



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



**DC2007-0020**  
September 28, 2007

**GLOBAL PUBLIC GOODS:  
A FRAMEWORK FOR THE ROLE OF THE WORLD BANK**

Attached for the October 21, 2007, Development Committee Meeting is a background report entitled "Global Public Goods: A Framework for the Role of the World Bank," prepared by the staff of the World Bank.

\* \* \*

**GLOBAL PUBLIC GOODS:  
A FRAMEWORK FOR THE ROLE OF THE WORLD BANK**

**GLOBAL PROGRAMS AND PARTNERSHIPS  
(GPP)**

**SEPTEMBER 28, 2007**



## ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
AMC	Advance Market Commitments
AHIF	Avian and Human Influenza Facility
CAS	Country Assistance Strategy
CEIF	Clean Energy Investment Framework
CFU	Carbon Finance Unit (World Bank)
CGIAR	Consultative Group on International Agricultural Research
COMESA	Common Market of Eastern and Southern Africa
DGF	Development Grant Facility
ECOWAS	Economic Community of West African States
ESMAP	Energy Sector Management Assistance Program
FAO	United Nations Food and Agriculture Organization
FSAP	Financial Sector Assessment Program
GEF	Global Environment Facility
GEP	Global Economic Prospects
GFATM	Global Fund to Fight AIDS, TB, and Malaria
GMR	Global Monitoring Report
GPGs	Global Public Goods
GPPs	Global Programs and Partnerships
HSS	Health Systems Strengthening
IAVI	International AIDS Vaccine Initiative
IFFIm	International Financing Facility for Immunization
IFIs	International Financial Institutions
IMF	International Monetary Fund
IPAPI	International Partnership on Avian and Pandemic Influenza
ITC	International Trade Commission
MDGs	Millennium Development Goals
MICs	Middle-Income and Emerging Market Countries
MLP	Multilateral Fund for the Implementation of the Montreal Protocol
NGOs	Nongovernmental Organizations
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OIE	International Animal Health Organization (Office International des Epizooties)
PHRD	Policy and Human Resources Development Fund
PRR	Policy Research Report
ROSC	Report on the Observance of Standards and Codes
SADC	Southern African Development Community
TRIPS	Agreement on Trade-related Aspects of Intellectual Property Rights
UNAIDS	Joint United Nations Program on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDG	United Nations Development Group
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Fund
US PEPFAR	United States President's Emergency Plan for HIV/AIDS Relief
WDR	World Development Report
WHO	World Health Organization

## TABLE OF CONTENTS

Executive Summary .....	i
I. The Bank's Role in the Provision of Global Public Goods .....	1
A. Rationale for Collective Action on Global Public Goods.....	2
B. Criteria for Bank Engagement with Global Public Goods.....	3
C. Modalities for Bank Engagement with Global Public Goods.....	5
II. Global Developments and Implications for the Bank's Role .....	7
A. Environmental Commons .....	7
B. Communicable Diseases .....	11
C. International Financial Architecture .....	13
D. Strengthening the Trading System.....	14
E. Knowledge for Development.....	16
F. Approaches to Regional Public Goods .....	19
III. Actions to Enhance the Bank's role in the Provision of Global Public Goods.....	20
A. Integration of Global Public Goods and Country Development Strategies .....	20
B. Partnership and Financing Modalities for the Provision of Global Public Goods	22
C. Constructive Advocacy .....	25
D. Approaches to Regional Public Goods .....	25
IV. Issues for Discussion.....	27

### List of Boxes:

Box 1: World Bank Group Amazon Partnership Framework in Brazil.....	6
Box 2: Carbon Finance .....	8
Box 3: Caribbean Catastrophe Risk Insurance Facility (CCRIF).....	11
Box 4: Integrated Framework for Trade-related Technical Assistance .....	15
Box 5: Advance Market Commitments .....	18

### Annexes

Annex 1: Climate Change-related Indicators.....	28
Annex 2: Location of Outbreaks of Communicable Diseases .....	29
Annex 3: World Bank Priorities for Support of Global Public Goods .....	30

## EXECUTIVE SUMMARY

Increased globalization over the last decade, in tandem with rapid economic growth in middle-income countries, has heightened the sense of economic, social and ecological interdependence while intensifying concerns over a growing list of global problems. Perhaps the most striking aspect of such interdependence is the realization that climate change is occurring and that the implications for developing countries could be severe (e.g. coastal flooding, health-related risks, water scarcity and impacts on agriculture). Other repercussions might include conflicts, civil strife and the threat of pandemics, to mention just a few. These heightened global risks point to the urgent need for collective action worldwide to address major issues that cross national borders.

In this context, at the 2006 Singapore Annual Meetings the Development Committee called on the World Bank, “within its overall strategy, to develop a framework for its role in providing global and regional public goods, including criteria for its involvement and financing modalities.” This paper responds to that request.

### **The Bank’s Work in Global Public Goods**

Global public goods concern all countries, rich and poor, and they can no longer be separated from national interests. The spread of communicable diseases and the impact of climate change clearly illustrate the urgency of concerted global action.

There are important opportunities for the Bank to enhance its contributions to this agenda. As primarily a country-focused development institution, *the key will be the Bank’s ability to work consensually with partner countries at the intersection between national development priorities and global challenges*. Country knowledge, but also extensive involvement in global issues, offers the Bank a broad knowledge base to draw upon. In particular, the Bank must work together with member countries to find innovative solutions on those issues where national benefits are not sufficient for taking action.

To guide the Bank’s work in global public goods, it is essential to establish *criteria for setting priorities and parameters for the depth of engagement*. The criteria set out in the 2000 Development Committee Communiqué on this subject are still valid, but with adjustments based on the Bank’s experience over the last several years:

- There should be an emerging consensus in the international community that global action is required.
- There should be an institutional gap that the Bank could help fill to encourage global action.
- The Bank should have the requisite capabilities and resources to be effective.
- Bank engagement should be consistent with its development mandate and relative strengths.
- Global action by the Bank should support or catalyze other resources.

Consistent with its overall mandate to assist countries in achieving sustainable development and poverty reduction, these criteria allow the Bank to bring to bear its

established tools: research, global advocacy, country level analytical work, technical assistance, lending operations, global partnerships, trust funds, and innovative financial mechanisms. Their specific use – singly or in combination – will be determined by the appropriate positioning and the depth of engagement of the Bank within given country, regional or global circumstances, and as part of overall World Bank Group resource allocation decisions.

Leadership in the provision of global public goods usually lies with entities that have primary responsibility for “producing” these goods. The United Nations and specialized international agencies are charged, for example, with monitoring the spread of communicable diseases, setting global standards on greenhouse gas emissions, and determining the rules of the international trading system. The Bank’s contribution to the global public goods agenda is to complement their work by focusing on four major areas:

- working with countries to relate global concerns to national policies and programs;
- employing substantial experience in partnerships and financial mechanisms;
- providing constructive advocacy through objective analysis of global issues; and offering knowledge across economic and social sectors.

The focus of the Bank’s work in global public goods has been on five areas endorsed by the Development Committee in September 2000:

- preserving the environment;
- controlling communicable diseases;
- strengthening the international financial architecture;
- enhancing developing countries’ participation in the global trading system; and
- creating and sharing knowledge relevant for development.

These challenges remain critical to poverty reduction, to growth and global stability and should continue to be key priorities for Bank action. Nonetheless, *new circumstances demand adjustments in emphasis, instruments, and responses*. This is particularly the case in the environment and public health arenas, where different modalities for action have emerged. This paper suggests ways the Bank can strengthen its ability to assist member countries meet their development objectives and contribute to achieving global public goods.

## **Environmental Commons**

The biggest challenge on the global public goods agenda is climate change. There is now much clearer evidence of the speed of climate change, the sources of the problem, and its consequences for developing countries. The seriousness of the issue and its link to human behavior are widely recognized, and so is the need for urgent concerted action to reduce emissions and help countries adapt to the long-term effects of climate change. These will be top priorities in countries where such effects are most likely to disrupt daily life and economic performance.

Addressing climate change will soon be a central feature of efforts to overcome poverty, and the Bank will need to operate on several fronts. It should actively encourage agreement on a new post-Kyoto international agreement, by providing technical analysis and advice on options that would permit curbing emissions without impairing the growth momentum of developing countries, and on the costs and benefits of different modalities to reduce greenhouse gas emissions (e.g., cap-and-trade mechanisms and their distribution across countries, the use of emission taxes). Simultaneously, and building on its expertise in carbon finance, it should try to expand carbon markets, to avoid a loss of momentum and learning, and to send a positive signal to the market at large. It should develop pilot projects to demonstrate the scope for public-private partnerships, for the application of new technologies, and for mobilizing private capital, carbon credits, and concessional finance toward this end. This should include pioneering methods to generate carbon credits from reducing deforestation – a topic not covered in the Kyoto Protocol.

The Heiligendamm Summit in June 2007 has provided new momentum regarding negotiations for a follow-up to the Kyoto Protocol. Reaching a new agreement will be critical to control the rate of climate change and to find new sources of market-based funds to meet rising investment needs. Also, some financial incentives to middle-income and emerging market countries that address their need for energy, while efficiently reducing carbon emissions, may be important to achieve progress. Management is considering how best to mobilize resources to contribute to these efforts.

Adapting to climate change and using exhaustible resources in a sustainable manner will have large cross-sectoral implications (from agriculture, fisheries and forestry to water and new infrastructure needs). The Bank will draw on its longstanding expertise in these sectors to meet the growing demand for finance and technical assistance. The necessarily long-term perspective of the environmental agenda requires a strategic approach that recognizes legitimate interests at the national level, and addresses trade-offs between national priorities and environmental goals. Since low-income countries may be at higher risk, poverty reduction will ultimately depend on the success of such strategies.

### **Control of Communicable Diseases**

Partnerships have become a major feature in addressing global health issues. An encouraging recent example has been the collective action taken to cope with the threat of an avian influenza pandemic. Concerted efforts by affected countries, UN agencies, the animal health organization OIE, and the Bank, strongly supported by a global political consensus, have enabled a quick response to the crisis with the Bank providing country-based assistance on both animal and human health. Other forms of partnership, such as global health funds with a heavy focus on retroviral treatment of HIV/AIDS, have grown sharply in recent years, and in many IDA countries they now represent a large share of total health spending. Critical new challenges have emerged: (i) to ensure that the narrowly focused spending that is common in “vertical” programs targeted to particular diseases does not pull resources away from countries’ other critical health programs; (ii) to achieve an appropriate balance between treatment and prevention; and (iii) to ensure that external aid for communicable disease control can at least be maintained at present



rates, as a reduction will cause significant human tragedy and lead to unsustainable fiscal pressure.

These developments in the health sector have far-reaching implications for IDA and are reflected in the Bank's new sector strategy. Shifting the approach to one that centers on strengthening national health systems at large, with a relatively larger focus on disease prevention, has become urgent to maintain progress against the spread of communicable diseases.

## **International Financial Architecture**

Considerable progress has been made over the past ten years in strengthening the international financial architecture, and the emphasis on surveillance and the implementation of standards and good practices by the IMF and the Bank have made a major contribution. Recent developments in global financial markets, however, have once again shown that even during periods of stability there is no room for complacency. It remains important for countries that have been liberalizing their financial sectors to take advantage of longer periods of financial stability to further deepen structural reforms in financial systems to improve their resilience and to expand the benefits of financial integration within the country. Those countries that are starting to access capital markets need to implement measures to avoid creating major vulnerabilities.

The joint Bank/Fund FSAP and ROSC programs are good diagnostic tools to identify risks and gauge the scope for policy actions, but the Bank could do more to support countries with advisory services to help implement their findings. Technical assistance, therefore, remains a high priority to help countries develop resilient financial systems and to broaden and deepen financial markets. In addition, the Bank should maintain a close relationship with the financial standard setting bodies to ensure that the perspective of developing countries is considered.

## **Strengthening the Trading System**

An open, transparent, and rules-based multilateral trading system is a global public good, and the Doha Round of trade negotiations remains the best prospect of achieving this goal. The Bank's continued research can highlight the benefits of progress in these negotiations, including in the area of services, which are of critical importance but have yet to be emphasized.

Equally important, the Bank will continue to support complementary domestic policies that widen the benefits within countries of more open trade. For many smaller and poor countries, taking advantage of a more open trading system requires an enhanced capacity to develop domestic trade strategies and institutions to compete in new markets. Many developing countries also have concerns about potential adjustment costs arising from further trade liberalization or reductions in trade preferences. For them, investments in critical infrastructure, skills, trade facilitation and logistics will not only help to improve their international competitiveness but can also assist the overall adjustment process. These are areas where the Bank should continue to provide complementary

support through technical assistance, legal and policy advice, and lending. Donor resources for aid-for-trade would enable the Bank to expand its support in these areas.

## **Knowledge for Development**

Through both research and operations the Bank is deeply involved in creating and disseminating knowledge relevant for development, in particular policy analysis. New global trends put a premium on the Bank's function as an initiator, integrator, and clearinghouse for development knowledge. Given the increased access of middle-income and emerging market countries to external financing, one of the Bank's fundamental contributions in such countries is analytical work, based on its understanding of global best practices, including those of industrialized countries. In low-income countries, the earmarking and fragmentation of aid increase the importance of IDA's provision of analytical and policy advice to support cross-sectoral coherence and fiscal sustainability.

Think tanks in developing countries have become major contributors to development knowledge and many middle-income countries can now directly share lessons of experience and actively provide advisory services on development policies, including to OECD countries. The Bank should extensively promote these potential contributions and frame its future knowledge strategy around these changed parameters.

## **Proposed Modifications in the Bank's Work**

Given the current trends in the global economy, the Bank will need to work with partner countries at the interface between national development priorities and regional and global concerns. Strategies for international collective action will have to reflect governments' perspectives on national priorities. More specifically, the Bank should:

- (1) ***Enhance cooperation with partner countries on the integration of country priorities and global/regional public goods.*** Management will explore how best to ensure a more systematic treatment of global public goods at the country-level, working collaboratively with partner countries and building on the Bank's diversified tools of country assistance.
- (2) ***Strengthen its capacity for advisory services and lending related to global and regional public goods.*** To be credible in its advice, the Bank will continue to upgrade its staff expertise in areas of emerging priority and better align Regions and Networks in implementing the global public goods agenda.
- (3) ***Participate strategically in global partnerships.*** Partnerships are an important instrument for pursuing critical global public goods objectives, and the Bank has many vehicles to participate in global initiatives. The major challenge is selectivity, to ensure that the Bank achieves the greatest impact from its interventions. Management sees a need to explore the coherence of the Bank's large trust fund portfolio in support of global partnerships and to identify gaps in critical priorities.

- (4) ***Explore new financing modalities for global public goods.*** Building on recent experiences (for example with the International Financing Facility for Immunization and joint IBRD/IFC funded projects), Management will continue to support new financing instruments, particularly if they help to address market failures (as in low-carbon investments) and if they contribute to leveraging private resources in the infrastructure, energy and health sectors. Such instruments should be pursued for global public goods activities that fill extraordinary and critical gaps in innovation, that provide major incentives for collective action, and those that would have a catalytic impact on other sources of funds.
- (5) ***Continue to promote informed debate on global issues, and advocate constructively for developing countries.*** In particular, the Bank should contribute to: (i) a durable and equitable framework to reduce greenhouse gas emissions; and (ii) a successful conclusion of the Doha Round of trade negotiations.
- (6) ***Increase action at the regional level.*** Concentrating on regional approaches to regional and global public goods may be a more relevant operational approach in some problem areas – such as water, energy, transport and health – and is likely to continue to gain in importance. The Bank can assist in developing common regulatory frameworks and shared financing options, and will enhance lending for multi-country investments addressing global public goods at the regional level.

## **Conclusion**

Efforts to address the global public good agenda cannot be limited to developing countries alone – and this will be particularly critical in the case of climate change. Global prosperity will depend on steps taken today. The task is urgent and significant, presenting both opportunities and challenges to all partners. Success requires a global consensus on the need for collective action and adjustments in the interaction between countries at different levels of development. The Bank can contribute as a competent policy and technical advisor and an agile mobilizer of financial resources; and it must deepen the confidence of its shareholders that its actions will be guided by the shared goals of poverty reduction and sustainable growth.

## I. THE BANK'S ROLE IN THE PROVISION OF GLOBAL PUBLIC GOODS

1. The World Bank's involvement in global issues requiring collective action is not new. For example, the Bank has supported the Onchocerciasis Program in West Africa since 1974 and has been the trustee and an implementing agency for the Global Environment Facility (GEF) since 1991. But it was not until September 2000 that the Bank first directly assessed its role in the supply of global public goods (GPGs) in a paper for the Development Committee.<sup>1</sup> The Committee's Communiqué endorsed work in five key areas: *to control communicable diseases, preserve the environment, strengthen the international financial architecture, enhance developing countries' participation in the global trading system, and share knowledge relevant for development.* These five priorities have guided the Bank's involvement in GPGs since then, and were re-emphasized and further clarified in a 2005 paper considered by the Bank's Executive Board.<sup>2</sup>

2. At the 2006 Bank-Fund Annual Meetings in Singapore, the Development Committee called for the Bank "*within its overall strategy, to develop a framework for its role in providing global and regional public goods, including criteria for its involvement and financing modalities.*" In reference to middle-income and emerging market economies, the Committee's Communiqué "*encouraged the Bank to give greater emphasis to issues of regional and global concern in areas where it has a comparative advantage.*"

3. This paper responds to these requests. Underlying the analysis is the need to answer the following questions: In light of recent global developments, how can greater attention to specific GPGs strengthen the Bank Group's value for all its members? Given these developments, where will collective action supported by the Bank have the greatest impact on poverty alleviation and economic growth? How can the Bank respond to the particular interests of middle-income countries? And, based on the answers to these questions, should there be modifications to the Bank's procedures, systems, and organization that would enhance its effectiveness?

4. This section briefly describes what is meant by GPGs and discusses the rationale for collective action linked to national development, and the criteria and modalities for Bank involvement. Section II reviews the Bank's experience in the five priority GPG areas in which the Bank has been working. It then identifies global developments and their implications for a reassessment of the Bank's role. Section III proposes modifications in how, given the current context, the Bank can improve its effectiveness in support of GPGs, and Section IV sets out issues for discussion.

---

<sup>1</sup> *Poverty Reduction and Global Public Goods: Issues for the World Bank in Supporting Global Collective Action* (DC/2000-16).

<sup>2</sup> *A Strategic Framework for the World Bank's Global Programs and Partnerships*, May 3, 2005 (SecM2005-0250).

## A. Rationale for Collective Action on Global Public Goods

5. Increased globalization has heightened interdependence across countries and regions. A substantial challenge remains to ensure that the benefits of globalization are more widely spread and that key global problems are addressed. Without collective action, GPGs are often undersupplied (or global “bads” oversupplied). Actions to supply GPGs are no longer separable from the choices being made on development paths and on prospects for poverty reduction.

6. Economists describe GPGs as sharing two qualities: their benefits are non-excludable (once available, everybody can enjoy them) and non-rivalrous (consumption by one person does not reduce the availability to other individuals across nations). More pragmatic and operational interpretations – as used in this paper – have focused on those goods whose supply depends critically on international collective action, even though they may not be fully global (they may be regional) and have some excludability (as with some critical components of global knowledge whose use is restricted by patents) or rivalry (as with the exhaustion of high-seas fishery resources or biodiversity).

7. The classic example of a public good is clean air. It is impossible to limit the enjoyment of clean air: everyone can breathe it. In practice, most such goods relevant to development are not “pure” public goods but “mixed:” they provide individual, local, or national benefits, but also have spillover effects that are important for other (or all) countries. Many cross-border challenges are more effectively addressed at the regional level, as is the case with *tsunami* early-warning systems or the management of river basins that span national boundaries.

8. Many players are attempting to take greater account of GPGs in their work, and there is considerable global agreement on the most significant issues. *Meeting Global Challenges*, the 2006 Report of the International Task Force on Global Public Goods, brings together the key elements of this consensus and highlights six “*global public goods whose provision is critical.*” The Task force reinforces the importance of the five areas in which the Bank has been directly engaged (para. 1) and also added *peace and security*.<sup>3</sup>

9. The International Task Force report also stresses that while “*national governments bear the primary responsibility for ensuring that financing needs for global public goods are met ... and that past experience demonstrates very high benefit-cost ratios for global public goods,*” greater financing for GPGs is needed and should be

---

<sup>3</sup> The Report observes that “if all states and peoples can benefit from the provision of global public goods, it seems logical that they should be easy to supply and should be available in abundance. But the opposite is true. In fact, the very nature of global public goods means that demand will tend to outweigh supply” due to issues of sovereignty, differing preferences and priorities, the “free rider” problem (the incentive to wait for another party to provide the public good, then enjoy its consumption), the “weakest link” problem (success can be eroded by a single act of non-compliance – as in the efforts to eradicate an infectious disease), and the “summation” problem (the need to ensure compliance and sustain momentum with long-term global initiatives). See *Meeting Global Challenges: International Cooperation in the National Interest*, Report of the International Task Force on Global Public Goods, September 2006.

“additional to ODA.”<sup>4</sup> It emphasizes the importance of strengthening international institutions to help produce GPGs, because in most cases these organizations are needed to build on, reinforce, and often coordinate national action, channel funds to national programs, monitor and report on progress, and “...*in a growing number of issue areas, consider and implement decisions taken at a global level.*”<sup>5</sup>

## **B. Criteria for Bank Engagement with Global Public Goods**

10. The Bank is not a global standard-setting agency. Its major contributions to the GPG agenda involve (1) working in individual countries to build institutional capacities and systems, finance projects and programs, and analyze and advise on policies that help integrate national interests with global or regional concerns; (2) participating in global partnerships that complement its country-focused work and mobilizing resources for such partnerships; and (3) informing the global debate through research on the costs and benefits of collective action for developing countries. Other actors – such as governments, specialized agencies or private enterprises – have primary responsibility for setting standards and “producing” these goods, such as by monitoring the spread of communicable diseases, producing life-saving vaccines, entering into voluntary agreements regulating greenhouse gas emissions, negotiating trade agreements, and so forth.

11. The Development Committee’s 2000 Communiqué<sup>6</sup> emphasized that priorities should be guided by the Bank’s “*over-arching development and poverty reduction objectives,*” and that Bank action should be grounded in country-focused work. These criteria are still valid, but with adjustments based on the Bank’s experience over the last several years:

- *There should be an emerging consensus in the international community that global action is required.* The Bank should be engaged when collective action is supported by a broad constituency of Bank member countries (rather than simply strong pressure from a narrow base of support).
- *There should be a clear institutional gap in responding to the problem.* An important rationale for Bank involvement is that appropriate mechanisms do not already exist or are insufficient to address the concern. Selective engagement by the Bank should take fully into account the mandates, roles, and strengths of partners and other relevant actors.
- *Bank engagement should be consistent with its development mandate and its relative strengths.* The Bank’s action needs to make a measurable contribution to development objectives at the country level, as reflected by the Millennium

---

<sup>4</sup> Report of the International Task Force on Global Public Goods. Op. cit. p. 99

<sup>5</sup> Report of the International Task Force on Global Public Goods. Op. cit. p. 85

<sup>6</sup> In considering the role the Bank might play in global public goods in areas within its mandate, Ministers noted four key criteria for Bank involvement: clear value-added to the Bank’s development objectives; Bank action is needed to catalyze other resources and partnerships; a significant comparative advantage for the Bank; and an emerging international consensus that global action is required.

Development Goals (MDGs). This should take into account that the sustainability of progress toward the MDGs over the long run could be affected by the provision of certain GPGs, and vice-versa.

- *The Bank should have the requisite capabilities and resources to be effective.* The Bank’s action should play to its strengths – both its operational experience and instruments at the country level and its ability to mobilize and manage large financial resources. The Bank should commit substantial resources in support of global collective action only where it has a clear strategy for achieving results.
- *Global action by the Bank should catalyze other resources.* Bank involvement should contribute to building collaborative partnerships at the country, regional, and global levels, and should leverage additional resources.

12. Decisions about its involvement in GPGs should also consider how deeply the Bank should get engaged.<sup>7</sup> One size does not fit all. The scope of involvement will vary depending on the institutional gap to be filled and the Bank’s own capabilities to contribute. Whether the Bank becomes engaged through research, global advocacy, country level analytical work, technical assistance, lending operations, global programs, trust funds, innovative financial mechanisms or some combination of these instruments has to be determined on a case-by-case basis and in light of a full consideration of the appropriate positioning of the Bank, with respect to the criteria outlined above. Thus, the Bank’s engagement on GPGs also has to be selective at the country level. Moreover, country-level responses to global public goods concerns should support national development priorities.

13. Achieving progress on the five GPGs is critical to global stability, to poverty reduction, and to growth, and yet the agenda of required actions remains full. All five areas are anchored in international consensus for action, they are central to the Bank’s development objectives, and they build on the Bank’s capacities to deliver. Thus, the Bank has been, and this paper proposes that it should stay involved in all five priorities, though with varying degrees of intensity and varying modalities of engagement. Annex 3 illustrates how work on each of the priority areas matches the criteria for involvement spelled out above.

14. The Bank has not been directly involved in activities focused on peace and security – an important public good raised by the International Task Force – other than through post-conflict reconstruction and research into the economic determinants of conflict. However, much of the Bank’s work plays a supportive role for the broad objective of protecting human security – including post-conflict reconstruction programs,

---

<sup>7</sup> The 2005 Board paper, *A Strategic Framework for the World Bank’s Global Programs and Partnerships*, cited above, highlighted that while “... the Bank has a contribution to make across a broad spectrum of global issues. It needs to make deliberate decisions about the depth of engagement, and for effectiveness reasons, to commit major resources only to selected issues where it wants to advocate global collective action or where results will be tangible within a foreseeable period.” It described the rising levels of involvement as: “a watching brief, research and knowledge exchange, policy or advocacy networks, and operational platform.” Op. cit. p. 25.

helping to find solutions to regional water issues, and supporting global agricultural and food research. More recently, the Bank has also been active in other areas that benefit from global or regional collective action, such as governance, migration and remittances, human and drug trafficking, and other crime areas. The Bank's depth of engagement on these global concerns has been and will most likely be limited to research and policy analysis and its impact on global security issues has been and shall continue to be indirect.

### **C. Modalities for Bank Engagement with Global Public Goods**

15. The Bank's support for promoting GPGs has four dimensions:

- *Working with countries to help bridge gaps between global objectives and national policies and programs.* Technological innovations, new financing modalities, and policy analysis will play a major role in creating opportunities for finding common ground when global and national objectives do not easily match.
- *Working in partnerships and strengthening financial mechanisms – both existing and new.*
- *Offering constructive advocacy.* Bank research and analytical capacity can enhance the voice of developing countries in international decisions and help to narrow differences between OECD countries' perceptions and interests and those of countries at different stages of development.
- *Providing analytical capabilities, technical expertise and ability to integrate policies across development themes.*

16. While these modalities apply universally, the Bank faces a particular challenge in many middle-income countries, where choices on national priorities may also have a critical impact on global challenges. Many of these countries have clearly articulated development strategies, a substantial pool of expertise in a wide range of policy areas, and a limited need to continue borrowing from the Bank. The Bank's ability to add value will depend on whether it can provide credible expertise that addresses the fundamental issues currently facing these governments, particularly on the sensitive and far reaching implications of climate change. The Amazon Partnership Framework (Box 1) illustrates one current approach to these conditions.



### Box 1: World Bank Group Amazon Partnership Framework in Brazil

An example of how global issues merge with country priorities is the draft Amazon Partnership Framework in Brazil. In line with the proposed Government Sustainable Amazon Program, the Amazon Partnership Framework will be used to define World Bank Group assistance (1) *at the regional level*, to increase employment and access to basic services for 23 million people living in the Brazilian Amazon region, ensure economic growth through sustainable resource use, and improve participatory processes; and (2) *at the national/global level*: on the one hand, to reduce the rate of deforestation and develop mechanisms whereby Brazil is compensated for the environmental services which the Amazon provides to the world; and on the other, to develop the energy resources and logistics corridors which are needed for regional and national development. The Partnership will take into account the unique conservation and development challenges in the Brazilian Amazon. The Bank will support the expansion and consolidation of a network of protected areas and indigenous lands. In areas already deforested, the Bank Group will support the intensification of agriculture, and in non-protected forested areas, it will support the provision of economic incentives to preserve existing forests (for example through sustainable forest management practices and programs to use payments schemes for reducing deforestation). The Bank Group may engage with the development of major strategic infrastructure, where projects are judged appropriate in terms of economics, finance, governance, and environment and social impact. As in the past, the Bank Group will work with a variety of partners – Federal and State governments, bilateral partners, the private sectors and NGOs – in the Brazilian Amazon.

17. The challenge is somewhat different in low-income countries, with their multiplicity of donors and heavy dependence on concessional resources.<sup>8</sup> Like the governments of these countries and the international community at large, the Bank faces the challenge of how to integrate the pursuit of GPG objectives with those of the Millennium Development Goals. Clearly there are both complementarities and trade-offs. For example, progress in reducing HIV/AIDS will depend on enhancing levels of primary education (an MDG objective), but some global public goods objectives such as reducing deforestation may compete with the MDGs for limited concessional aid, and a large injection of foreign resources targeted to HIV/AIDS may in the short run pull resources from maternal health (also an MDG objective). Yet, the medium-term effectiveness of interventions in support of global public goods depends on progress towards the MDGs, and vice-versa. Cross-sectoral expertise and research capacity allow the Bank to examine the link between key GPGs and the MDGs more closely.

---

<sup>8</sup> See IDA (2007). *Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows*.

## II. GLOBAL DEVELOPMENTS AND IMPLICATIONS FOR THE BANK'S ROLE

18. This section examines the record of experience of the Bank in addressing the public goods agenda described earlier. It then discusses how changes in global trends call for adjustment in the way the Bank will support this agenda in the future, globally and at the country level. The increasingly wide geographic coverage of such goods (or “bads”) across the globe (see Annex 1), also add to the need for such adjustments.

### A. Environmental Commons

#### *Bank experience*

19. Over the past two decades, the Bank has increased its work on the environment and has become an implementing agency of several international conventions.<sup>9</sup> IBRD/IDA environmental lending in current terms totaled \$38.6 billion from FY90 through FY07.<sup>10</sup> Within the Bank's portfolio of global programs and partnerships, environmental programs and partnerships dominate, amounting to 62 percent (or \$775 million) of total disbursements of these programs in FY07.<sup>11</sup> The GEF is the most prominent, and since its creation in 1991, the Bank has committed about \$3.1 billion of GEF financing for about 450 projects in more than 100 developing countries (55 percent of total GEF resources). In addition, the Bank has managed \$739 million in financing under the Multilateral Fund for the Montreal Protocol for more than 500 investments and technical assistance projects. A strong and enduring focus on energy efficiency investments and renewable energy (e.g. ESMAP) also addresses global environmental concerns.

20. The Bank has made a pioneering contribution to the climate change agenda through the development of carbon funds (Box 2) and has thereby helped to overcome barriers to the use of carbon finance through development of methodologies under the Clean Development Mechanism (CDM) and the Joint Implementation (JI) initiatives of the Kyoto Protocol; it has also worked with regulators, clients, and market participants, and has created carbon funds in new sectors.

21. These achievements notwithstanding, *factoring global and regional environmental concerns into national development strategies remains a challenge*. Often global priorities do not match national priorities, and attempts to bridge that gap from the outside can meet considerable resistance. Environmental interventions are not without complications, especially in areas with sensitive ecosystems.

---

<sup>9</sup> The Bank is one of the three implementing agencies of the GEF, thereby indirectly an implementing agency for UNFCCC (climate change); UNCCD (desertification); UNCBD (biodiversity); Montreal Protocol (ozone); and the Stockholm Convention of Persistent Organic Pollutants (POPs).

<sup>10</sup> This figure includes \$28.9 billion from IBRD and \$9.7 billion from IDA.

<sup>11</sup> The environmental programs span the priorities of biodiversity protection (Critical Ecosystem Partnership Fund), stable climate (Carbon Funds), healthy ecosystems (Forest Partnership Program and Program for Fisheries), and pollution abatement (Africa Stockpiles Program).

## **Box 2: Carbon Finance**

The 1998 Kyoto Protocol set the stage for the creation of a global carbon market for greenhouse gases. The World Bank has responded and through its Carbon Finance Unit (CFU) has used funds contributed by governments and companies in OECD countries to purchase project-based greenhouse gas emission reductions in developing countries and countries with economies in transition. The emission reductions are purchased through one of the CFU's carbon funds on behalf of the contributor, and within the framework of the Kyoto Protocol's Clean Development Mechanism or Joint Implementation arrangements. The selling of emission reductions – or carbon finance – has been shown to increase the bankability of projects by adding an additional revenue stream in hard currency that reduces the risks of commercial lending or grant finance. Thus carbon finance provides a means of leveraging new private and public investment into projects that reduce greenhouse gas emissions, thereby mitigating climate change while contributing to sustainable development. The Bank's carbon finance operations have demonstrated numerous opportunities for collaborating across sectors, and have served as a catalyst in bringing climate issues to bear in projects relating to rural electrification, renewable energy, energy efficiency, urban infrastructure, waste management, pollution abatement, forestry, and water resource management. The carbon funds managed by the Bank have grown to about \$2 billion. In addition, IFC manages a \$175 million carbon fund on behalf of the Netherlands, and has provided carbon delivery guarantees to projects in Brazil, China, and South Africa.

### *Changes in the global context and implications for the Bank*

22. The accumulation of scientific evidence on the speed of global climate change, its consequences, and the need for urgent actions has taken on new momentum over the last two years. There is now a clearer understanding of the different channels through which climate change will affect developing countries, particularly the poorest among them. Climate change can have severe implications for countries' economic prospects and poverty reduction efforts, but the impacts will differ substantially across countries and regions, requiring country- and regional-level analysis and action. Results of the 2005 Millennium Ecosystem Assessment show that 60 percent of the ecosystems that support life on earth, including fresh water, global fisheries, and forests, are being degraded or are being used unsustainably.

23. Climate variability and change pose high risks to wetlands and coral reef ecosystems. Significant impacts on agricultural productivity are expected, particularly threatening fragile human settlements and vulnerable groups in arid and semi-arid areas. Trans-boundary air pollution remains a problem in some regions and coastal cities will gradually be affected by the rise in sea levels. Countries in the lower-income group may be the most hurt by climate change. As a consequence, some of these will face potential conflicts over shared resources such as scarce water and fertile land. And, it is the poorest among their populations who will bear the burden of resource depletion and environmentally-induced ill health.

24. The fact that the environmental agenda is expanding to many countries across the globe is illustrated in Annex 1. Some middle-income countries are now, along with OECD countries, central to the agenda to reduce carbon emissions, and forestry protection to reduce climate change is a challenge faced by many partner countries. The

adaptation agenda affects all countries; adjusting to the adverse impact of climate change on cereal cropping, for example, will be a challenge for the world at large.

25. *Protection of the environmental commons through collective action at the global, regional, and country levels will be a key challenge for the 21<sup>st</sup> century.* Supply of this GPG has become so critical that it can no longer be kept separate from national or regional development strategies and from the Bank's mandate to fight poverty and bring about sustainable development. Achieving successful cooperation with partner countries on climate change must become a benchmark for Bank performance in both IBRD and IDA countries.

26. The Bank's strategy emphasizes four key areas for engagement:

- *climate change mitigation* – including both reduction of carbon emissions and sustainable management of major rainforests.
- *adaptation* to increased climate change and variability – a particular challenge for poorer countries because of its multi-sectoral dimension.
- *sustainability* of exhaustible resources, particularly with a regional dimension.
- *partnerships* to encourage the production and dissemination of scientific advances in climate change mitigation and adaptation technologies.

27. On the *mitigation* side, action is becoming urgent. Climate change mitigation will eventually require international agreements on a long-term regulatory framework able to provide the necessary incentives to encourage new research and innovation, to adapt new technologies and to encourage carbon trading. Investment needs are massive and will be forthcoming only if these incentives are in place. However, the lack of a global political consensus as to what type of international framework for reducing greenhouse gas emissions should follow the expiration of the Kyoto Protocol in 2012 is causing market uncertainty. And this uncertainty limits how much carbon credits can be effectively used today for new investments in middle and low income countries.

28. The progress achieved at the Heiligendamm Summit in June 2007 provides new momentum regarding negotiations for a follow-up to the Kyoto Protocol. Until a new international agreement is reached, the Clean Energy Investment Framework (CEIF) offers the Bank the opportunity to contribute based on its expertise in carbon finance, to explore a range of steps to assist technically the process of reaching a new agreement, to keep carbon markets active, and to focus on pilot investments and scaling up carbon finance for developing countries. To this effect, the Bank should:

- Explore possible options that would permit curbing emissions without impairing the growth momentum of developing countries, as inputs to the UNFCCC process. There will also be a need to assess the distribution across countries of the costs and benefits associated with the alternative emission reduction objectives, methodologies and vehicles to achieve them (such as emission caps or carbon taxes), and what such targets imply for developing countries.
- Complement current carbon markets by mobilizing additional carbon funds to scale up transactions at the programmatic or sector level, while a new regulatory

framework is being developed. This will avoid a loss of momentum and enhance learning through new innovative projects, thus sending a positive signal to markets. Several initiatives are already under consideration.<sup>12</sup> Experiences with these initiatives should become substantive inputs into the negotiations of a new international carbon emissions framework.

- Catalyze innovation by focusing on pilot projects that demonstrate new technologies or fill methodological gaps – as in forestry – and can scale up carbon finance, as described above, for projects that will result in significant emission reductions.
- Encourage measures to improve energy efficiency through technical assistance, lending, and grant sources such as GEF.

29. *Adaptation* will become increasingly critical in many countries to sustain growth and poverty reduction, and in some cases political stability. The Bank can act quickly on adaptation and to play an important role in country-level analysis and planning. The agenda involves virtually all aspects of a national economy: agricultural productivity, water resource management, natural resource protection, and physical and social infrastructure. It links closely to the Bank's long-standing experience in these sectors, and the recent improvements in the Bank's disaster risk reduction and response capacities should facilitate timely measures. Investments to confront higher risks of flooding in coastal zones are already integral to the Bank's work in infrastructure. Adaptation of agriculture to warming trends and weather shocks can draw on research by CGIAR and others, and on experiences in supporting agricultural extension services and integrated rural development.

30. Poor countries are most at risk. A small resource base, limited institutional capacity, major adjustments in policy, and the challenge to sustain growth in employment and income will put great burdens on national authorities to cope if agricultural productivity is threatened, sea levels rise, or internal migration rapidly intensifies. It will require a coordinated international effort to assist countries most in need.

31. A major contribution by the Bank to the large adaptation needs is to support country authorities in building essential institutional capacities that can help weave adaptation measures into the country's development agenda. A critical start is better risk preparedness and risk management and recovery, areas in which the Bank has been engaged in recent years. In the Caribbean Catastrophe Risk Insurance Facility, for example, the Bank combines country and regional knowledge, quick response capacity, partnership expertise, trusteeship, and new financial product development in a coherent approach to problem solving (Box 3). Such approaches need to be scaled up.

---

<sup>12</sup> The Bank is proposing a new Carbon Partnership Facility for clean energy and discussing with donors additional concessional funding to support the CEIF. In addition, the proposed Forest Carbon Partnership Facility will pioneer methods for generating carbon credits from reducing deforestation, a topic not covered in the Kyoto Protocol. The GEF is developing a new Public-Private Partnership Initiative to support an investment program in technological solutions with private and public sources of funding.

### **Box 3: Caribbean Catastrophe Risk Insurance Facility (CCRIF)**

Among the challenges facing governments of small island states in the aftermath of natural disasters is the need for short-term liquidity to start recovery efforts while maintaining essential government services. As a result of their experiences during the 2004 hurricane season, CARICOM heads of state requested World Bank assistance in improving regional access to catastrophe insurance. The Caribbean Catastrophe Risk Insurance Facility (CCRIF) is the result of two years of collaborative work between the region's governments, key donor partners and a team of experts from the World Bank. The CCRIF enables Caribbean governments to purchase coverage akin to business interruption insurance that will provide them with immediate liquidity in case of a major hurricane or earthquake. The CCRIF, an independent legal entity, allows the 16 participating governments to pool their country-specific risks into one, better-diversified portfolio. The ability to aggregate risk, coupled with start up capital of US\$45 million contributed by donors, allows the CCRIF to offer coverage at a discount of more than 40 percent.

32. The *sustainability of exhaustible resources* will be further threatened as a result of warming. Issues of biodiversity, forest preservation (also relevant for climate change mitigation) land degradation and desertification, depletion of fisheries, water resources, and pollution will be of utmost importance to sustainable development. A substantial amount of work in these areas is pursued through Bank lending, supplemented by funding from GEF. Global programs are potentially another important source of long term support, and the Bank will undertake special efforts to better relate these initiatives to national development plans and to address resource depletion issues on a regional basis.

33. A critical input to mitigation, adaptation, and sustainability efforts will be the development and dissemination of new technologies. The Bank stands ready to help create an international network of research centers to identify and disseminate low-carbon technologies suitable for use in developing countries and develop new technologies for adaptation. It would use its contact base to encourage interested and knowledgeable parties to join in a public private partnership to foster technological innovation. What was achieved during the Green Revolution now needs to be replicated in dealing with climate change and the need for adaptation.

## **B. Communicable Diseases**

### *Bank experience*

34. Preventing the spread of communicable diseases is a crucial global and regional public good. The map found in Annex 2 highlights the global scope of outbreaks of HIV/AIDS and Avian Influenza, two diseases with devastating impact on developing countries. Since 1999<sup>13</sup> the Bank has committed about \$2 billion for HIV/AIDS-related activities in 67 countries, about three-fourths of which is in IDA countries. In this process, the Bank has also been closely allied with WHO and with key programs such as

---

<sup>13</sup> In 1999, the Bank's Executive Board approved the Multi-Country AIDS Program (MAP), a comprehensive regional operation aimed at prevention, treatment, and care.

the International AIDS Vaccine Initiative (IAVI) and UNAIDS, which have received funding from the Development Grant Facility. In 1998, the Bank co-founded with WHO, UNICEF, and UNDP the global Roll-Back Malaria Partnership to join and coordinate efforts to fight this disease. As part of this effort the Bank disbursed about \$150 million in the 2000-05 period. Since then, the Bank has also committed about \$350 million through the Malaria Booster Program in ten countries, plus an innovative regional project focusing on four countries in the Senegal River Basin.

*Changes in the global context and implications for the Bank*

35. In recent years the emergence of specialized funds, often called “vertical” funds has fundamentally changed the aid architecture for health, particularly in low-income countries. Global funding for HIV/AIDS, for example, has quadrupled since 2001, from about \$2.1 billion to about \$8 billion in 2005. Most of this funding comes from the two largest funds, the US PEPFAR and the Global Fund to Fight AIDS, TB, and Malaria. Consequently, the share of the Bank in total external financing for communicable disease control is now quite small (about five percent in the case of HIV/AIDS in 2005) and will remain so as vertical funds in the health sector are expected to expand.

36. In some poorer countries, the sharp increase in vertical funds and involvement in disease-specific interventions – particularly on treatment – has come at the expense of a strong focus on broader health sector issues. In many African countries, grant financing for HIV/AIDS ranges from one third to one half of total spending on health, potentially pulling scarce health resources from other critical services, including maternal and child health and nutrition. Building on the Bank’s country development role, the recently approved health strategy focuses the Bank’s contribution to this GPG on building domestic capacity to help ensure that disease-specific objectives can be sustained and are achieved while maintaining a balance with other critical health objectives. The Bank will work with its partners to help integrate today’s large injections of external finance into strengthening health systems and the prevention of communicable diseases.

37. Global mobility has also increased the risks of pandemics. The outbreak of avian influenza has brought to the forefront the risk to people of diseases of animal origin. The starting points for preventing the outbreak of a potential global pandemic are better country-level systems to monitor these types of diseases both in animals and people, and quick global response capacities. Several UN agencies lead activities in these areas. The Bank in turn, helps to design long term financing arrangements, to convene donors to mobilize resources, and to monitor progress in global financing.<sup>14</sup> It also lends to countries to implement better surveillance procedures, preparedness actions, and animal health programs.

---

<sup>14</sup> The Bank has been instrumental in preparing the financing framework for the International Partnership on Avian and Pandemic Influenza (IPAPI), joining forces in the development of this partnership with the European Commission, the US Government, the UN, WHO, FAO, and OIE (the International Animal Health Organization), which the Bank supports through a Development Grant Facility grant.

## C. International Financial Architecture

### *Bank experience*

38. In the aftermath of the Mexican, Asian, and Russian financial crises, the international community took steps to strengthen the international financial architecture to reduce the likelihood of such crises and to mitigate and resolve them when they occur. A number of initiatives were undertaken to promote international standards and the implementation of good practices. These standards span financial supervision and regulation, payment systems, corporate governance, insolvency and creditor rights, financial abuses such as money laundering, and accounting and auditing. Good practices are being disseminated in areas where standards cannot easily be set, such as the management of exchange rates, debt, and capital account liberalization.

39. The Bank and the IMF have supported surveillance and capacity building to help countries enhance their resilience to crises. The joint Bank-Fund Financial Sector Assessment Program (FSAP) is the primary diagnostic instrument, feeding into the Fund's assessments of financial sector stability and the Bank's support at the country level.<sup>15</sup> The analysis and the policy recommendations embodied in FSAP assessments are complemented by joint Bank-Fund reports on the observance of standards and codes (ROSCs), which identify the extent to which standards and good practices have been implemented in specific areas. The Bank maintains an active relationship with the financial standard-setting bodies to ensure that these bodies continue to take into account the special circumstances of developing countries and that improvements to regulatory and supervisory frameworks are consistent with a country's stage of economic development. There has also been a demand for ROSCs from Part I countries, including members of the G7. This overall acceptance of the FSAP and ROSC activities signals a true contribution to a GPG. The crisis prevention work has been augmented by the development of guidelines on debt sustainability, including a debt sustainability framework for lower-income countries, to help ensure that public sector debt remains at manageable levels. But while diagnostics and guidance are important, implementation on the part of individual countries is critical. This is an area where the Bank's advisory and technical assistance can help, including through the Financial Sector Reform and Strengthening (FIRST) Initiative.<sup>16</sup>

### *Changes in the global context and implications for the Bank*

40. Periods of financial stability and strong liquidity can encourage complacency regarding risk, as experienced most recently in industrialized countries. However, such

---

<sup>15</sup> As of the end of FY07, FSAPs will have been undertaken in 110 Part II countries. A review by the Bank's Independent Evaluation Group found that "*the FSAP is a good-quality diagnostic tool. Joint Bank and IMF cooperation has allowed an integrated approach toward identifying financial sector vulnerabilities and development needs, and has expanded the depth and quality of the skills base.*"

<sup>16</sup> A global program to finance technical assistance for FSAP follow-up and implementation of financial standards – the Financial Sector Reform and Strengthening (FIRST) Initiative – has committed \$44 million to 238 projects in 73 countries in its initial four years of operation.



periods can also provide the opportunity to deepen structural reforms in these systems. In countries that have already been liberalizing their financial systems, the benefits of liberalization could be widened by reaching out to new groups of potential borrowers such as small entrepreneurs, farmers and low income households. Technical support to countries that are liberalizing their financial sectors remains another priority, so that they can benefit from access to capital and have financial systems that can handle intermediation and improve access to finance, without creating financial and macroeconomic vulnerabilities. The demand for technical assistance from both low- and middle-income countries remains strong. The IMF has strengthened its capacity to deliver advisory services, and the Bank's new financial sector strategy defines its role in advising countries on structural reforms and improving access to finance.

41. As international financial integration deepens, there is an increasing need for convergence of national regulatory frameworks to ensure a level playing field across countries and financial institutions. The Bank should maintain a close relationship with financial standard-setting bodies to ensure that they consider the perspectives of developing countries.

#### **D. Strengthening the Trading System**

##### *Bank experience*

42. An open, transparent, and rules-based multilateral trading system is a GPG. In principle, all countries have the potential to benefit from unilateral trade reforms and such benefits are increased when trading rules are liberalized by a number of countries concurrently. The Bank's work on international trade has centered on research on the development impact of global trade policy reforms and the functioning of the multilateral trading system. The Bank also provides policy advice and analysis, capacity building, and lending to countries that want to benefit from existing and prospective trade opportunities.<sup>17</sup> While the Bank has been a vocal supporter of a more open and nondiscriminatory trade regime, it has also called for complementary domestic policies and actions that widen the benefits within countries of a deeper integration into the world economy. It has worked with the donor community to make a case for additional development assistance to strengthen trade capacity where it is most needed and to help countries adjust to and benefit from global trade liberalization (Box 4).

---

<sup>17</sup> Bank lending on trade-related projects at the country level has expanded rapidly, reaching about \$1.6 billion in FY06, almost triple the level in FY03. Lately, this expansion has been driven by trade-related infrastructure projects (including regional projects) in support of regional integration in Africa, trade infrastructure in East Asia, and budget support to carry out competitiveness reforms in Latin America.

#### **Box 4: Integrated Framework for Trade-related Technical Assistance**

The Integrated Framework (IF), established in 1997, is a partnership between donors, least developed countries (LDCs), and international institutions (IMF, the International Trade Center, UNCTAD, UNDP, the World Bank, and the WTO) to coordinate technical assistance and support the integration of LDCs into the world economy through trade. The IF helps prepare country trade diagnostics to inform national development plans, and then encourages donor and development agencies to respond to trade initiatives identified in the diagnostics. Diagnostic studies have been completed for 25 LDCs, with work on another ten countries ongoing. Members have agreed on an enhanced IF, supporting multi-year programs to more effectively link the diagnostic work to implementation. The enhanced IF program is likely to be launched this year with commitments in trust fund resources of roughly US\$200 million, or about ten times the scale of the IF program implemented so far.

#### *Changes in the global context and implications for the Bank*

43. Progress toward an open multilateral trading system has been erratic since the Doha Round of negotiations was launched in 2001. Almost all parties have contributed to this lack of success: trade reform and liberalization have not received the political support commensurate with their long-term benefits. Yet the Doha Round still offers the best prospect available to countries to make progress in this area. Its failure would be a significant setback to the credibility and perceived value of the overall trading system. The Bank's research and advocacy have highlighted the costs of further inaction.

44. Transparency and disclosure of trade policies is a key input into a better trading system. More information needs to be made publicly available on policy-based restrictions on trade. Progress has been made in documenting statutory tariffs and explicit quantitative restrictions but much more is needed in documenting other discretionary non-tariff policies that are increasingly being used – such as antidumping regulations, safeguard actions, and excessively burdensome product standards. Information is even more limited on policies that affect trade services and foreign investment. Efforts to improve the coverage, quality, and timeliness of information on trade-related policies, and to assist poorer countries to understand their implications, are urgently needed – and the Bank, working together with UNCTAD and the WTO, can play a major role.

45. For many smaller and poor countries, taking advantage of a more open trade system requires the creation of domestic institutions and capabilities to develop trade policies and strategies. Many of these countries also have concerns about potential adjustment costs arising from loss of preferential access to rich countries' markets or their own import liberalization efforts. For them, policy reforms to reduce the cost of doing business and investments in critical infrastructure and skills to improve their international competitiveness will assist the overall adjustment process. These are all areas where the Bank's country knowledge should continue complementary support through technical assistance, policy advice and lending. Donor resources for aid-for-trade would enable the Bank to expand its support in these areas.

## **E. Knowledge for Development**

46. Knowledge is a classic GPG: individuals in each nation can potentially benefit from knowledge developed in other countries. However, countries will under-invest in knowledge that benefits citizens of other countries. In addition, producers of knowledge often protect their investments in knowledge through safeguarding intellectual property rights.

### *Bank experience*

47. The Bank creates comparative knowledge on development through research, policy analysis, evaluations and learning from experience and it disseminates this knowledge through its lending program, policy advice, cross-country forums and publications. It compiles and disseminates comparative data on development outcomes, and it sponsors specific scientific initiatives of direct relevance to development, such as by participating in the CGIAR. The instruments for dissemination range from large flagship publications addressing global issues (WDR, GEP, GMR) to more specialized studies such as policy research reports, policy notes, or other research focusing on specific themes such as pension regulation. Country-specific studies on debt sustainability, assessments of poverty, sector policies, and prospects for countries and regions, and Country Economic Memoranda and Public Expenditure Reviews further enhance the Bank's contribution to development knowledge. The World Bank Institute disseminates development knowledge through internet-based modalities, regional and country-level seminars, and technical assistance to specialized branches of government.

48. The Bank is well positioned to compile comparative data and to measure and benchmark development outcomes in critical areas, providing a service that is relevant both to the international community and to country authorities and citizens. Economic performance can be assessed relative to that of comparator countries, adding transparency to the knowledge of economic performance. The Bank has moved into new directions in this area, trying to measure increasingly complex economic outcomes.<sup>18</sup> It has taken on leadership of the International Comparison Project, a vital facility for the comparative measurement of living standards and levels of development; it has created a widely used set of investment climate indicators, and has joined other multilateral banks to extend the Business Environment and Enterprise Performance Survey (BEEPS) to all regions. Recent research has contributed to a database of natural disaster hotspots, providing information that can influence hazard policy and strategy. The Bank is playing a central role in the implementation of the Marrakesh Action Plan for Statistical Capacity Building, a partnership which supports a range of statistical capacity programs in support of the MDGs. More broadly, the Bank's engagement in global programs makes a significant contribution to creating and disseminating knowledge. According to the 2005 GPP *Strategic Framework* paper, of the 137 global programs in which the Bank is involved, 124 describe themselves as contributing to the brokering of knowledge.

---

<sup>18</sup> Examples include the measurement of poverty and inequality based on household surveys, international migration patterns, transparency and corruption indicators, tracking the flows of public resources (PETS) and pollution indicator disclosure.

*Changes in the global context and implications for the Bank*

49. New developments put a premium on the Bank's role in creating and disseminating development knowledge as a major vehicle of assistance. Given the increased access of middle-income and emerging market countries to external financing, the Bank's fundamental contribution in the future will be in providing high quality analytical work, based on its understanding of and access to global best practices, including those of industrialized countries. In low-income countries, the increased earmarking and fragmentation of aid increases the importance of IDA's analytical and policy advice. Sectoral and cross-sectoral coherence and fiscal sustainability are much needed inputs for the alignment of donor assistance with countries' own priorities.

50. Differentiation in country development experiences creates new knowledge to be shared across countries and from which lessons can be learned. As policy analysis and development research are increasingly conducted by think tanks in countries themselves, the role of the Bank as a clearinghouse of development knowledge becomes increasingly important. Many middle-income countries can now directly share lessons of experience and provide advisory services on development policies. The Bank should extensively promote these potential South-South contributions.

51. Disseminating knowledge and fully engaging clients in knowledge production requires strengthening the research capacity in partner countries. The Bank has established partnerships with researchers and analysts of developing countries, such as the Global Development Network, the African Economic Research Consortium, and the China Center for Economic Research. Countries with low institutional capacities should become priorities in the future.

52. A major factor in the production of new knowledge is to learn from ex-post impact evaluations of development projects, as is being done by the new Development Impact Evaluation Initiative.<sup>19</sup> Given the importance that the Bank assigns to improving the delivery of services to the poor,<sup>20</sup> this line of new knowledge may be a key source of comparative advantage to the Bank in the future.

53. The Bank has also taken some initiatives to promote global scientific research in the health area of critical importance to developing countries by designing a financing mechanism to increase the incentives for research on vaccine development (Box 5). These pilot approaches may open important possibilities for replication.

---

<sup>19</sup> In fact, the recent *External Evaluation of World Bank Research: 1985-2005* strongly recommends a greater use of randomized experiments, particularly in the case of projects in the social sectors.

<sup>20</sup> *World Development Report, 2004*.

### Box 5: Advance Market Commitments

The advance market commitment (AMC) is a scheme that aims at accelerating the development of priority new vaccines against diseases that currently kill millions of children in developing countries. High private risks and uncertainties regarding future demand cause a market failure which AMCs aim to overcome. For a vaccine not yet available, an AMC is a financial commitment to subsidize future purchases (up to a pre-agreed price) if an appropriate vaccine is developed and if it is demanded by developing countries. Bound by legal agreements, sponsoring countries and private donors agree to provide financial commitments to subsidize the purchase cost of future vaccines for a period of time, and vaccine manufacturers agree to meet criteria for vaccine effectiveness and to provide the vaccine at affordable prices. An AMC is not a purchase guarantee, as industry will only receive the subsidized price if the product meets targeted standards and countries demand the product. The Bank has been closely engaged in the design of a pilot AMC for pneumococcal vaccines to demonstrate both the feasibility of the AMC mechanism in the case of market failures, and its impact on accelerating vaccine development in the field.

54. Through its research and knowledge sharing programs the Bank can also support the sector-specific work of other key “anchor” agencies (WHO, FAO, WTO, IMF, UNEP) and influence their approaches. In the future, dissemination of knowledge on clean energy technologies and adaptation to climate change may take on special importance. Country-level data on comparative development outcomes will be useful inputs the Bank supplies to the debate on global security, and areas of increased interest include poverty measurement, pollution disclosure, investment climate, corruption/quality of governance indicators, and national disaster hotspots indicators. Demand for comparative benchmarking of improvements in policy process and institutions should gain in importance as capital markets, private investment and the rapidly growing number of donors play a prominent role in allocating external financing. The Bank should remain positioned to supply this knowledge to the international community.

55. Proposals have been made to allow open access to public sector sponsored basic research in industrial countries, particularly so called “global commons in research,” while keeping the present restrictions on follow up commercial research and development by the private sector.<sup>21</sup> That would permit researchers in developing countries to access basic research that can then be adapted to their local conditions. The Bank could seek to contribute to this discussion.

56. Identifying new directions for the Bank in development knowledge requires a process where priorities are elicited from country strategies and experience, then aggregated across the institution to identify major areas of concentration. The appropriate mix between in-house research, policy lessons based on operations, and clearinghouse functions that disseminate knowledge developed by others will need to be determined. The Development Economics Vice Presidency – in collaboration with the

---

<sup>21</sup> Such proposals have been made in the *Expert Series Six: Knowledge*, background report to the International Task Force on Global Public Goods, September 2006.

Bank's Networks and Regions – will lead the work in this area that would lay out the specific features of the process of prioritization.

## **F. Approaches to Regional Public Goods**

57. Regional programs and projects, though still limited in number, have increased in recent years, particularly in lower-income countries. IDA's commitments for these projects rose from about \$155 million over 1995-2000 to about \$1 billion over 2001-2006. The Bank's regional analytical and advisory services quadrupled in dollar terms between FY02 and FY05. Almost all these activities addressed elements of the GPG agenda, such as trade, finance, HIV/AIDS, water resources, and environmental concerns. These recent experiences demonstrate the significant potential for expanding the use of regional approaches, with water being a particularly important regional public good.

58. The Bank's recent experience with regional development programs<sup>22</sup> indicates that there is significant potential to broaden action at the regional level in a wide array of sectors. Moreover, to increase the supply of global and regional public goods, regional actions are becoming increasingly urgent. Investment in clean energy and in sustainable forestry may best be handled by contiguous states, where joint investments would maximize impact. The same logic applies to water resource management and control of land degradation, where due to climate change actions are becoming more urgent. Communicable diseases that can potentially spread globally can best be controlled at their point of origin by regional collective action. Regional approaches may also be suitable for facilitating the adjustment of tropical agriculture to fluctuations in weather, developing regional warning systems on the flooding of river and coastal zones as a result of climate change, managing air pollution and adapting infrastructure along river basins.

59. While the costs and benefits of regional collective action are not distributed evenly, the gains for all from regional action often far exceed uncoordinated national actions. There are strong incentives for collective action and the Bank's long standing history in helping resolve riparian rights issues is a basis on which to build in areas with similarly difficult negotiating processes. Regional actions also are very attractive for partnerships with official and private donors and cooperation with the regional development banks will be particularly essential.

60. The Bank will look more systematically for further opportunities to engage and, where appropriate, to lend and to mobilize trust funds for multi-country investments addressing global or regional public goods across contiguous states. Assisting countries with common regulatory frameworks and assessments of a fair distribution of the costs and benefits of regional action would be high on the Bank's priorities. Part of the challenge is to find ways to support regional institutions that are formally tasked with global or regional public goods provision – for example, the tripartite arrangements on the Nile Basin initiative, and the regional economic commissions in Africa (SADC, COMESA and ECOWAS) which are involved in trade facilitation, knowledge transfer, riparian, and other issues.

---

<sup>22</sup> IEG Report: *The Development Potential of Regional Programs* (2007).

### **III. ACTIONS TO ENHANCE THE BANK'S ROLE IN THE PROVISION OF GLOBAL PUBLIC GOODS**

61. The Bank's effectiveness in providing global and regional public goods will depend on its ability to work with partner countries so that their contributions to international collective action are consistent with national priorities. To achieve this, the Bank will need to:

- Take a stronger country-focused approach to work on GPGs than it has taken thus far.
- Build upon its catalytic strength in research, financial and implementation capabilities and on its credibility of making long term commitments.
- Continue its constructive advocacy in support of developing countries.
- Increase its engagement at the regional level in support of global public goods.

Proposed modifications to the Bank's work are highlighted below (see (1) to (6)).

#### **A. Integration of Global Public Goods and Country Development Strategies**

62. In some instances the overlap between national interests and GPGs is clear, such as when a country's health system needs to be strengthened in order to help limit the spread of communicable diseases. In other areas, such as protection of the environmental commons, national economic or development priorities may be at variance with specific steps arising from global or regional considerations. Reducing carbon emissions, which may become a major challenge for middle-income countries, is one such issue, where within industrialized and developing countries there is an array of interests both for and against specific actions to mitigate carbon emissions. Finding the entry and common ground to assist countries in bridging the gaps between GPG objectives and national interests will become an important metric for the Bank's continuing effectiveness as a global development institution.

63. In lower-income countries, an important dimension of the needed integration is a better alignment of the activities of vertical health programs with one another and with countries' own systems and priorities. Work on this front is more advanced, as all players are committed to the principles of the Paris Declaration and the Bank is working closely with all relevant partners under the umbrella of the OECD/DAC and in preparation for the 2008 High Level Forum of the DAC in Accra.

##### ***(1) Use PRS, CAS and sector strategies as the platform to work with countries on strengthening the links between national priorities and global/regional public goods***

64. As a first step, the Bank needs to bridge the partial disconnect between its country programs, which are managed by the Regions, and its work on global issues, managed by the Network Anchors. *To achieve this, Management will explore how best to ensure a more systematic treatment of global issues as part of Bank country-level work.* This could include:

- Networks and Regions working jointly in a dialogue with country authorities through CASs, Country Partnership Agreements and other consultations to strengthen the coherence between country-based interventions and global/regional objectives.
- If countries so request, making more use of joint CASs and sector strategies with other key donors, including vertical funds. CASs that are candid in identifying the trade-offs between country-specific and global concerns are important contributors to finding common interests.
- The Bank encouraging countries to include GPG issues in their poverty reduction strategies (PRS).

The Bank's new health sector strategy incorporates this integrative approach. A similar approach is being pursued in preparing the new environment strategy. The Amazon Partnership will also explore the links between energy policy, agriculture, urban development, and the environment (Box 1, page 6).

65. Engaging partner countries in a policy dialogue that recognizes more explicitly the links between global concerns and national development plans will be the process through which the Bank can identify new areas where it could potentially assist. The actual assistance program will ultimately depend on the authorities' sovereign choices and priorities.

***(2) Strengthen the Bank's capacity for advisory services and lending related to global and regional public goods***

66. The Bank's credibility on GPGs will depend on its ability to provide quality advisory services and disseminate knowledge. The Bank's long-lasting relationship with partner countries is based on the trust and confidence governments have in its technical expertise and in its cross-country experience.

67. *To meet expectations, the Bank will continue to upgrade its staff expertise in areas of emerging priority by:*

- Hiring more experts in key GPG areas (e.g. energy, agricultural, trade and health systems specialists), as well as "integrators" of GPG issues at the sector and country level.
- Accessing high quality consultants. While a core group of high-level experts in key priority areas must be retained in-house, the Bank must also be able to draw on experienced consultants to maintain the necessary cadre to perform this role. Maintaining the Bank's "brand" and the ability to offer competitive compensation for "cutting edge" experts will be a factor in continuing to attract internationally renowned experts.



## **B. Partnership and Financing Modalities for the Provision of Global Public Goods**

68. The Bank supports the provision of GPGs through a range of financial modalities, from its traditional instruments for country level assistance, extending to global programs, trust funds and innovative financial mechanisms. The growth of global programs as a complement to country programs has enabled the Bank to mobilize and target substantial additional trust fund resources, over and above regular Bank program funds, to GPG objectives in environment, communicable diseases, trade and finance. The Bank's skills at financial intermediation and management appear to be highly valued by funding sources.

### **(3) Participate strategically in global programs**

69. The Bank's engagement in global and regional programs and partnerships will remain an important instrument to provide GPGs,<sup>23</sup> since they consolidate different interests and offer opportunities for innovation that cannot be met through country-level programs alone. For the Bank, this also means that further steps should be taken to be more strategic in approaching partnerships and effective in implementing and mobilizing resources:

- *Consolidation:* Funds held in trust have grown from \$5.3 billion in FY02 to about \$20 billion in FY07, and 46 percent of the trust fund disbursements in FY06 (about \$2.0 billion) were related to support for Global Programs.<sup>24</sup> There are simply too many trust funds and they lack coherence across programs. The Bank has begun informal consultations with donors on their readiness to rationalize this portfolio, particularly in health and environment, to identify overlaps and gaps and make it consistent with the framework laid out in the forthcoming Board paper on *A Management Framework for World Bank-Administered Trust Funds*.
- *Approach:* Greater adherence to the criteria set out in Section I will be essential to enhance coherence of the Bank's global programs portfolio. Focusing on the priorities laid out in Section II, the Bank will play its part in strengthening cooperation with UN agencies, the OECD, multilateral development banks and other international financial institutions to maintain appropriate coordination and division of labor.
- *Blending:* Specialized health funds, carbon finance, GEF, and grant funding from bilateral sources show the potential for blending (including from non-ODA sources) between grant funding and World Bank loans and credits.<sup>25</sup> Such subsidies should be expanded and address situations where global benefits

---

<sup>23</sup> The *Strategic Framework* paper of 2005 mentioned earlier spells out in greater detail than is possible here what the approach of the Bank to participation in global partnerships should be. That paper was discussed in an informal Board meeting on June 2005 and was generally endorsed.

<sup>24</sup> *A Management Framework for World Bank-Administered Trust Funds* (forthcoming, pg. 9)

<sup>25</sup> "Options for Expanded Use of Blending and Combined Financing in MICs," background paper to the Development Committee Update on the Bank's Role in Middle Income Countries.

significantly exceed national benefits. The Clean Energy Investment Framework provides a sound policy basis for mobilizing new resources for climate change related activities including both mitigation and adaptation, and strengthens incentives to guide future collaboration between GEF and the Bank. Through the combination of different funding sources, the Bank Group should be able to leverage additional private sector and commercial bank funding, particularly for emerging economies with growing financing needs for energy, infrastructure and forestry management.

- *Analytical work:* Additional resources would make a difference for analytical work and advisory services on the integration of global issues with regional and national development priorities. This work can be done by the Bank directly, but also in partnerships with UN agencies, OECD, regional development banks, research institutions, bilateral and private donors.
- *Partner country voice:* Governance of global programs remains largely in the hands of donors, and a stronger voice of partner countries would help to fully exploit the potential of these partnerships. An example of good practice is the Cities Alliance program, which has added several developing countries as members of its Consultative Group over the last few years.

#### **(4) *Explore new financing modalities related to GPGs***

70. The Bank has demonstrated a capacity for financial innovation. Carbon funds, the International Financing Facility for Vaccines and Immunization (IFFIm) and ongoing preparations for the AMC (see Box 5, page 18) are important achievements. This is a capacity on which the Bank plans to build to help meet high priority GPG objectives as they arise. Several “principles” should guide such efforts:

- *Addressing innovation gaps.* Similar to venture capital pilots, small projects could test new technologies, methodologies and financing arrangements from which lessons can be derived and be replicated by larger interventions (e.g. clean energy technologies, or avoiding deforestation).
- *Recognizing large externalities.* This refers to activities where the perceived domestic benefits are small in relation to global and regional benefits; also benefits may take time to accrue while the costs are concentrated in the short run.
- *Expecting a policy framework to be in place.* The policy and regulatory framework to promote the particular GPG objective is in place.
- *Covering a funding gap.* The Bank catalytic abilities in mobilizing concessional finance when a subsidy might be essential to encourage global collective action.

71. Options under consideration include:

- *Bank Group integrated approaches.* New mechanisms and financial instruments are needed, drawing on the capacities of the entire Bank Group (IBRD/IDA/IFC/MIGA/trust funds). A combination of financing sources, including IDA, IFC, MIGA and carbon finance could further leverage IBRD/GEF co-financing and render clean energy programs attractive to mobilize much needed resources for both mitigation and adaptation. Management will explore how the synergies within the World Bank Group can be better exploited in financing GPGs.
- *Private-public partnerships.* Given the scope of resources needed to address problems such as climate change and the need for new vaccines, private/public partnerships to mobilize substantial financial resources are essential. The Bank, in scaling up carbon finance, will expand the reach of carbon fund mobilization to the private sector. Foundations in particular have played an invaluable role in recent years, spearheading major new global partnerships on GPGs. The Bank will seek closer ties with foundations in fostering knowledge development and delivery of GPGs at the country and regional levels.
- *New carbon finance facilities.* The Bank could contribute to increasing the impact of carbon finance by scaling up transactions at the programmatic or sector level. In addition, international bond instruments not unlike those recently launched for IFFIm might also offer options.
- *Funding for pilot investments.* To meet the objectives laid out in Section II, the Bank should catalyze innovation by demonstrating new technologies, methodologies and financing arrangements, especially with respect to clean energy technology and avoiding deforestation.
- *Subnational lending/guarantees.* There is also scope for the Bank Group to increase lending to sub-national entities linked to GPGs such as carbon emission reductions, and to expand the use of IFC guarantees for delivering such reductions. An IBRD/IDA/IFC/MIGA diversified financial package could be put together to improve a project's risk-adjusted return and attractiveness to prospective private lenders and borrowers.
- *Transfers from net income.* Net income is currently targeted towards achieving a number of objectives, such as strengthening IDA. The IBRD is now reviewing its financial and operational strategies, and is considering the potential to generate additional return from its capital<sup>26</sup> to be used in support of development.

---

<sup>26</sup> In May 2007, the Executive Directors discussed a paper entitled "Financial Options for Reducing Interest Rates Sensitivity and Increasing IBRD's Allocable Net Income." This included an assessment of the potential for generating additional returns by investing a portion of IBRD capital in a diversified portfolio of higher yielding assets. Management is now working on proposals to respond to Executive Directors' requests for further details.

### **C. Constructive Advocacy**

72. In trade liberalization, the Bank has made significant research contributions to the debate on a major global concern. In financial standard-setting, its observer role has enabled the standard-setting bodies to take into account the characteristics of developing countries. In climate change negotiations in the UNFCCC, the Bank is not a participant but plays a role by providing technical inputs based on its country knowledge and experience with carbon funds. Part of this contribution may entail identifying changes in Part I country policies that could benefit developing countries. Through analytical work the Bank can play a role in informing partner country positions in international negotiations, as they decide on entering into voluntary agreements for collective action.

#### **(5) *Continue to promote informed and constructive debate on global issues***

73. In particular, the Bank should contribute through objective analytical work to:

- *A durable and equitable framework to reduce greenhouse gas emissions.* The Bank should continue to cooperate with the UNFCCC in looking at possible options for such a framework and continuing carbon finance activities. Moreover, it should work closely with middle income countries to develop and disseminate ideas that could facilitate a broader consensus on the shape of a post-2012 regulatory framework.
- *A successful conclusion of the Doha Round of trade negotiations.* The Bank will continue to stress the importance of a nondiscriminatory approach to trade policy by all of its members and to analyze the implications of potential changes in trade-related policies – both those that may be negotiated through the WTO and those that are implemented through regional or bilateral agreements, as these may have important effects on non-members. Such advocacy must be accompanied by work with countries to assess the short-run distributional impacts of such trade reforms and to help identify complementary measures to address adjustment costs, thus widen the benefits of liberalization.

### **D. Approaches to Regional Public Goods**

74. As noted in Section II, there is significant potential for the Bank to expand its engagement at the regional level on the provision of global and regional public goods. Regional-level involvement may be a more relevant operational approach in some countries and problem areas, including HIV/AIDS, malaria, TB, shared water-resources management, infrastructure for trade, adaptation to climate change, trans-boundary air pollution and protection of common exhaustible resources.

**(6) Focus more action at the regional level in support of regional and global public goods**

75. The Bank will place a higher priority on approaches at the regional level in support of global and regional public goods:

- It will help to *bring together countries at the regional level* to assist in developing common approaches and regulatory frameworks. Water resource management will be among the priorities.
- It will look more systematically for opportunities to *enhance regional lending and trust fund mobilization* for multi-country investments that address global and regional public goods.

#### **IV. ISSUES FOR DISCUSSION**

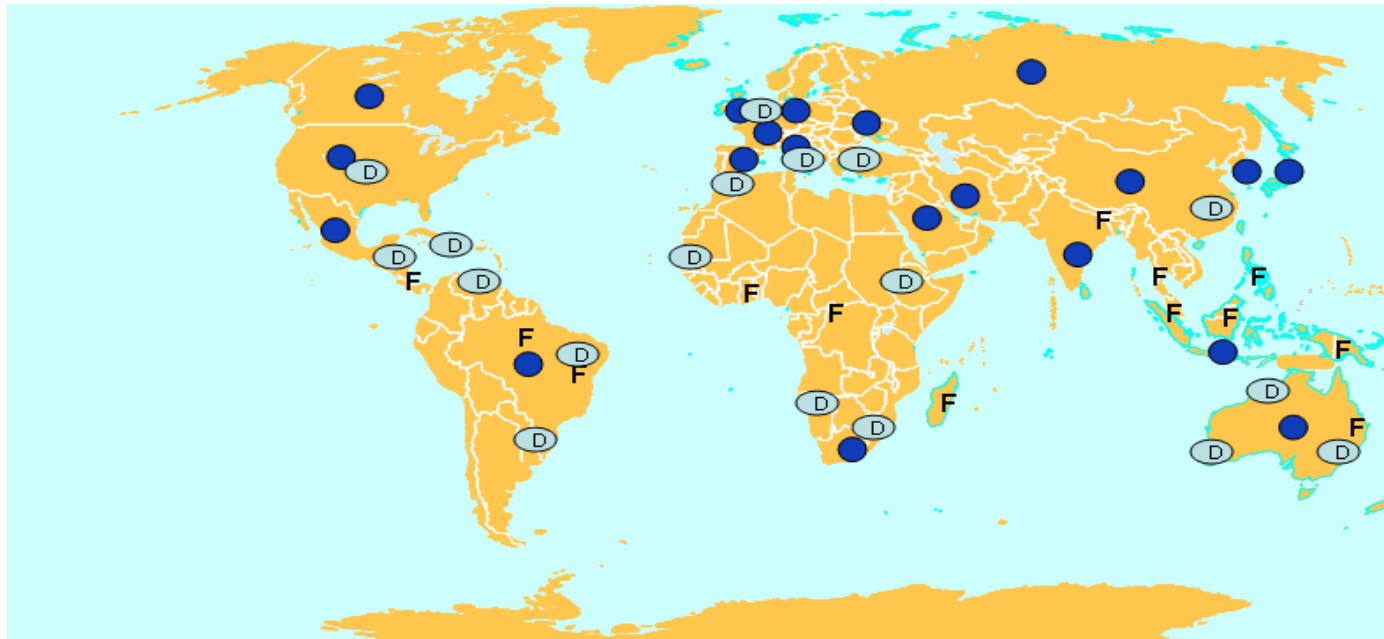
- Do Ministers agree with the criteria proposed for the Bank's involvement in GPGs and on the five key challenges?
- Do Ministers agree that the Bank should develop a more concerted approach to addressing the environmental commons, particularly through innovation in financial instruments and operational approaches to climate change mitigation and adaptation?
- Do Ministers agree with the six proposed modifications for enhancing the Bank's effectiveness in providing GPGs?



# **ANNEXES**



## Annex 1: Climate Change-related Indicators



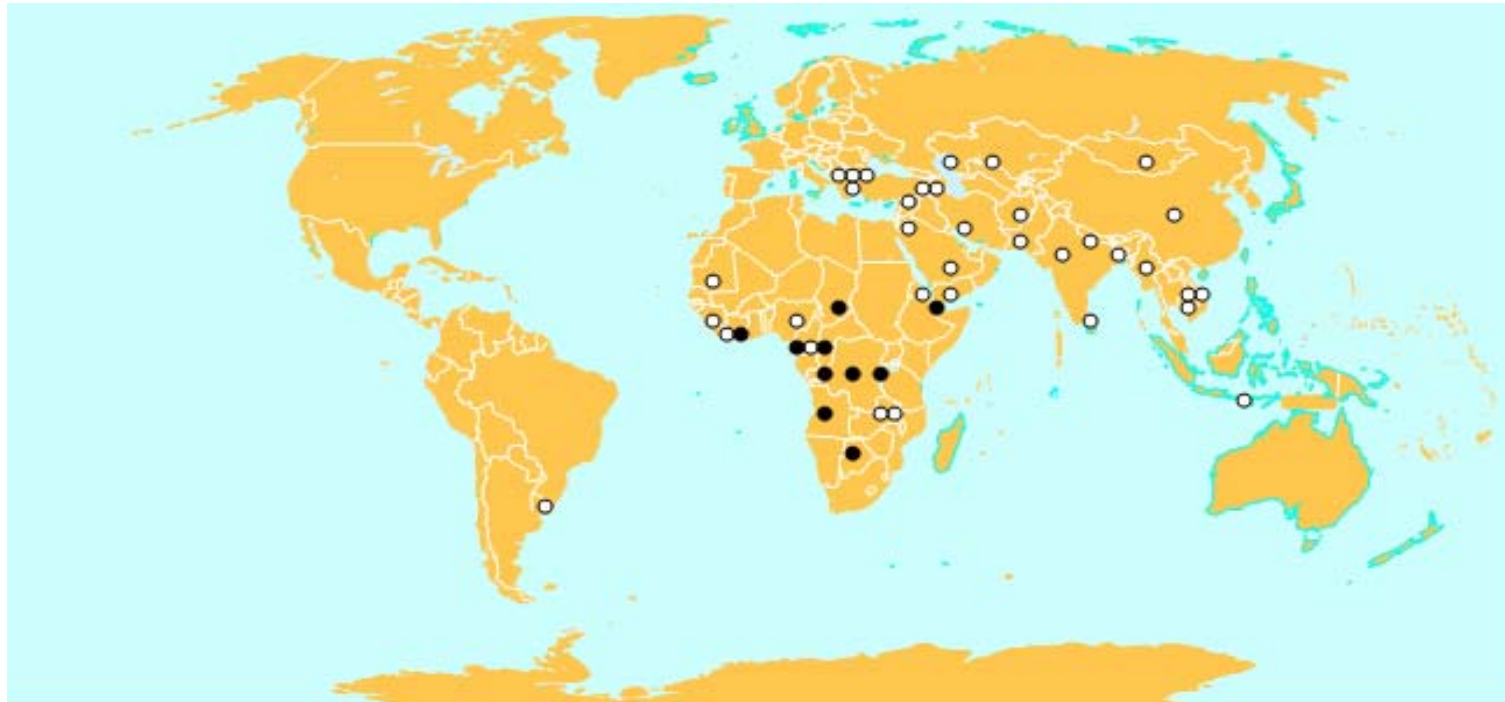
● Location of the twenty countries with the largest absolute carbon dioxide emissions, measured in tons of CO<sub>2</sub> emissions

F Location of major tropical rainforests

Ⓛ Areas where cereal cropping is projected to significantly decline due to climate change

Sources: - 2004 Data from the Energy Information Administration (EIA) of the United States' Department of Energy;  
- Websites for Tropical Rainforest and Wikipedia  
- Gunther Fisher, Mahendra Shah and Harrij van Velthuizen, "Climate Change and Agricultural Vulnerability", a special report prepared by the International Institute for Applied Systems Analysis under United Nations Institutional Contract Agreement NO. 1113 for the World Summit on Sustainable Development, Johannesburg 2002

**Annex 2: Location of Outbreaks of Communicable Diseases**



- HIV/AIDS prevalence. (Countries with more than 3% of their population ages 15-49 with HIV/AIDS)
- Avian Flu. (Countries with ongoing pipeline of IBRD/IDA financed and/or AHIF financed projects)

*Source: Global Monitoring Report 2007*

### Annex 3: World Bank Priorities for Support of Global Public Goods

GPGs Criteria	Protect the Environmental Commons	Communicable Disease Control	Knowledge for Development	International Financial Stability	Strengthen Trading System	Achieving Peace and Security
1. International consensus?	Several major international conventions; active debate around climate change	Esp. as complement to major donor investment in vertical funds	Although not well enunciated or focused.	As reflected in IMF and other deliberations	In theory, less clear in practice	In selected areas
2. Institutional gap?	Implementation of financial mechanisms of international conventions	Esp. for health systems strengthening, AIDS, Avian flu, etc.	Particularly in research/data, although strategy not yet well organized or defined.	Filled together with IMF, which has overall lead role	Esp. in support of Doha	In fragile states, post-conflict
4. Requisite capacities/ comparative/ competitive advantage?	If correct areas selected	With particular emphasis on financial aspects of health systems	If properly focused on high priorities.	If careful in selected areas as in 3. above	In limited areas of research/ advocacy	Promotion of growth and poverty reduction
4. Consistent with Bank mandate & dev. objectives?	In selected key areas via strategy document to be prepared a la CEIF	HSS focus with division of responsibility with WHO et al.	Selectively as contribution to development objectives.	Particularly for joint analysis and advisory work (e.g. FSAPs)	Particularly through research and advocacy	Post-conflict reconstruction, growth and poverty reduction
5. Catalyze other resources	Global programs, trust funds, carbon funds	AIDS, TB, Malaria, Avian flu programs	Range of global programs that disseminate best practices	Trust funds	Trust funds	Trust funds
<b>Depth of Engagement</b>	Major commitment to leadership role, working closely with partners, based on strategic choice of selected areas	Major commitment to leadership role with clear division of labor and focus on health systems strengthening.	Major commitment to leadership role based on strategic definition of Bank comparative advantage.	Supportive role, particularly of IMF through ROSCs, FSAPs, etc.	Supportive role through research and advocacy, strengthening borrower capacity.	Indirect role through enhancing growth and reducing poverty, regional efforts against crime, etc.