smart sovereignty that exists in select policy fields.

Thus, the approach to the Post-2015 Agenda suggested here is intended as a way of translating the principle of smart sovereignty into practical policy steps.

## **2 Introducing global public goods: the governance challenges they pose and their links with development**

The term 'global public goods' refers to policy challenges that go beyond national borders, potentially affecting many, if not all of us, for better or for worse. GPGs are things and conditions that are, as economists say, globally *public in consumption*.<sup>7</sup> (See also Box 1.)

However, publicness in consumption ought not to be confused with publicness in utility. Given that we are living in a world of wide-ranging differences and disparities, it is not surprising that countries' and people's *preferences* for GPGs often *vary* widely.<sup>8</sup> As a result, GPGs are often not what many tend to call them: Goods in the public interest that all enjoy, but highly contested and contentious issues. Just think of how controversial the norms on human rights have been. Yet norms are things in the public domain; and global norms are GPGs. Therefore, as stressed in Box 1, there is no value connotation attached to the term 'good'. It simply refers to the fact that something – an organisation, a disease, a new piece of knowledge or a crime – is in the public domain, potentially affecting all or anybody regardless of location.

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7 This section draws on Kaul et al. (2003). The interested reader may also wish to consult the following authors: On the concepts of public goods and externalities (or spillovers) more generally, Cornes and Sandler (1996); and on GPGs and the governance challenges they pose, Barrett (2007); Kaul (2013); Kaul / Grunberg / Stern 1999; Kaul /Conceição 2006a and Sandler (2004).

8 Studies on how and why preferences in respect to meeting global challenges differ between various actor groups have shown that a host of factors may come into play, among them the level of nations' development and income, geographic location, socio-cultural traditions, including equity considerations, as well as tolerance to risk and uncertainty; and the type of policy approach and instrument proposed to be adopted for addressing a challenge. From among the many studies that have been undertaken on the issue of varying preferences in respect to global challenges, see, for example, Swim / Becker (2012); the report on the Copenhagen Climate Change Conference in IISD (2009); Parnell (2012) on 'Who wants what from the Doha climate change talks'; and the Stern Report on the economics of the environment (2007), as well as the discussion on discounting and climate change to which it gave rise, e.g. the contributions to this debate in *Economists' Voice* June 2007 available at [www.bepress.com/ev](http://www.bepress.com/ev). Similar variations in preference are evident in other global policy areas, including international free trade (see Mayda et al. 2007) and health (see King et al. (2012)).

**Box 1: Introducing public goods and global public goods**

Standard economic theory distinguishes between two main categories of goods: private goods and public goods.

*Private goods* are goods that can be parcelled out and made excludable, so that clear property rights can be attached to them.

*Public goods*, by contrast, are goods that are non-excludable, meaning that the goods' effects (benefits or costs) are shared by everyone.

If a good is non-excludable and non-rival in consumption so that one person's use of the good or one person's being affected by it does not diminish its availability to others, the good is said to be purely public. Examples are peace and security. If a good has only one of these characteristics, it is impurely public. The atmosphere, for example, is non-excludable but rival in consumption, because unrestricted pollution can change its gas composition and contribute to global warming. Patented pharmaceutical knowledge illustrates a non-rival good, whose use has, at least for a limited period of time, been made excludable. So it, too, falls into the category of an impure public good.

The public effects of a good can be of different geographic – local, national, regional or worldwide – reach; and they can span across one generation or several generations.

*Global public goods* are goods, whose benefits or costs are of nearly universal reach or potentially affecting anyone anywhere. Together with regional public goods they constitute the category of transnational public goods.

It is important to emphasise that, in the present context, the term 'good' has no value connotation. It is used as a short form for the goods or products as well as services and conditions that exist in the public domain.

Also, in most cases, publicness and privateness are not innate properties of a good, but the result of social or political choice. Therefore, it is important to distinguish between the potential and de facto publicness of a good. For example, land can be freely accessible to everyone; or it can be fenced in, be made excludable.

Globalness is a special form of publicness; and in most cases, it, too, results from a policy choice, e.g. a decision to promote free trade or financial liberalisation. Thus, while some global public goods are naturally global and public, such as sunlight, many others are human-made, including the international communication and transportation systems or the goods of communicable disease control, financial stability or peace and security.

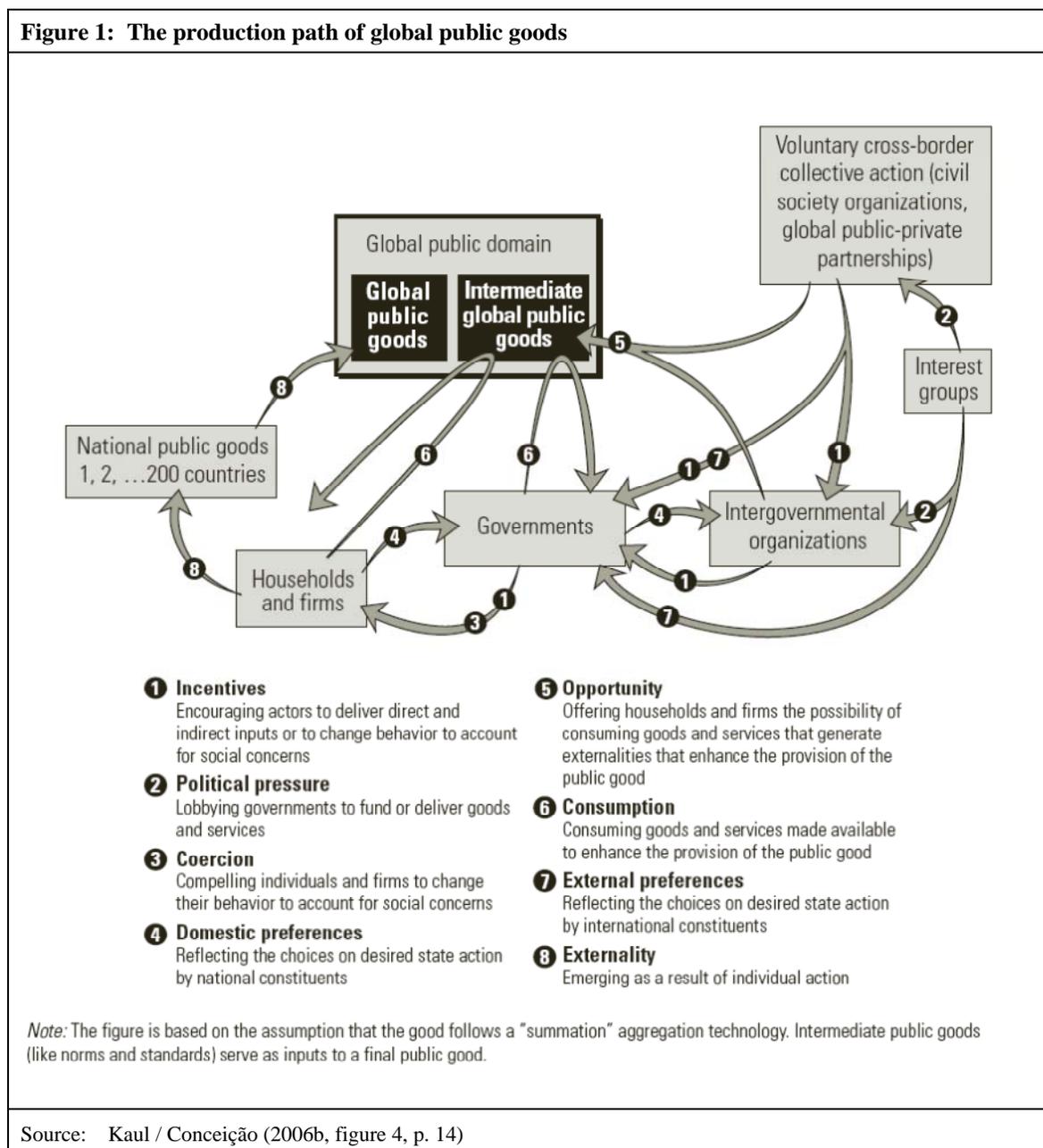
Source: This box draws on Kaul et al. (2003)

Yet many, if not most, GPGs are not only public in consumption but also *public in provision*. They emerge from a 'summation process', from policy actions that need to be undertaken in many, if not all countries. In fact, national-level policy reforms often are the main elements of a GPG. They may include such policy measures as an enhanced management of cross-border spillover effects such as financial contagion, or an internationally coordinated provisioning of national public goods such as property rights or trade and investment rules that facilitate the emergence and functioning of international markets.

Publicness in provision implies that if a country wants to alter the level of provision of a particular GPG, it cannot do this alone, at least not efficiently and effectively. Rather, it depends on international cooperation with other nations.

Of course, joint decision-making at the international level is also important, as it will indicate the direction in which countries want to move together, in a decentralised yet concerted fashion. Similarly, there could be a need for pooling efforts internationally such as the creation and co-shared financing of a global fund to support poorer countries in meeting their international cooperation commitments. Nevertheless, international cooperation that must be effected domestically is, in many instances, likely to account for the bulk of the corrective steps to be undertaken. (See also Figure 1)

**Figure 1: The production path of global public goods**



Put differently, many policy issues that have the characteristics of a GPG entail *polycymaking interdependence among countries*. Therefore, effective international cooperation is, in these cases, often the best policy path to pursue: It is in the countries' own enlightened national self-interest.

Given that in GPG-type policy areas we face policy interdependence, and that our *preferences* for these goods *vary*, it follows that, if we want to reach a point of common willingness to cooperate, some ‘*incentive tipping*’ is necessary. Ways and means must be found to make international cooperation an attractive, or at least, acceptable proposition for all. As explained in Box 1, this is important, because due to their publicness, GPGs are, just like any other type of public good, at risk of suffering due to free-riding and under-provisioning.

Within the national context, the state can, based on its powers (e.g. its power to tax), intervene in such cases and potentially help us to overcome policy stalemates that result from collective-action problems. However, there is no direct equivalent to the state at the international level. Therefore, it is important for international cooperation to be incentive-compatible.

Evidently GPGs today matter to all of us and *an adequate provisioning of GPGs is a key element of effective development*. This is an inescapable conclusion when we look at the consequences of global climate change on poor countries or at the ripple effects that the recent world financial and economic crises have had on the poor.<sup>9</sup>

Yet, in order not only to benefit from – but also to contribute to – GPG provisioning, the less advanced countries may need development assistance. So, just as an adequate GPG provisioning is a key input into development, *development itself*, notably the building of national governance capacity, *is a key input into the effective provisioning of global public goods* and, hence, also in the self-interest of the richer countries.<sup>10</sup>

The growing importance of GPGs has clearly strengthened the rationale for development assistance. National development in poorer countries and regions of the South should now be promoted not only based on equity, commercial or geo-strategic considerations, but also to combat the cross-border spillover effects that could arise in its absence, especially in failed or failing states. These spillovers could undermine global public goods such as the control of communicable diseases, prevention of international crime and violence or preservation of biodiversity. Hence, providing development assistance for GPG-related purposes is a new, added rationale for foreign aid and also in the self-interest of donor countries.

Yet, effective development will not emerge from highly selective, GPG-focused aid interventions or interventions that seek to achieve a ‘quick fix’ for the symptoms of

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9 On the issue of ‘climate change and development’, see, among others, IPCC (2012); UK (2012); UNFCCC (2007); UNDP (2011); World Bank (2012); on the links between international trade and finance, on the one hand, and trade and development, including health, on the other hand, see, for example, Fidler / Drager / Lee (2009); Keane (2012); Smith et al. (2009); UNCTAD (various years); and on the nexus between national and international security on the one hand, and development on the other, see Klingebiel (2006) and World Bank (2011).

10 Weak, failed or failing states could, either for lack of political will or lack of capacity, potentially generate spillover effects in terms of health, energy security, environmental sustainability, international crime and violence or peace and military security. However, as Patrick (2006) underlines, the determination of whether such a threat exists must be undertaken on a case-by-case basis and, as he adds, bearing in mind that such threats are not necessarily emanating only from poorer, weaker countries.

poverty. Development, rather, requires a comprehensive, country-specific approach.<sup>11</sup> Therefore, care must be taken that GPG provisioning is not undertaken at the expense of foreign aid. In fact, existing commitments of official development assistance (ODA) should be maintained and additional resources for development assistance made available in order to reflect the fact that effective GPG provisioning now often depends on development and that, therefore, development assistance, in part, also benefits the 'donors'. Although closely intertwined, both agendas need to be assessed separately, and adequately resourced.

Thus, three main conclusions emerge from the above discussion that are of direct relevance to framing of the Post-2015 Agenda:

- All countries now depend, for their welfare and wellbeing, on both an adequate provisioning of GPGs, as well as on effective development strategies. As a key element of GPGs and development is cross-border cooperation, all countries consequently also depend on effective, result-oriented international cooperation. Therefore, it would be useful for *countries to systematically integrate international cooperation – contributions and demands – into their national policy frameworks*.
- Yet, while it is important to anchor international cooperation firmly at the national level, *national policymaking must also be multilevel* in order to take account of regional and global exigencies and opportunities.
- *Preferences* for GPGs and development vary across countries and need *to be aligned through incentive-tipping* in order to forge international agreements and foster willingness to cooperate on the part of all concerned parties.

### **3 Framing the Post-2015 Agenda: A 21st century approach**

If we were still in the 20th century, we would most likely continue to attempt to deal with the growing importance of GPGs and greater policy interdependence simply through top-down power politics. A few global policy-setting nations would prescribe to the majority of the world's countries, the policy-receiving nations, what the rules of the global game are.

However, even in the 20th century, this strategy often has not produced the desired results. Remember that many GPGs emerge from a summation process: from corrective actions at the national level. Yet, the national-level follow-up to international agreements has, in many instances, been half-hearted or lacking altogether, because the 'received' global policy prescriptions were ill-fitting. Much the same has happened in the case of development assistance. As a result, many problems have remained unresolved and some have been allowed to grow worse and to continue roaming the global public domain.

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11 Similar points are being raised in some critical analyses of the MDGs. See, for example Chang (2011) who argues that the MDGs seek to promote development through isolated initiatives, lacking a vision of the productive structures and their transformation.

Today, as more and more challenges are of a GPG-type, and GPG-provisioning increasingly depends on development, such ineffectiveness of international cooperation is increasingly dysfunctional, undesirable and extremely costly.

Just think of the high costs that the – most likely climate change-related – violent weather patterns have, in recent times, been inflicting on countries, most recently again on the Philippines. For example, the costs of Hurricane Sandy that struck the US have been estimated to be in the range of US \$ 50 billion (Robinson 2012), not to mention the human suffering that the related loss of human life and the loss of people's homes might have caused.

So, international cooperation in support of both GPGs and development would today best be seen as an obligation: A policy action in which policymakers must engage in the national interest. And this obligation is becoming stronger and stronger, because some global challenges – including global climate change, energy security as well as global inequity – are ever closer to reaching critical thresholds.

At the same time, we are witnessing a trend towards multi-polarity: More and more countries rising to the position of a global political, economic and military power. This means, that international negotiations today have to become more open and participatory. There exists an added reason for that. Policymakers today need to be more accountable to their national constituencies due to the advances in democracy and global connectivity that have been achieved. Moreover, there exist growing trends towards public-private partnering; national and global civil society groups have gained in strength; and the capacity for regional cooperation has grown.

Under these conditions, i.e. taking into account the governance requirements of GPGs discussed in Section I as well as the current global policy context, it follows that a global agenda that is intended to achieve real progress in terms of promoting inclusive and sustainable growth and development in the post-2015 era needs to meet the following conditions:

1. The main focus of the Agenda ought to be on what lies between 'goal stating' and 'impact measurement', viz. the realisation or production of goal attainment. A key element of the goal-production process is international cooperation, including cooperation that might have to be undertaken domestically or at the international level.
2. In order for international cooperation to function effectively and efficiently in today's world, it must, in turn, meet three main conditions:
  - 2.1 It must be nationally and regionally rooted and, at the same time, globally embedded.
  - 2.2 It has to be fair, allowing everyone an effective voice in matters that concern them and leading to mutually beneficial bargains.
  - 2.3 Stated policy intentions must translate into action. For that to happen, policy initiatives also need to be properly resourced.

Here is what we could do in order to meet these three conditions of effective and efficient international cooperation.

Recommendation 1: Anchoring international cooperation in the national policy context: Devising the Post 2015 Agenda process as a recurrent global policy loop

In a way, we are lucky: A more decentralised, nationally anchored approach to international cooperation is required – by way of providing GPGs and for enhanced development effectiveness – at a time when there now exists both the national and regional capacity for it, and it is also being called for by various political constituencies.

Thus, it would be desirable and feasible to develop and implement the Post-2015 Agenda through recurrent multi-level policy loops.

These multi-level or global loops would start at the national level. Then, the trajectory would run to the international levels for negotiation and decision-making, before looping back down to take agreements that are best enacted regionally or nationally to their appropriate level for implementation and follow-through. Based on progress reporting and joint assessments of the cooperating parties, the programming cycle could periodically be re-run and goals and inputs adjusted, as and if necessary. This would contribute to meeting global challenges in a more effective, efficient and equitable manner.

### **Step 1 – Recognising interdependence, formulating national programmes of international cooperation**

Past experience shows that all too often problems remain unresolved precisely because the policy loop they require remained incomplete. The reason often is that the related policy processes started from above, the international level, rather than from below. As a result, requests for policy reform tended to be overly standardised, encouraging countries to crowd out of international cooperation, rather than into it.<sup>12</sup>

The lesson to draw from this experience is that moving forward it would be useful to place greater emphasis on letting demands for international cooperation originate at the national (including the local) policy level. This would allow international cooperation to have firm national roots and *a sense of ownership from the very start*.

In order to achieve this national anchoring of national concerns of international-cooperation, it might be useful to reinvigorate a policy practice that worked quite well in previous decades: country programming.

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12 In this context, Easterly (2008) refers to two alternative approaches to foreign aid: the approach of a central planner and that of a searcher. The planner comes in ‘from above’, with fixed goals and targets, defined strategies and resources, tightly supervised by the planning apparatus. In contrast, as Easterly (*ibid.*, 6 -7) says, the “*searcher is more humble about how little she knows about other people’s problems. Searchers do not set predetermined problems and do not have big plans; ...[they hope] to find answers to individual problems ...by trial-and-error-experimentation.*”

More concretely, it would be useful for developing and industrial countries to prepare a *national programme of international cooperation*, focusing on two main strands: cooperation in support of development *and* cooperation in support of an adequate provisioning of transnational – regional and global – public goods.

Of course, this does not imply ignoring what has already been agreed upon in terms of global goals – e.g. the unachieved MDGs, or goals such as mitigation and adaptation to climate change, energy security, biodiversity preservation, financial stability, controlling corruption, strengthening human rights, fostering a good business climate or ‘aid for trade’. These and other goals seem to enjoy relatively widespread political support, and by now form an integral part of what is an increasingly strong, tightening global normative framework. Countries could be encouraged to keep this global normative framework in mind when identifying their demands or proposals for international cooperation. No doubt, global civil society and internationally oriented private sector actors are likely to remind governments of this. And therefore, it would also be desirable for the formulation of the national programmes of international cooperation to be a fully participatory, consultative process.<sup>13</sup>

The advantage of such national programmes would be two-way. They would be an important vehicle of transporting national concerns to the international level, as well as being a vehicle for inserting global goals more firmly and systematically – and thus also in a more transparent and accountable manner – into the national policy context. They would reveal more clearly the priorities that countries attach to various goals, what they intend to do about them domestically and with respect to which aspects of these challenges they would suggest that complementary multilateral efforts be undertaken regionally or on a worldwide scale.<sup>14</sup>

As Table 1 shows, countries could list in their programmes the contributions they have already made to global goals, as well as proposals of, and demands for, future cooperation. For each input (proposal or demand) they could indicate the goal it relates to and the impact it is expected to achieve. In this way, the national programmes could serve

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13 Allowing the Agenda process to start from an open, participatory process of national consultations in which countries could build a shared public understanding of why cooperation might be necessary and desirable is, of course, of a totally different quality from, for example, staff of international organisation visiting countries, informing them of what at ‘higher’ levels is being envisioned as possible universal goals for the post-2015 era, and through such consultations seeking to achieve the ‘buy in’ of a few actors at the country level. The post-2015 process as currently envisioned corresponds, in large measure, to the ‘buy-in’ approach. See, for example, the briefing note on that process available at [http://www.cbm.org/article/downloads/82788/Briefing\\_on\\_post-015\\_process\\_updated\\_March\\_2012.pdf](http://www.cbm.org/article/downloads/82788/Briefing_on_post-015_process_updated_March_2012.pdf).

14 The instrument of national programs of international cooperation would, most likely, also help address the concern expressed by a number of countries, viz. that the Post-2015 Agenda should give adequate attention to the role of structural change required for more inclusive growth and jobs, as well as the ‘greening’ of growth. See, for example, <http://new.uneca.org/Portals/cfm2012/CrossArticle/1/Papers/-English/COM12Note-for-theHighLevelPanelDiscussion-onArticulating-aPost-2015MDG-Agenda.pdf>; and on the neglect of growth issues in the MDGs Bergh / Melamed (2012).

| <b>Table 1: National programmes of international cooperation – possible topics to include</b>  |                         |                         |
|--|-------------------------|-------------------------|
| <b>Topic</b>   | <b>Richer countries</b> | <b>Poorer countries</b> |
| <b>Overview of major past and current national contributions to meeting global challenges</b>  | ✓                       | ✓                       |
| <b>Planned future cooperation efforts geared towards meeting global challenges to be undertaken nationally on a voluntary basis or in the context of regional and global cooperation programs</b>  | ✓                       | ✓                       |
| <b>Additional cooperation offers and proposals addressed to the international community in respect to global challenges</b>  | ✓                       | ✓                       |
| <b>Additional requests for international development cooperation addressed to the international community</b>  |                         | ✓                       |
| <b>Development cooperation offers for</b> <ul style="list-style-type: none"> <li>• ‘pure’ national goals</li> <li>• regional cooperation in the South</li> <li>• meeting a developing country’s international cooperation commitments</li> </ul> | ✓                       |                         |
| Source: the author   |                         |                         |

purposes of programming and monitoring, as well as accountability and transparency. They would allow countries to better combine national policymaking sovereignty with their chosen or actual degree of economic openness. Also, countries could better see what efforts other nations undertake; and this could help build mutual trust and strengthen each party’s willingness to cooperate.

### **Step 2 – Fostering dynamic sustainability: Taking regional and global exigencies and opportunities into account**

However, as just like any public good, GPGs are at risk of suffering from free-riding, it would be advisable to complement the national – and, possibly, also regional – programmes of international cooperation by *independent studies on global issues*. These studies would cover issues that could, if left unaddressed, result in catastrophic events (as delayed action on global warming or on the looming water crisis might do).

The global issue studies could be prepared by international panels of independent experts, selected to represent different segments of the world population and their various policy preferences. They would be charged with ascertaining what it would ideally take to provide identified issues of global priority at a desired level of provision, employing alternative approaches and instruments.

The main purpose of the global issue studies would be to establish a desired ‘level of goal attainment’. One could then look at the current attainment levels in different issue areas, as well as the efforts that the national programmes propose to be undertaken in the future, and determine whether in critical policy fields – e.g. global warming or global inequity – the international community is ‘on track’ or whether efforts ought to be accelerated. If it

were to emerge that the reason was lacking international cooperation, countries could revisit their programmes in order to see whether they could do better, individually and collectively, through additional or reinvigorated public and private efforts.<sup>15/16</sup>

In addition, it might be useful to undertake *studies that look at the global public policy domain as a whole*. The reason is that we are increasingly noticing that the various global policy regimes and norms placed in the global public domain do not necessarily match.<sup>17</sup> Just think of TRIPS and health care or financial liberalisation and food security. Much could be gained for faster and more sustainable growth and development, if such conflicts between GPGs were corrected and more synergy between them created.

Hence, there also exists a need for studies that examine the overall structure and functioning of the global public domain. These studies would build on the national programmes as well as the global issue studies. Their aim would be to foster coherence and alert us to new, emerging challenges and accelerating risks, as well as to new global opportunities that could be seized, notably opportunities of sharing new knowledge and technologies and pursuing a new, more sustainable, global growth paradigm – i.e. low-carbon growth strategies that would make it possible to ‘have both’: more growth in order to fight world poverty *and* enhanced environmental sustainability. If such growth were of a pro-poor nature, it would also encourage social sustainability.<sup>18</sup>

### Step 3 – Moving up: Agreeing on what would best be done together

In formulating their national programme of international cooperation, countries would be encouraged to follow the principle of subsidiarity, i.e. to leave policy matters at the lowest possible level at which they can effectively and efficiently be dealt with. Policy matters could be taken to international, regional or worldwide levels, if this were necessary for technical reasons or desirable for reasons of economies of scale or scope.<sup>19</sup>

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15 It is perhaps interesting in this context to note that it is not at all a far-fetched idea that lacking international cooperation could be the reason for lacking progress in attaining global goals. As indicated in The 2012 Millennium Development Goals Report (UN 2012b), shortfalls have occurred in respect to Goal 8 that calls for a global development partnership, i.e. developing countries and donor countries living up to international agreements and commitments.

16 Examples of global issue studies abound, notably in the environmental area. Prominent examples are the studies undertaken by the Intergovernmental Panel on Climate Change (IPCC). See <http://www.ipcc.ch/>. However, extensive literature has also emerged in many other global policy fields, including finance, trade, terrorism, nuclear non-proliferation, health, food security, human rights or organisation of the Internet and cyber security. The proposed independent expert groups would, thus, have extensive literature as well as a data base to draw on so that their task would be less a technical and more a political one, viz. to explore how ratcheting up ongoing efforts could be made incentive-compatible for various actor groups that would need to accelerate their efforts – in the global, common interest of everyone.

17 In this context, Petersmann (2012) refers to ‘interdependent’ GPGs that may reinforce or conflict with each other.

18 Again, more and more such forward-looking risk- and opportunity-oriented studies are emerging. Evidently, the need for such analyses is being felt ever-more strongly. Examples are the risk analyses undertaken by the World Economic Forum (e.g. WEF 2011 and 2012) and the recent IPCC report on managing risks of extreme events and disasters (IPCC 2012)

19 While it is true that ‘global issues require a global solution’, this does not imply that the issue as a whole must be dealt with globally. Some parts of it will most likely require global collective action. But as discussed in Section I, this could just be one, albeit critical element, e.g. an agreement to domestically

Judging from experience gained to date, notably in national and regional contexts, decentralised policy approaches that take the principle of subsidiarity into account are often also approaches that perform well in terms of equity, because they are better able to adjust to local circumstances and policy preferences than more centralised and standardised approaches.<sup>20</sup>

Accordingly, the national programmes should, perhaps, first be considered at the regional level and also, amongst other things, form a base for regional cooperation programmes so that only issues that must be considered from a global perspective would move up further. At the global level, one could synthesise the national programmes, attempt to match demand and supply in terms of cooperation initiatives, and importantly seek to combine national priorities with global exigencies and national or regional exigencies with global opportunities. This could be done by considering the national programmes together with the above-mentioned global issue studies and the study of the over-all structure and functioning of the global policy domain.

How best to organisationally arrange these review and matching sessions will no doubt become clear, once a few policy loops have been run.

#### **Step 4 – Moving back down: Translating international agreements into national policy action**

As is often emphasised, all politics is local. So, in order for the general public to support international cooperation endeavours, it would be important for policymakers to once again demonstrate – as they also ought to have done when formulating the national programme – that pooling policy efforts with other nations and taking the outside world into account, allows people to fare better than not doing so.

Put differently, policymakers would need to convincingly demonstrate how international cooperation initiatives might translate into enhanced job security, a greener, healthier environment, less crime on their streets, less global poverty (that might have, so far, hurt their sense of fairness), or more security in terms of energy, food and, last but not least, better prospects for their children.

Of course, the translation of international agreements into national policy action is not only something governments ought to be concerned with, but non-state actors and the general public also have roles to play. In fact, non-state actors should, and in large measure already do, keep a watchful eye on governments in order to nudge them into compliance with international norms – e.g. respect for human rights and the environment, or less market/state collusion. Just think of organisations such as Human Rights Watch,

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tackle an issue like enhanced reporting of disease outbreaks, in all countries. With respect to other components, it could be important to check whether they could best be delivered as private goods through the market; others might be candidates for bilateral negotiations or regional cooperation, as river pollution might perhaps be. In order to get the pattern of cooperation right, it is, therefore, important to sketch issue-specific provision paths along the lines shown in Figure 1 of this paper. For more detailed analyses of when and how to cooperate at which politico-administrative level, see also: Barrett (2007) and Kaul / Conceição (2006a), as well as Rodrik (2012).

20 For a discussion on subsidiarity and the importance of an efficient allocation of tasks across levels of governance, see Geys / Konrad (2010).

Transparency International, Greenpeace, the Robin Hood Campaign, or the many ‘fair trade’ organisations.<sup>21</sup>

### **Step 5 – Staying relevant and ratcheting up achievements: Restarting the next loop of the Agenda process**

Past experience has taught us, among many other things, that the future is difficult to predict. Therefore, defining precise targets to be achieved over a several-year period entails a high risk of turning into an obstacle to flexible programming and nimbly adjusting ongoing policy initiatives to changing national, regional and global policymaking realities, such as power shifts, technological breakthroughs, new lessons learned, and as a result of these and other factors, new socio-cultural, economic and political tastes and preferences.

The proposed recurrent global loop process is an institutional arrangement that facilitates programming flexibility and would thus allow the Post-2015 Agenda to remain lively and relevant. While its major impact goals, such as fighting world poverty or mitigating and adapting to climate change, would, of course, be relatively constant – and provide reliable reference points for state and non-state actors – policy approaches and instruments could be fine-tuned as new insights are gained about what works and what does not, or if new opportunities arise.<sup>22</sup>

And remember, the Post-2015 Agenda as suggested here would essentially be an agenda of input commitments, mainly commitments to international cooperation efforts to be undertaken by countries and state and non-state actors; voluntarily or based on international agreements; nationally or internationally.

The criteria of success would primarily be (i) whether or not promised inputs are being delivered; and (ii) if policy actions undertaken were efficient and effective in achieving desired results. However, even if all this were to be achieved, it could nevertheless happen that due to other countervailing forces, the major impact goals remain elusive. Yet, as the Agenda process foresees recurrent programming loops, such a situation could, in the following cycle, be analysed and perhaps corrected.

The main conclusions to take away from this discussion are:

- *In terms of substance*, the proposed Post-2015 Agenda would essentially be an agenda of international cooperation. It would indicate what countries are willing to contribute in terms of international cooperation deliverables – domestically, regionally and globally, bilaterally or collectively, through joint multilateral cooperation. The deliverables would include incentive measures to be offered to non-state actors, as well as taking into account what these actors are likely to contribute on their own, voluntarily and privately, to the achievement of various global goals.

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21 More detailed information on these organizations can be found at, respectively: <http://www.hrw.org/> <http://www.transparency.org/> <http://www.greenpeace.org/international/en/> and <http://www.robinhoodtax.org/>

22 For a discussion on the importance of institutionalised learning and flexibility and a critique of the MDGs from this perspective, see Reddy / Heuty (2008).

- *In terms of process*, the Agenda would be organised as a recurrent global policy loop. The starting point of the loop would be at the national level, notably the formulation of a national programme of international cooperation, followed by regional and worldwide, multilateral consultations and negotiations, resulting in to agreements on policy action to be undertaken. As and if appropriate, these could be implemented nationally, regionally, or internationally in a pooled, collective form, through an international organisation or any other delivery mechanism.
- *In terms of political decision-making*, a bottom-up, multi-level approach to the Post-2015 Agenda, would, evidently, be a highly participatory process, fostering ‘unity in diversity’, willingness to cooperate, while enjoying national policy space.
- *In terms of implementation management*, the possible advantages of such an Agenda approach – as compared, for example, to the approach taken in the case of the MDGs – would include: (i) enhanced opportunities for learning, flexibility and periodical adjustment in light of new information; (ii) stronger national rootedness; (iii) more systematic links between the different policymaking levels, the national (including local), regional and world-wide, multilateral level; and, as a result, (iv) enhanced prospects of efficiency and effectiveness.

These characteristics of the Agenda process are likely to facilitate the attainment of expected outputs and results. However, one other element will also be critical in terms of facilitating effectiveness. That is the fairness of international cooperation processes and outcomes, the issue addressed by Recommendation 2.

Recommendation 2: Strengthening the incentives to cooperate: Combining global fairness with national equity

Development assistance is a policy tool for achieving a certain amount of ex-post equity. It is a distributional measure, a voluntary – and often unreliable – transfer of resources from richer to poorer countries.<sup>23</sup> And so are many other forms of international financial cooperation. The recent Doha Conference on Climate Change, once again, demonstrated that.<sup>24</sup>

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23 For an assessment of the growth-retarding effect of foreign-aid unpredictability and fickleness, see among others Kodama (2012).

24 According to some accounts, developing country delegations at this conference, once again, emphasised that there is no new financing – only promises. However, an important step also appears to have been taken. Delegates agreed – albeit with only lackluster support from the richer countries – to explore approaches to address loss and damage associated with impacts of climate change in developing countries. See Harrabin (2012) and <http://unfccc.int/resource/docs/2012/cop18/eng/104r01.pdf/>.

**Box 2: Facets of global fairness**

Global fairness is a complex phenomenon. It has several important facets: fairness of outcome, fairness of the process, as well as a legitimacy dimension. Let us look at each of these in turn.

*Fairness of outcome* can be promoted *ex-post*, i.e. after a certain policy measure has been agreed upon, or it can be a *built-in* part of a policy measure.

For example, if a particular multilateral trade rule is found to be placing a relatively difficult-to-meet adjustment burden on developing countries, additional foreign aid could be offered to these countries through a separate trade adjustment programme to assist them in complying with the rule in question.

To stay with the example of multilateral trade, for the case of *built-in* fairness, the rule in question could indicate that countries have common but differentiated compliance obligations.

Moreover, outcome fairness can be *granted* or *achieved* through bargaining. To illustrate, a particular country (or group of countries) may offer or grant another country (or other countries) an deal for international cooperation that the latter perceive as fair and acceptable. Such deals have, for example, been arranged within the environmental field, when richer countries offered financial resources to poorer countries in exchange for certified CO<sub>2</sub> emission reduction credits. More recently, however, we see a trend towards more intensive bargaining for fairness.

*Fairness of the Process* – that is, organising international negotiations in such a way that all concerned parties have an effective say in matters that concern them – provides the platform for fairness of the outcome now being a subject of more intense international bargaining. The driving forces behind this trend include the shift towards global multi-polarity, greater economic openness and the deepening policy interdependence among countries as well as the advances in terms of global connectivity and national democracy.

The *legitimacy aspect* concerns matching national or domestic fairness to inter-nation fairness. Where the former is lacking, the position of country delegations at international negotiations may be weaker than that of delegations from countries that allow gains from international negotiations to spread fairly within the national context. Conversely, citizens' support for international negotiations could be weakened, if international cooperation is seen as lacking in fairness of process and outcome.

In other words, national fairness strengthens the legitimacy of national demands for global fairness; and global fairness strengthens the legitimacy of international bargains in the eyes of national constituencies.

Note: This box draws on Albin (2003); Kaul (2013); Ruggie (1982)

By contrast, if international regimes – e.g. norms, policy instruments, organisational arrangements – were, from the start, being designed so that they result in a relatively even spread of their costs and benefits across countries and population groups, equity would more likely be inherent and lasting.

In the past, we have all too often seen that one hand, the hand of official development assistance (ODA), gives what other hands, e.g. certain aspects of the multilateral trade regime or the financial architecture, take away (see Mendoza 2007). Worse, in some cases funds might have been lost just because an international regime distributed its costs and benefits in an uneven manner, disadvantaging poorer developing countries (see OECD 2008).

The lesson to be drawn is that it would in many cases perhaps be more efficient to build fairness directly into global regimes, so that they would be globally public in consumption, as well as in utility. Only then might they also be effective and encourage countries to crowd in rather than crowd out; and importantly, as Box 2 also emphasises, only then might they add to – not take away from – foreign aid and development. As

Furness and Klingebiel (2012, 3) argue: “*traditional development cooperation can only be part of a new global development agenda. The focus ... will need to shift as well, from a ‘do no harm’ concept to a more holistic concept where trade, security and other issues are reframed as global public policies that actively contribute to global development goals.*”

Studies have shown that the net benefits derived from effective international bargains are, in many instances, such that even if all parties get a fair share, all still win. Obviously, these gains only materialise, if countries actually follow through on international agreements, both through their state and non-state actors. For this to happen, actors must perceive cooperation as generating clear net-benefits for them. This may not always be achieved in each issue area, but it could be realised for the global public domain as a whole. But this would require global vision and leadership.

Scholars of international relations have long understood the impact of global fairness on countries’ willingness to cooperate (see Axelrod 1984). This includes fairness of process – granting all parties concerned an effective voice – as well as fairness of outcome.<sup>25</sup> And yet, we still have a long way to go in meeting these conditions. As a result, stakeholders and decision-makers often do not match, and a further discrepancy in terms of publicness arises. Publicness in consumption – i.e. all being affected by a GPG or one of its inputs – is not matched by corresponding publicness in decision-making. This continuing discrepancy is developing into a major obstacle to successful international negotiations. More and more countries not only want a seat at the conference table, but also to be heard and be able to include their preferences into the global policy dialogue.

To the extent that global power relations continue to shift towards multi-polarity and national democracy simultaneously spreads, strengthening demands for accountability and transparency, a shift towards more open and participatory international consultations and negotiations will also be inevitable. Global fairness, particularly fairness of process will, increasingly, be a precondition for successful international cooperation.

Analysts have also repeatedly reminded us of another important determinant of the willingness to cooperate: national equity. That is, sharing the gains and the costs of international cooperation fairly within countries. John Ruggie (1982) coined the term ‘embedded liberalism’ in order to stress the importance of combining openness with social progress and stability. Unfortunately, recent statistics show a sharp rise in inequality within countries, including the richer countries (see Galbraith 2012). This trend does not augur well for international cooperation at a time when we urgently need more of it.

Thus, when bearing in mind both the GPG properties of the global challenges and the current shifts in global power relations, it appears that when moving through the Post-2015 Agenda process, thinking in positive-sum terms and negotiating with global fairness in mind – inter-nation and national – will be critically important. More precisely, what comes to light when examining this issue through the GPG lens is that:

- *Process fairness* could be the most important dimension of global fairness, i.e. arrangements for international negotiations that afford all concerned parties an effective voice in the global policy dialogue.

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25 A more detailed discussion of the concept of fairness of process, see Albin (2003).

- Given the growing importance of GPGs, facilitating their fair provisioning and, hence, *built-in or primary fairness*, will be an increasingly important complement to an adequate supply of development assistance, i.e. redistributive or ex-post fairness.
- As international cooperation, mostly, has to happen voluntarily, it has to be incentive-compatible. Fairness and the legitimacy that it lends to initiatives for international cooperation may be an *important factor of countries' willingness to cooperate*, to enter into and comply with international agreements.

Recommendation 3: Tapping the financing potential of GPGs: Refurbishing and updating the policy toolbox for international cooperation

Given that the richer, more economically advanced countries, including the traditional donor countries, are currently facing a high debt burden and serious fiscal constraints, it is especially important that we become more imaginative and innovative with respect to financing international cooperation.

Fortunately, the growing importance of GPGs has not only resulted in an increased demand for international cooperation financing, it has also afforded us new opportunities for resourcing endeavours of international cooperation. To illustrate the potential in doing so, let us consider the resources 'knowledge' and 'technology', the financing potential of global norms and standards, and the potential for resource mobilisation of globalising international markets.

**KNOWLEDGE AND TECHNOLOGY:** Both knowledge and technology are impure public goods: They are non-rival in consumption, but can be made excludable. The reason for the latter is that, for the most part, they are individually or privately produced goods. Knowledge, for example, develops in a person's head. Therefore, it can, at least for some time, be withheld from others, if the inventor so desires. And as generating knowledge and technology is often expensive, many inventors have an interest in recouping the costs they incurred. This motivation underpins the institution of 'intellectual property rights'. Its aim is to create incentives for research and development and, thus, promote the dynamic efficiency of economies.

Yet, what good are knowledge and technology, if they are not being applied to the betterment of our living conditions, even if only to satisfy our desire to know and understand? Given that knowledge and the technologies that embody knowledge are non-rival in consumption, it is also inefficient to withhold these goods from the widest possible use that could be made of them for too long, e.g. through long years of patent protection and high royalties for the patent holders. Of course, it is important to strike a fine balance between protecting the rights of innovators and encouraging innovation, on the one hand, and fostering the dissemination and application of new knowledge and technology, on the other. However, such a balance must be identified, if economic growth and development are not to suffer.<sup>26</sup>

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<sup>26</sup> On knowledge and technology as GPGs, see Abbott (2009); Brandi / Ladenburger / Pegels (2010); Greenhalgh / Rogers (2010); Stiglitz (1999); WIPO (2011).

Moreover, development and growth could also be accelerated, if the right incentives and mechanisms were put in place to make resources of knowledge and technology more affordable for the poor. For example, in the area of health care, a policy tool like differential patenting could enhance the affordability and availability of pharmaceutical and medical products and services in developing countries. Under such an arrangement the patent holders would agree to charging reduced or no fees for the use of their patent in poorer countries. Similarly, much could be gained by facilitating greater use of TRIPS flexibility and inducing individual actors, notably private companies, to pay more attention to the needs of the poor.<sup>27</sup>

As Mattoo and Subramanian (2012) underline, it is time for political leaders to end the process of mutual recrimination, and to focus on innovations that help us to resolve the challenges we face.

**NORMS AND STANDARDS:** Improved financing of policy interventions, including international cooperation, can be achieved in several ways, e.g. through adding financial allocations or withholding funds. A case in which the latter would be appropriate are ‘perverse subsidies’, i.e. those that encourage activities that run counter to desired policy goals, as subsidies to polluting industries often do. A further tool for bringing existing allocations more in line with declared policy goals is through setting norms and standards.

Norms and standards are concepts that by design want to be public: To this end, we often undertake major efforts to promote their ‘roll out’, their worldwide dissemination and up-take. If they prevail worldwide, norms and standards are GPGs, in fact, even pure GPGs: They have become non-exclusive and are non-rival. Actually, norms and standards gain in relevance to the extent that they find acceptance. The more actors accept them, the more reliable and powerful they are.

Hence, by improving, for example, financial regulation and reducing the risk of future crises, or making headway in terms of mitigating climate change, the risks of costly crises occurring in the future can be reduced, and the thus ‘saved’ expenditures re-allocated to more productive purposes.

Similarly, by advocating or legislating a shift towards a ‘green economy’, producers and consumers would be inclined or feel compelled to ‘go green’ so that more private finance could flow towards meeting a goal such as mitigation global climate change.<sup>28</sup>

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27 On how the instrument of differential patenting could work, and has already worked in various trials, see Kaul / Conceição (2006a).

28 The important role of global norms and standards as tools for fostering behavioral change and, consequently, a changed pattern of resource allocation more in line with desired policy goals has been evident in many issue areas, including, for example, in the field of human rights, corporate social responsibility, and most recently, also in the fields of ‘green growth’ or ‘economy within planetary boundaries’ and inequity, notably with respect to what are appropriate bonuses for bankers. These trends may have also motivated civil society to call for a new development paradigm for the post-2015 era, grounded in the logic of sustainability and human rights. See, for example, Civil Society Reflection Group (2012).

**GLOBALISED MARKETS:** Together with all their underlying institutional arrangements, markets are public goods. They are in the public domain affecting us all, for better or for worse; and if markets are worldwide, they are GPGs.<sup>29</sup>

Many people in all parts of the world in one way or another benefit from efficiently functioning globalised markets. Certainly, some also suffer. But let us look here at those who derive positive utility from being part of the market. They may benefit as consumers, workers, traders or investors. Certainly, some people benefit more, even much more, than others and some may even lose out. But, there are clearly many actors who are deeply involved in these markets and appear to be able to derive considerable net-benefits from smoothly functioning cross-border economic and financial activity.

Promoting a global context that is conducive to smoothly functioning globalised markets is a complex undertaking, involving regulatory activities as well as initiatives aimed at fostering peace and security, rule of law or public health. Violent weather patterns caused by global warming could be a further cause of market disruptions.

Evidently, creating market-conducive conditions is quite an expensive endeavour. Therefore, it also appears justified to make those involved in cross-border economic activities pay for their use in the global policy context. Those deeply involved in globalisation would obviously pay more than those who are only participating on the fringes, i.e. by once in a while buying an imported shirt or utensil.

But how could levying such a ‘globalisation user fee’ work?

As most imports are likely to involve a currency transaction, one could use the central market places where currency transactions are happening, as the collection point. At present, a major part of these transactions are undertaken through the Continuous Linked Settlement (CLS) system, a central market place for currency transactions in London. A very modest levy on these transactions (e.g. one percentage point) could generate some US \$ 30 billion in proceeds annually.<sup>30</sup>

These funds could be channelled into internationally agreed-upon top-priority purposes and to programmes that require assured, longer-term financing, such as for the treatment of poor HIV/AIDS patients or the proper maintenance of international seed banks.

Thus, the GPG lens also draws our attention to new ways of resourcing international cooperation, particularly:

- The greater use that could be made of non-rival goods such as knowledge and technology to speed up progress and to make requisite policy reforms more affordable.

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<sup>29</sup> It should be noted that markets belong to a special type of public goods, viz. to public goods that present access barriers. In order to enter into markets and derive utility from them, actors must possess something tradable – sellable goods or services, or money. Another example of a public good with access barriers is the World-Wide-Web. Entry requires private goods such as the possession of or access to a computer or phone.

<sup>30</sup> For a detailed background study on this issue, see Leading Group on Innovative Financing for Development (2010).

- The role of global norms and standards in fostering a resource allocation that would be more in line with pronounced priority goals.
- The possibility of generating new, additional financial resources by introducing a ‘globalisation user fee’ in the form of a modest levy on currency transactions.

#### 4 Considering the implications for institutional reform

Approaching the Post-2015 Agenda in the way proposed above, would have several institutional implications, both nationally and internationally.<sup>31</sup> Let us just consider the following, viz. the importance of: creating an *agenda support facility*; adding *issue-focus* as a new organisational criterion; recognising the leadership and management requirements of the *global public policy domain*; and breaking what we shall call the ‘*sovereignty paradox*’.

**CREATING AN AGENDA SUPPORT FACILITY:** While the world is moving towards multi-polarity, significant differences in capacity remain between countries. Yet, international cooperation of the type outlined here requires such capacities. Therefore, in order not to disadvantage less-developed nations from the very start of the process and right away defeat the overall purpose of the Agenda, i.e. to foster more inclusive growth and development, it would be desirable to create an Agenda Support Facility to which countries could turn, if they wish to request external expertise and benefit from global knowledge-sharing. Various international entities are already expanding their activities in sharing knowledge and information about policy experiences. The Agenda Support Facility could facilitate access to available knowledge, encourage further studies with a special focus on endeavours in international cooperation, and assist developing countries, who so request, in applying given knowledge and information to their particular circumstances. The Facility could be located within an existing organisation or be self-sufficient.

**ADDING ISSUE FOCUS:** Much of our current policymaking is structured according to three main organisational criteria: actor group, geographic space, and economic sector. However, many contemporary policy challenges concern issues that are multi-actor, multi-level and multi-sector. Accordingly, it seems necessary to add a further organisational criterion: issue focus.

In fact, our policy practices are already moving in this direction. In recent decades more and more single-issue-focused international cooperation mechanisms have emerged (See Conceição 2006). The reasons for this trend include the growing realisation that addressing the various building blocks of a global public good or a particular development effort in their own, issue-specific way is better for the effectiveness of international cooperation than approaching highly complex concerns such as climate stability in their totality, whereby aspects on which consensus exists are often held back by ones that are still controversial and contested. A further impetus towards greater issue-specificity has come from the rising number of non-state actors involved in the realm of international

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31 See, on this point, also: Koch (2012) and Severino / Ray (2009).

cooperation. These actors often pursue particular concerns or help deliver concrete outputs.

An enhanced issue focus is especially important when moving from agreements on the broad policy goals to working out the details about how to achieve them. Therefore, we must be cautious in criticising the current landscape of international cooperation as a ‘non-system’. To the extent that international cooperation is becoming more and more decentralised, both vertically and horizontally, it is by necessity a more complex process. Also, as we can see in the area of climate change, considerable progress is occurring in sub-issue areas, while some of the ‘bigger’ political issues are still being negotiated. Ultimately, however, both will be necessary for effective goal attainment. And therefore, it will also be necessary for each major global challenge to have its anchor institution, an issues manager who keeps a watchful eye on the overall progress being achieved.

The anchor agency would not be identical with existing agencies such as the World Health Organisation. These are sector-oriented agencies. The proposed issue agencies or managers would show multi-sector, multi-level and multi-actor orientation, matching the scope of their activities to that of the issue they cover.

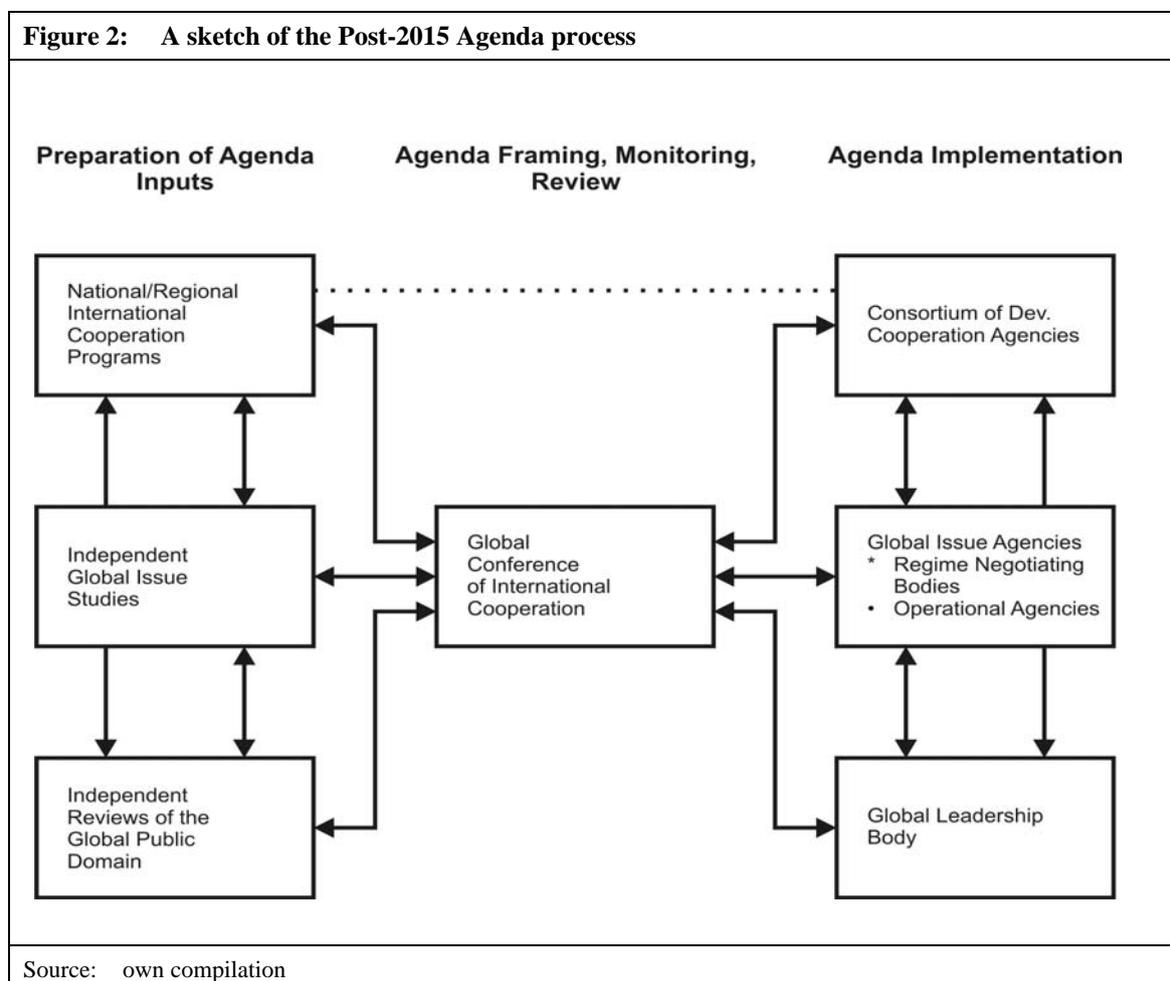
**ENHANCING LEADERSHIP AND MANAGEMENT OF THE GLOBAL PUBLIC POLICY DOMAIN:** Most endeavours in international cooperation do not exist in a policy vacuum. Rather, they form part of a broader policy context. As discussed earlier, development and the provisioning of global public goods are linked. Similarly, global public goods interact with each other. Just think of the debates on ‘TRIPS and global health’.

Hence, it is also important to keep in mind the overall structure and functioning of the *global public policy domain*: How balanced and coherent is it? Do various GPGs reinforce or conflict with each other? How does the overall composition of the global policy domain impact different regional and national policy domains? Would some issues be better dealt with regionally or nationally? Should other issues ‘move up’ in order to take advantage of economies of scale or scope?

Again, in practice, we are already beginning to recognise the existence of the global public domain. Witness, for example, the creation of the G20 and its subsequent portfolio expansion. If we were to organise multi-level policy loops of the type outlined above, we would soon possess another important institutional tool for managing more systematically the links between all of the different policy spaces. This would give us a better shot at mastering the complex international cooperation required today.

However, in which venues would the national and regional cooperation programmes and the suggested global studies be reviewed and brought together with inputs from other sides, e.g. statements from global civil society and business or reports of the global issue ‘managers’ proposed above; where and by whom would their synthesis be attempted and decisions on follow-up action be taken? Which existing bodies might play a role? Or, would it be desirable to create a new body for this purpose, e.g. the High-level Forum

proposed in paragraphs 84–86 of the outcome document of the Rio+20 Conference?<sup>32</sup> Should one envision a biennial global Agenda review conference? And once the main Agenda goals are agreed upon, which body should take on the role of global leadership? Would it be the current or an updated G20? Figure 2 provides a brief sketch of some of the elements that might form part of the Agenda process.



EXERCISING ‘SMART’ SOVEREIGNTY: Innovations along the above-mentioned lines might perhaps come about more easily, if one additional change were made: It would be important to increase awareness of the fact that in areas of policy interdependence and GPG-type challenges, effective – and to that end, fair – international cooperation is in countries’ own enlightened self-interest.

Certainly, there will be countless other areas in which countries will continue to compete, but policymakers and diplomats need to recognise the growing importance of policy fields where problems are best solved through international cooperation and where, hence, pooling sovereignty would be the smarter strategy to pursue. The reason is that by pooling

32 The outcome document is available as the annex to United Nations General Assembly resolution A/RES/66/288 of 11 September, 2012, entitled ‘The future we want’ at <http://www.un.org/en/ga/66/-resolutions.shtml/>.

sovereignty, regionally and globally, policymaking could catch up with the cross-border activities of non-state actors.

By engaging in fair, effective international cooperation, countries could afford their citizens better development and growth conditions. *Vis-à-vis* other countries, and the world as a whole, they could act more responsibly, contributing their fair share to regional and global policy initiatives. By better managing externalities arising from their jurisdictions and avoiding to ‘bother’ other nations or thwarting the development opportunities of future generations, they would be seen as better global citizens and, perhaps, enjoy enhanced respect and political support for cooperation projects they might want to initiate. Overall, through fair, effective international cooperation in policy fields marked by interdependence, i.e. policy challenges that no nation, however powerful, can adequately resolve unilaterally, countries would re-gain, maintain, or even strengthen, their sovereign policymaking capacity.<sup>33</sup>

The Annexes 1 to 4 illustrate select cases of a smart exercise of policymaking sovereignty in the past, as well as policy areas, in which countries might in the future want to consider pooling sovereignty in order to escape the current spiral of global crises. The list of issues covered in the Annexes is not an exhaustive one, but is meant to be illustrative.

The message emerging from the Annexes is that the realisation that international cooperation pays off where policy interdependence prevails, is not a new one. The discussion of the Plaza Accord of 1985 by Helmut Reisen in Annex 1 demonstrates that.

Yet, as Christian Flachsland shows in Annex 2, until today, and even in the face of catastrophic systemic risks such as irreversible global climate change with all its horrific implications, countries, and notably governments, are very hesitant to increase their willingness to pool sovereignty and cooperate.

In Annex 3, Frederic Abbott and Nick Drager present a case of a successful international agreement, i.e. the agreement to share influenza viruses and access to vaccines and other benefits, the ‘PIP Framework’. Their analysis reconfirms the Policy Recommendation 3 set forth here in Section II, viz. that fairness is quintessential to rendering international cooperation incentive compatible.

Stephany Griffith-Jones, finally, in Annex 4, points to a possible future case of smart sovereignty: States agreeing on the need for a global financial regulator. However, as she stresses, global regulation should not only involve agreeing on the goal to achieve, e.g. financial stability, but also allow countries to determine the policy path best suited to their circumstances. For example, while the International Monetary Fund (IMF) now accepts capital controls as a useful tool for preventing financial crises, when and for how long to institute such controls should, as Griffith-Jones suggests, be left to each country to decide. In this way, it would be possible for countries to pool sovereignty *and* maintain their own policymaking sovereignty. They would be assured that others would use the instrument of capital controls and that they, as a consequence would face a reduced risk of financial contagion. At the same time, they would know that if they wanted to institute such a measure, they could do so in a way that would fit their own circumstances.

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33 The notion of a smart, responsible exercise of sovereignty has been developed in Kaul (2013).

## 5 Conclusion: the Post-2015 Agenda seen through the lens of global public goods

This paper's starting point has been the question of whether the GPG lens is useful for framing the Post-2015 Agenda that will succeed the MDGs. This question arises because more and more global challenges have the characteristics of a GPG. The reason primarily lies in today's greater openness of national borders and the resultant policy interdependence among countries.

Considering the basic characteristics of GPG-type policy challenges, as well as some of the key features of the current global policy context, notably the ongoing power shifts among countries and between state and non-state actors, the analysis in this paper comes to the overall conclusion that, yes, the GPG lens is a useful tool for framing the Post-2015 Agenda in the sense that it draws attention to aspects that deserve consideration in the debates on the Agenda design.

More precisely, the analysis suggests that, *in substantive terms*, the Agenda ought to focus on what lies in between the setting of goals (with which the debate so far seems to be preoccupied) and impact measurement (the other pre-occupation of many contributions to the current Agenda debate), i.e. on what it takes to realise desired goals and translate them from aspiration into action. The analysis shows that in policy fields in which we confront GPG-type challenges and, hence, policy interdependence among countries, a key element of this realisation or goal production process is *international cooperation*. This shift in focus appears to be desirable, because the list of unmet global challenges is rapidly growing longer; and new challenges are already looming on the policy horizon. Therefore, besides setting new goals and reaffirming long-standing ones, if not primarily, it is also urgent to focus on implementation; and within implementation, on international cooperation.

*In terms of process*, the analysis establishes that in order to fit into the overall policy context of the 21st century, the Agenda would best be organised as a *recurrent global policy loop* that starts at the national level, moves up to the regional and global levels in order to take opportunities and exigencies that exist at these levels into account, and then comes back down to the country l

level, leaving matters to be addressed at the levels at which they can best be dealt with.

As regards the *affordability* of such an approach, the analysis reveals that the growing importance of GPGs themselves opens up several new, additional possibilities of resourcing the attainment of whatever global goals countries may wish to pursue, including, amongst others, through better knowledge management; the forging of global norms that could encourage behavioural change and, thus, attract more private financing to meeting global challenges; and the introduction of a modest 'globalisation user fee' to be levied in the form of a light, non-distorting currency transaction charge. Such a measure could help alleviate the resource constraints that many countries, notably the richer countries experience at present.

Finally, the paper argues in terms of *negotiation strategies* that the spread of democracy and enhanced political openness, the strength of civil society, the increase in public-private partnering, and the trend towards multi-polarity, a major precondition of

international cooperation today is global fairness – fair and just international negotiations – in order to strengthen countries’ willingness to cooperate, as well as fairly sharing the benefits and costs of international cooperation domestically – in order to strengthen public support for international cooperation.

Thus, what this paper suggests is not to proceed in a ‘business-as-usual’ way, but to approach the framing of the Post-2015 Agenda in a modern, up-to-date fashion and be open to policy change and innovation.

However, judging from past experience, it is quite clear that international cooperation tends to work ‘best’ when it is, among other things, “*concerned with preserving an existing set of policies and behaviors ... rather than when it is directed at altering policies*” (Eichengreen 2011, 3).

So, what does this lesson tell us about the *political feasibility* of the recommendations set forth in this paper?

In brief, it alerts us to the fact that the approach outlined here may be more difficult to arrange than following the more conventional route of selecting a few universal goals, and defining indicators to measure progress towards them, taking a ‘wait and see’ position towards the ‘in-between’, i.e. the measures and inputs required to realise these goals.

Such an approach may result in many international agreements but not in speedy and effective real progress. Yet given the growing urgency of the global challenges we confront, we can no longer afford just to talk and not also to act – to move ahead with more decisive and cooperative steps.

For that to happen, a number of *institutional reforms* would be required. The paper lists, in Section III, several of those, including creating an Agency Support Facility for the least-developed countries, so that they can also insert their national concerns into the Agenda debates; organising global policymaking more along issue-lines in order to take account of the fact that many global challenges require inputs from multiple sectors and multiple actors at multiple levels; and strengthening global leadership.

Most important, however, appears to be a strong, *unequivocal commitment to national sovereignty*.

At first, this may sound paradoxical. How could one have both more international cooperation and more national policymaking sovereignty?

The answer, offered in Section IV of this paper, is that in policy fields marked by interdependence, countries have to do the former in order to enjoy the latter. In those policy fields it would be in their enlightened national interest – and hence, a ‘smart’ exercise of their policymaking sovereignty – to engage in cross-border cooperation. Pooling sovereignty with others would allow policymaking to catch up with today’s cross-border, regional and global challenges and to produce more inclusive and sustainable global growth and development.

As the Annex Boxes to this paper demonstrate, there exists considerable scope for such a smart exercise of national policymaking sovereignty.

While the Post-2015 Agenda process outlined in this paper depends on the recognition that under conditions of interdependence, international cooperation potentially is a smart thing to do, it also would be an important step towards making the concept of smart sovereignty operational.

International cooperation, notably multilateral cooperation, might in future look a bit 'messy', to quote Richard Haass (2010). But this is only as long as we are not yet fully used to it.







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## **Annexes**



## Annex 1

### **‘Smart Sovereignty’ in International Monetary Cooperation: The 1985 Plaza Accord**

**By Helmut Reisen**

In an interdependent world, macroeconomic policies that originate in one country have potent spillover effects on other countries. If exchange rates are fluctuating, the transmission of monetary policies will be felt elsewhere through changes in external competitiveness, employment and corresponding effects on price inflation or deflation. With exchange rates fixed or pegged, fiscal policy in one country is transmitted to others through variations in external balances and external demand. Independent macroeconomic reaction results in a higher output loss (under the Nash equilibrium) than when authorities coordinate by jointly minimising the sum of the individual loss functions. But there is an asymmetry as large countries, and especially the US as long as it issues the world reserve currency, can more easily afford to neglect the external value of their currency.

In the early 1980s, the United States had conducted a *beggar-thy-neighbour* monetary policy to reduce domestic inflation. Monetary restraint resulted in a sharp increase in interest rates and the export of inflationary pressures to the rest of the world through an appreciating dollar. Eager to also combat inflation, other countries had to embark on an ever more rigorous monetary policy. Countries combining high US dollar debt with commodity export earnings, such as Brazil and Mexico, were hit particularly hard by the combination of higher interest rates and falling prices for raw materials triggered by the restrictive US monetary stance. The absence of monetary cooperation resulted in painful output losses. A coordinated intervention on currency markets by leading central banks, if effective in stabilising key exchange rates, would be able to help relieve the pain.

In 1985, the Reagan administration abandoned its virtual taboo on currency intervention as the system of floating exchange rates, which had come into being after the breakdown of the Bretton Woods system of fixed rates, had allowed the dollar to become vastly overvalued. The vast US external deficit, the lobbying by US exporters for protection and the transformation into the world’s largest net debtor led the US to abandon its benign neglect of exchange rate issues. This produced the *Plaza agreement* of 25 September, 1985, in which the Group of Five (France, Germany, Japan, the UK, and the US) committed to lowering the value of the dollar. The agreement brought the dollar down by 25% during the following years. The *Louvre agreement* followed on 22 February, 1987, when G6 members temporarily agreed on a system of exchange rate targets.

Until then, it had long been doubted whether intervention could be effective in influencing exchange rates. While uncoordinated intervention (sterilised, to keep the money base unaltered) has been found to be ineffective, concerted intervention by the world’s major central banks has defied the sceptics as the coordination provides powerful signalling effects, which guide the largely indeterminate expectations of impressionable market

traders to achieve the outcomes desired by monetary authorities. The sceptics' agnosticism ignored two channels through which sterilised intervention can influence exchange rates: the information channel and the portfolio-balance channel. When expectations of market participants in foreign exchange markets are heterogeneous (especially when a bubble seems to be building), coordinated intervention may effectively change the market's confidence in its own projections; this information channel translates central bank policy into altered currency market expectations. The portfolio-balance channel works if domestic and foreign bonds are imperfect substitutes (due to currency or sovereign risk), so that the rising supply of domestic currency bonds that results from sterilised intervention, will lead to higher domestic interest rates and a depreciating currency in the dollar-buying country.

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## Annex 2

### **The ‘PIP’ (Pandemic Influenza Preparedness) Framework:**

**Smart sovereignty to improve the sharing of influenza viruses with pandemic potential, while also moving towards more predictable and equitable access to vaccines in future pandemics**

**By Frederick Abbott and Nick Drager**

In the early morning hours of 16 April, 2012, in the Executive Board room of the World Health Organisation (WHO) in Geneva, WHO Member Countries concluded four years of difficult negotiations and reached an agreement on a pandemic influenza preparedness framework for sharing influenza viruses and access to vaccines and other benefits. This agreement addressed the concerns of developing countries in particular that the WHO’s Global Influenza Surveillance and Response Network – (originally called GISN and now re-named as GISRS) that had been in place for the last 40 years did not adequately provide assurances that all countries would equally benefit in terms of receiving pandemic vaccines, should there be an influenza pandemic – vaccines that most likely would be derived from influenza virus specimens that these same countries were sharing freely with the WHO network. This landmark agreement was subsequently adopted by consensus at the World Health Assembly in May 2011.<sup>34</sup> This new framework for the global governance of pandemic influenza viruses and benefit sharing calls for a new way of doing business for all stakeholders involved in pandemic influenza surveillance and response.

The agreement addressed shortcomings in the existing network of influenza public health laboratories, coordinated by the WHO, that gathered representative samples of circulating influenza viruses in order to conduct detailed risk assessment and to develop vaccine candidate strains and provide them free of charge to manufacturers for vaccine production.<sup>35</sup>

Influenza was primarily a focus for industrialised countries that produce and use most of the seasonal influenza vaccine.<sup>36</sup> The emergence of H5N1 in Asia put a spotlight on the risks of avian and pandemic influenza and highlighted influenza as a priority for developing and developed countries alike. It underscored the global insufficiency of influenza vaccine manufacturing capacity. Virus contributing developing countries

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34 Pandemic influenza preparedness Framework for the sharing of influenza viruses and access to vaccines and other benefits, Sixty-Fourth World Health Assembly, WHA64.5, Agenda item 13, 24 May, 2001.

35 For critical perspective on prior mechanism, *see e.g.*, Third World Network, Briefing Paper, *Sharing of Influenza Viruses*, May 2007.

36 Recognising the limited geographic focus of the then-existing mechanism and the need to establish a globally comprehensive mechanism for supplying vaccines to address a potential pandemic, *see e.g.*, WHO, Departments of Immunisation, Vaccines and Biologicals, and Epidemic and Pandemic Alert and Response, Global pandemic influenza action plan to increase vaccine supply, WHO/IVB/06.13, WHO/CDS/EDR/GIP/2006.1, September 2006.

questioned the WHO system. Why contribute virus specimens if they could not secure the resulting vaccines for their population at affordable prices? Indonesia took the step of not sharing its H5N1 virus specimens with the WHO. Developing countries called for greater transparency in the WHO's Global Influenza Surveillance Network and greater fairness and equity regarding access to benefits derived from influenza viruses shared with this network.

In response to these concerns and to strengthen global health security, countries adopted a resolution during the May 2007 World Health Assembly (Resolution 60.2) that requested the WHO Director General to convene an intergovernmental meeting to look into reforming the practices and processes of the existing network. Two questions were of major concern. First, under what conditions would countries share influenza viruses? Second, how could developing countries gain fair and equal access to affordable pandemic influenza vaccines?

During the next four years member countries would work through an intergovernmental process to develop a framework for sharing viruses and access to vaccines and other benefits in flu pandemics or as more commonly referred to as the "PIP Framework".<sup>37</sup>

The rise of the Influenza Pandemic (H1N1) in 2009 – like the emergence of SARS during the negotiations on the revised International Health Regulations (IHR 2005) – added urgency to the negotiation process. In October of 2010, the parties to the Convention on Biological Diversity in adopting the Nagoya Protocol re-asserted state sovereignty over biological materials within their own territories.<sup>38</sup> These developments added more elements to already complex negotiations, with member countries' interests focusing on whether benefit sharing should be mandatory or voluntary; what transfer agreement should govern the movement of viruses through the system and issues related to intellectual property rights.<sup>39</sup>

There were a number of important outcomes of the negotiations reflected in the final agreement that should strengthen influenza pandemic surveillance and response for the benefit of all countries. These include: An annual partnership contribution of 50% of the running costs of WHO GISRS to be made by manufacturers of influenza vaccine, diagnostics and pharmaceutical companies that use the WHO surveillance and response network;<sup>40</sup> the adoption of two standard material transfer agreements (SMTA) – binding contracts that provide the conditions under which PIP biological materials are transferred

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37 See WHO, Brief history of the development of the Framework on Sharing influenza viruses and access to vaccines and other benefits, at <<http://www.who.int/influenza/pip/history/en/index.html>> (accessed 29 Nov. 2012).

38 Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilisation to the Convention on Biological Diversity, adopted at the tenth meeting of the Conference of the Parties of the Convention on Biological Diversity on 29 October, 2010, at art. 6.1.

39 Regarding the added layers of complexity introduced into the PIP framework negotiations by the Nagoya Protocol negotiations, see Frederick M. Abbott, *An International Legal Framework for the Sharing of Pathogens: Issues and Challenges*, ICTSD Programme on IPRs and Sustainable Development, Issue Paper No. 30, October 2010.

40 PIP Framework, at sec. 6.14.13.

among network members of GISRS (SMTA1)<sup>41</sup> and between members of the network and outside parties (SMTA2);<sup>42</sup> the commitment by industry partners to provide benefits to developing countries such as vaccine donations, technology transfer and resources for capacity building;<sup>43</sup> the establishment of an influenza virus traceability mechanism (i.e. an electronic Internet-based system to record the transfer and movement of PIP biological materials into, within and outside the GISRS system).<sup>44</sup>

A key feature in the process of the negotiations was the importance of an evidence based understanding of the issues by diplomats and an understanding of the negotiation process by health experts. This common understanding of both the issues and the process not only facilitated this agreement, but will have positive implications for future global health diplomacy efforts. All countries clearly recognised that it was in their national interest to adopt this international agreement that both strengthened pandemic surveillance and response and global equity, and that would contribute to ensuring that the world would be better prepared to respond to the next influenza pandemic.

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41 *Id.*, Annex 1, “Standard Material Transfer Agreement within the WHO global influenza surveillance and response system (GISRS )”.

42 *Id.*, Annex 2, “Standard Material Transfer Agreement outside the WHO global influenza surveillance and response system (GISRS )”.

43 *Id.*, at secs. 6.10-6.13.

44 *Id.*, at sec. 5.3.

## Annex 3

### Smart sovereignty in climate governance: Moving forward incrementally

By Christian Flachsland

It is clear: In terms of climate change the world is on a path towards 4-degree global warming by the end of this century (PIK and Climate Analytics 2012). If we do not act quickly and decisively, we risk crossing tipping points and will likely encounter hitherto unknown risks and challenges – heat waves and droughts in some parts of the world, flooding and storms in other parts, destroyed crops, disrupted trade, environmental refugees and perhaps even intensified conflicts and war (WBGU 2007).

Many countries and many people are likely to suffer from delayed action. Conversely, taking decisive steps towards mitigation and adaptation to climate change would benefit many. In fact, model analyses show that delaying the inception of an ambitious global climate policy until 2020 will at least double overall mitigation costs (Jakob et al. 2012). So why is corrective action so slow in coming?

One reason is that climate change mitigation is one of the most pure GPG problems on the international agenda. Once achieved, it exists for everyone. Therefore, there appears to exist a systematic free-riding incentive (Barrett 1994). However, equity issues also come into play, e.g. questions of who were the main emitters or who has the most capacity for financing emission reductions and what responsibility this implies in taking the first steps towards correcting the problem of global warming. Also, restricting use of the atmosphere as a space for GHG disposal implies the creation of valuable usage rights – in an emission trading scheme these are emission allowances with scarcity value. Thus, negotiations over regional emission targets always involve bargaining over a substantial asset, the climate rent, which increases the difficulty of striking agreements quickly (Edenhofer et al. 2012). Moreover, the pattern of global emissions is changing. In 2011 China was the largest emitter with 30% of world CO<sub>2</sub> emissions, followed by the US (16%) and the EU (11%) (Olivier / Janssens-Maenhout / Peters 2012). Resolving the question of who should act and to what extent would be important, because the provisioning of the global public good ‘climate change mitigation’ requires a summation process: In the longer term all countries would need to act nationally; and the steps at the national level would need to be complemented through collective international coordination.

So, although most policymakers would perhaps agree with World Bank President Kim’s statement that a “*4-degree warmer world can, and must be, avoided*” (PIK 2012), which policy approach to choose and how to distribute the costs and benefits of corrective action is still an unsettled issue.

Thus, it seems that, for the time being, countries accord priority to no-regret measures and experimental efforts. International cooperation happens where it can be done within the

national context, e.g. where cooperation promises gains in terms of cost-effectiveness or production efficiency. Many countries – not all – are today realising that it is ‘smart’ to cooperate on climate issues. But they still find it difficult to realise cooperation.

Let us first look at the no-regret measures. In many countries, CO<sub>2</sub> emission reductions can come about as a co-benefit of other policies, such as improving energy efficiency, phasing out inefficient subsidies and reducing energy imports. Also, regions appear to differ in their willingness to contribute to GPGs. So, it is no surprise to find that more and more countries have launched such measures and deliberate climate policies (Climate Action Tracker 2012).

*Nationally appropriate mitigation actions (NAMAs)* are now a novel tool under development to organise countries’ mitigation strategies into a coherent overall strategy and anchoring them in the debate on national policy priorities (Tilburg van et al. 2012). NAMAs can include unilateral and conditional policy packages: Unilateral offers have already been put forward by many countries in the Copenhagen Accord (UN 2012). They may be complemented by measures conditional on (i) the behaviour of other countries, thus enabling ‘treaty tipping’ (e.g. the EU and Australia offered conditional emission reduction targets), and (ii) on international support measures such as finance from the Green Climate Fund (Victor 2011).

The *Kyoto Protocol (KP)*, agreed under the UNFCCC has been the most visible experiment in smart cooperative climate governance, with some industrialised countries jointly agreeing to emission targets and enabling permit trade to ensure cost effectiveness. Developing countries participated via the Clean Development Mechanism (CDM). The KP has also stimulated the implementation of the *EU Emissions Trading System (ETS)* in 2005, the largest cap-and-trade system involving 27 nations and the most significant single climate policy instrument in the world today (Ellerman et al. 2010).

Contributions to the emerging *Green Climate Fund and REDD mechanisms* are additional examples where countries can invest into the global public good of emission reductions and facilitate cooperation via side payments (Barrett 2007). Green Climate Fund disbursement may be linked to NAMAs to ensure integration and national anchoring of climate policies. By analogy to international emissions trading, these are instances of smart sovereignty in the sense that they simultaneously (i) allow to cost effectively allocate emission reductions and (ii) facilitate cooperation on climate GPG provision via side payments.

Beyond and in support of the UNFCC arena, *linking of the domestic emissions trading system* as envisaged by the EU and Australia (EC 2012) is another example for smart sovereignty: While at first sight it involves giving up sovereignty by creating a jointly regulated market, it enhances cost effectiveness, opens new possibilities for side payments to advance climate cooperation and facilitates structured market regulation where markets may be linked, indirectly anyways, if they accept credits from third markets, such as the

CDM (Flachsland / Marschinski / Edenhofer 2009). A number of cap-and-trade systems are now emerging in California, Quebec, South Korea, and in several Chinese provinces with plans for a national China ETS in 2015 (World Bank 2012).

Finally, the acceptance of mutual monitoring and assessment is an important first step towards a more deliberate pooling of sovereignty. An important step in this direction was taken under the KP with its mechanism for *monitoring, reporting and verifying (MRV) country emissions*, including an international review procedure and penalty provisions. This MRV scheme is a good example of how investing some sovereignty in a narrow sense can pay off in terms of actually expanding sovereignty, as a reliable MRV process enables countries to trust each other's emission reduction performance in a future cooperative agreement.

A next step in this direction could be *penalty provisions* in international climate treaties. If countries were to agree to such penalties, they would do as Ulysses did, when he asked his men to tie him to the mast of his boat in order not to succumb to the song of the Sirens. Countries would deliberately prevent themselves from succumbing to the temptation of free-riding. At first sight, this looks like ceding sovereignty in a narrow sense, i.e. as countries' freedom from outside interference. However, if credible, such penalties might never be executed (Barrett 2007; Heitzig / Lessmann / Zou 2011). Put differently, international cooperation would perhaps be more effective, climate change problems could be resolved more speedily, thus maintaining states' sovereignty – freeing them from the environmental risks that might otherwise interfere with their national policy efforts.

Clearly, states are experimenting with policy responses that take interdependence into account. First shoots of smart sovereignty are clearly discernible in climate change governance. Yet, especially in view of the recent 4-Degree Report (PIK and Climate Analytics 2012) it is also clear that we need to take good care of these shoots – to make sure they grow quickly.

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## Annex 4

### **Pooling sovereignty for global financial regulation: The case for a global financial regulator**

**By Stephany Griffith-Jones**

The international community has taken important and valuable steps toward global coordinated regulation, such as the creation of the Financial Stability Forum and recently its transformation into the Financial Stability Board, which has more powers and staff. The concept of international colleges of supervisors is another step in this direction. However, their efforts are clearly insufficient, given the speed and depth of the globalisation of private finance and its often negative spillover effects on innocent bystanders.

Indeed, in terms of new institutional arrangements for regulation, it is essential to design an institutional structure consistent with the fact that capital and banking markets have very large parts that operate on a worldwide level. For the domain of the market to be consistent with the domain of the regulator, and to thus avoid regulatory arbitrage between countries and financial centres, a global financial regulator seems desirable to help provide the regulatory coordination needed for pursuing the global public good of global financial stability. Both academics<sup>45</sup> and some market actors<sup>46</sup> have long called for such an institution. The recent crisis – and the way contagion has spread throughout the globe to even affect countries with sound financial systems – has provided a stark reminder of how necessary and urgent the creation of such an institution is.

One reason why governments – both in developed and developing countries – may resist calls for a global regulator is their unwillingness to give up perceived national sovereignty in the area of financial regulation – where they see sovereignty to be important. However, this perception is incorrect, given the globalisation of private finance.

Global financial markets, to the extent that they are unregulated, are unaccountable and undemocratic. These markets have major and profound effects on economies and on people's lives, many of which are undesirable. Such market failures can be corrected by public-policy actions, such as by regulation. To the extent that financial markets are global, the only option for effective regulation is for sovereignty to be pooled or shared among governments via global arrangements. Therefore, by sharing sovereignty, countries will gain sovereignty, by increasing their joint control over global financial markets so that these can serve public policy goals, such as financial stability, that will contribute to sustained growth and development. This is clearly a superior option in terms of the exercise of sovereignty compared to individual governments not regulating the international aspects of finance.

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45 See Eatwell, J. & Taylor, L. "Global Finance at Risk: The Case for International Regulation" New York: The New Press, 2000.

46 See Kaufman, H. "The Principles of Sound Regulation. *Financial Times*, p. 11. 2008.

Developing country governments may feel particularly unwilling to support the creation of a global financial regulator, because they may fear it will be used to impose regulations on them that would reduce their national policy space. This was basically true, when finance was mainly controlled by developed countries, and crises happened mainly in developing countries (even though often largely caused by international financial markets). However, the situation has now changed. Much of global savings originates in developing economies, while the current crisis clearly originated in the developed economies; regulatory failures in these developed countries were a major cause of this crisis. Furthermore, developing economies and their people have severely suffered the effects of the crisis through a variety of channels even though they had no responsibility for causing it.

Therefore, it is in the interests of developing countries to have a global financial regulator (in which they have appropriate representation), to ensure that global financial markets are adequately regulated. The fact that there is now greater, though still insufficient, developing country representation, than in the past, in the main international regulatory bodies, such as the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS), makes an international regulator more attractive for developing economies. Its existence would help avoid future crises, especially those originating in developed economies.

Some countries may still worry that global regulation could lead to over-standardised, inflexible rules. This must not be so. Take, for example, the case of capital controls. At their Cannes Summit, G20 leaders stressed that “there is no ‘one-size fits all’ approach”.<sup>47</sup> The IMF could stipulate that countries can have measures in place for the control of capital flows, but that the management of the capital account should continue to be the prerogative of states.<sup>48</sup> A future global financial regulator could follow a similar approach. National policymaking sovereignty and global regulation could then go hand-in-hand.

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47 See, G20 Coherent Conclusions for the Management of Capital Flows Drawing on Country Experiences, p. 2. Available at <http://www.g20-g8.com>, the website of the French G20 Presidency.

48 See on this issue also Gallagher, Kevin P., Stephany Griffith-Jones, and José Antonio Ocampo. Historic moment for the IMF. In Financial Times [ft.com](http://ft.com)>comment>blogs, May 29, 2012.



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