

The provision of Global Public Goods and Global Governance

Sophie Thoyer
Ecole Nationale Supérieure
Agronomique de Montpellier

SUSTRA

Workshop organised by Ecologic, Institute for International and European Environmental Policy
Pfalzburger Str. 43-44, D-10717 Berlin, Tel.: +49-30-86880-0, Fax: +49-30-86880-100,
E-mail: office@ecologic.de, Internet: www.ecologic.de



THE PROVISION OF GLOBAL PUBLIC GOODS AND GLOBAL GOVERNANCE

by

Dr Sophie Thoyer

ENSAM - Lameta research group

Thoyer@ensam.inra.fr or sthoyer@agric.uwa.edu.au

9-10 December 2002

*“Architecture of the global system of governance of trade and sustainable development”
SUSTRA workshop –organized by Ecologic - Berlin*

1. The policy relevance of the emerging notion of global public goods (GPG) was discussed extensively in the first Sustraworkshop (see <http://www.agro-montpellier.fr/sustraworkshop> for more details). In this short paper, I will try to analyse how the discussions on GPG can be linked to the global governance issue. One of the main conclusions of the first Sustraworkshop was that, although the GPG notion has become a central theme of discussion amongst researchers, international agencies and governments, its analytical content remains weak. It was emphasised that by stretching the classical definition of public goods¹ to a more contingent definition encompassing the possibility that the public nature of the good be the outcome of policy choices², social science researchers may have opened the door to ideological interpretation of what a GPG should be. However, it was also acknowledged that this concept has been instrumental **in highlighting the growing inter-dependence between countries and in pinpointing a number of major shortcomings** and unresolved issues in the efforts to undertake joint action for preserving global assets or produce global services. It did therefore contribute to invigorate the debate over international cooperation and coordination.
2. To what extent can the concept of global public goods bring new insights into the discussions over global governance? Let's define governance as the set of rules, processes, procedures and behaviour through which collective decisions are made. Global governance is therefore concerned with the design of international coordination and cooperation in the name of some form of -collectively accepted- supranational interest; the principles underpinning good global governance encompass the traditional policy-design issues of openness (more communication with the general public), accountability (more responsibility of decision-makers), participation (more inclusive approaches to consultation and participation of stakeholders), policy effectiveness and policy coherence, to which must be added -in a world with no legitimate supranational authority- **international equity and international conflict resolution**.
3. In a neo-classical economics perspective, the provision of local or national public goods are theoretically guided by two principles: the "**Samuelson's condition**" (Samuelson, 1954)- a public good is optimally provided when the marginal cost of supply is equal to the marginal willingness to pay by society - and the "**fiscal**

¹ Non rivalry in use and non excludability of potential users, therefore leading to market failure and public good under-provision

² It is collectively decided that a given good or service be made available to all without restriction in the name of the "general interest". The inclusiveness of the good is therefore socially built.

equivalence principle" (Olson, 1969) - the decision for collective expenditure should be taken preferably by those who are directly affected by the decision. These two principles are interesting to help defining the scope and mechanisms of global governance.

4. The Samuelson condition raises the issue of how **countries' actions aggregate into overall supply of the GPG** (Sandler, 1998). The international supply of the global public good can be *additive*: each country's effort will contribute, proportionally to the effort made, to the production of the GPG; it is the case of the emission of greenhouse's gases and their contribution to global warming. The *weakest link* scenario is the situation when the overall supply of the GPG is dependent on the weakest contributor's effort; it is the case of control of epidemic diseases. On the contrary, the *best shot* scenario is the situation in which the overall quantity of the GPG is equal to the largest individual provision level; for example, investments in research to develop a new vaccine. Whereas in the former case, effectiveness requires that the weakest link agrees to cooperate –therefore involving specific compensations paid by other countries-, gains in effectiveness in the latter case depend on the capacity to pool resources and to direct them towards the most efficient GPG producer –through specific subsidy schemes or issue linkages – and effectiveness in the additive case will very much depend on the quality of the agreement for common regulation and sanctions for non observance. Cooperation strategies and stakes (the negotiation process, the scope for free-riding, and the forms of cooperation incentives and threats) are therefore **different according to the nature of the GPG** to be produced. They require different structures of international coordination and flexibility in the way international negotiation fora are set-up. One of the conclusions is that there is no standardised governance regime for GPG production.
5. The second issue raised by the Samuelson principle concerns the willingness to pay by society. Although GPG affect all countries, the benefits derived from their production or preservation are not necessarily evenly distributed. Therefore, each country, each group of stakeholders might give a different ranking to GPG priorities and it is therefore difficult to aggregate them into a single stable collective preference function. **The international competition is no longer uniquely an economic competition: it is also a competition for imposing values and preferences in the process of international agenda setting.** It is a form of social competition, which is all the more pernicious that it is less easy to observe and analyse. **Hegemony** is also exerted at this level. It is also of course a new arena of conflict between the South and the North, although it is also an opportunity to build up new alliances, which are not uniquely based on mutual economic interests. Therefore, the Samuelson condition, which should control policy effectiveness, is very difficult to implement at the international level.
6. The principle of fiscal equivalence raises another array of questions and answers, since it brings to the fore the subsidiarity principle. It states the necessity to align the structure of political decision-making with that of stakeholders. At the international level, it can be achieved either by promoting a “global government” or, on the contrary, by promoting a **decentralized process for GPG supply**. The latter is based on the creation of user rights on the GPG, which would then be allocated to countries or individual agents, and possibly traded (eg: transferable fishing quotas or pollution permits) in order to create market incentives. The production of the GPG is then

delegated to private agents. This allows better subsidiarity in the choices that each government can make to encourage its private sector and the greater reliance on market mechanisms is expected to enhance the respect for local preferences. However, what can be done for GPG which cannot be produced as a by-product of economic activity and whose production cannot therefore be delegated to the private sector?

7. The enlarged definition of GPGs helps enriching the question on international procedures. The UNDP's definition of the *triangle of publicness* of GPGs states that a GPG should have three dimensions of publicness and emphasises that a governing principle of GPG provision should be that their three *publicness* dimensions be respected and balanced: *publicness* in consumption (in that everyone must have access to the good), *publicness* in decision-making (in that the political process through which the good is selected and financed must include consultation and dialogue with all stakeholders in an open process) and *publicness* in the distribution of net benefits (in that everyone is entitled to benefit from the good). Such a conception obviously entails a radical change in the nature of international co-operation: the objective is **no longer to set-up 'exclusion' devices in order to establish a market value for a given GPG but to make 'inclusive'** a good that is not necessarily so, in the name of the 'global general interest'. From this enlarged perspective of a GPG definition, a number of recommendations can be drawn in terms of access rules, participation, and GPG "value".
8. The "*publicness in benefit*" dimension, for instance, brings us back to the notion of value: a GPG can entail several forms of value, which do not accrue to all stakeholders equally. Let us take the biodiversity example: it is a potential candidate for a GPG label. It has use values (which are fairly easy to assess in monetary terms, such as forestry production, seeds for food production etc.) and non use values (environmental amenities but also heritage value which is higher for a member of a traditional forest community than for an urban dweller, option value and existence value which again are different when assessed from the point of view of a high income citizen or a low income one). The fiercest debates therefore oppose "use value" and "non use values", and are at the core of the **competition between the trade regime and GPG regimes**. Since short-term economic interests are always better represented and defended than long-term non economic interests, it is a worry that the trade regime undermines other regimes and does not ensure a proper *publicness in the distribution of benefits*. This is why it is really important to develop new tools for assessing the trade-offs between use values, and non use values such as **sustainability impact assessments**. Since the competition between short-term economic interests and long-term non economic interests is necessarily biased in favour of the former, a number of researchers and policy advocates call for a "**principled**" **global governance** in which the provision of a number of GPGs would be written down in an international Charta as a founding principle of a *Universal Social Contract*.
9. A last lesson, which we can draw from the GPG approach, about global governance principles, is the need for **coherence in the international decision-making process**. The objective is to avoid that the provision regime for one GPG competes with another one. In its second book, the UNDP's office of development studies made a number of proposals for an institutional architecture of GPG provision and governance (2002) and suggested that institutions be improved at two levels: (i) at the domestic

level: UNDP emphasises that the right conditions for GPG promotion must be promoted at home through the creation of a national fund for global issues, the assignment of each GPG to a national lead agency in charge of promoting it both at the domestic and international levels, the appointment of a “GPG ambassador” in charge of improving the coherence of the country’s position in international forums, the revision of parliamentary committee structures in order to improve the domestic-foreign interface; (ii) at the international level: the UNDP suggests that “issue-focussed chief executive officers” be appointed for setting up partnerships with international organizations and the private sector in order to accelerate the provision of GPG and to improve their horizontal management by overcoming bureaucratic structures. It is also highlighted that an implementation council for multilateral agreements could be created in order to improve compliance. These proposals are interesting pragmatic institutional reforms and should be looked at seriously by policy makers. However, they do not solve the issue of the aggregation of preferences and they do not offer any answer to how the trade-offs between economic interests and non economic values should be clarified and arbitrated upon.

References

- Olson, M. (1969), "The Principle of 'Fiscal Equivalence': The Division of Responsibilities among different Levels of Government." *The American Economic Review*: 479-487.
- Kaul I, Grunber I, Stern M (1999), *Global public goods: international cooperation in the 21st century*, Oxford University Press, NY, 546 pages.
- Kaul I, Conceicao P., Le Goulven K. Mendoza R., (2002), *Providing global public goods: managing globalisation*, Oxford University Press, NY, 672 pages
- Samuelson P. (1954), “The pure theory of public expenditure”, *Review of Economics and Statistics*, 36:4, pp 387-96
- Sandler, T. 1998. “Global and Regional Public Goods: A Prognosis for Collective Action ?” *Fiscal Studies*, Vol. 19

For more references, see <http://www.agro-montpellier.fr/sustral/> under research themes/global public goods