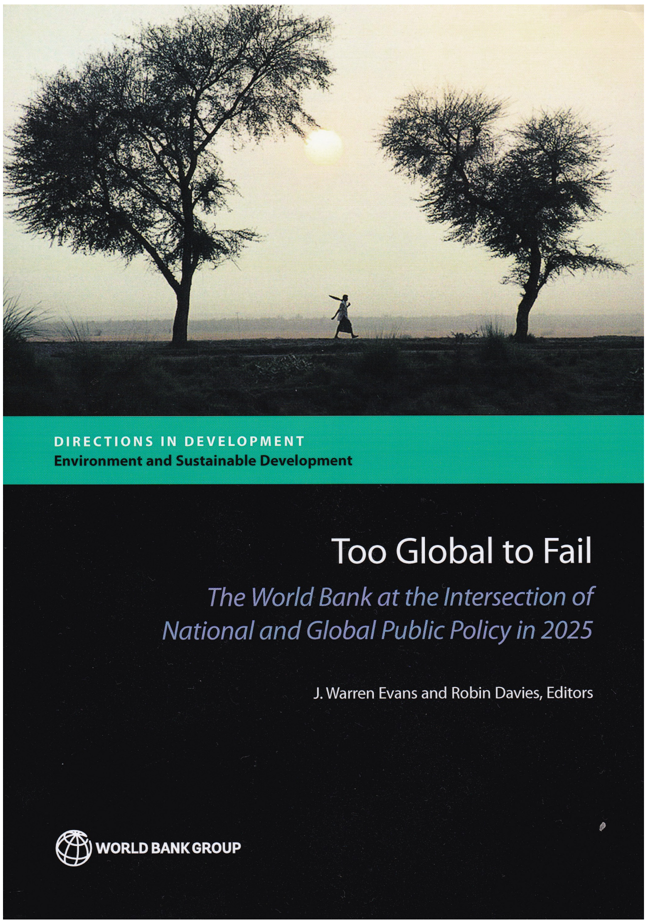

Too global to fail: the World Bank at the intersection of national and global public policy

By J. Warren Evans and Robin Davies
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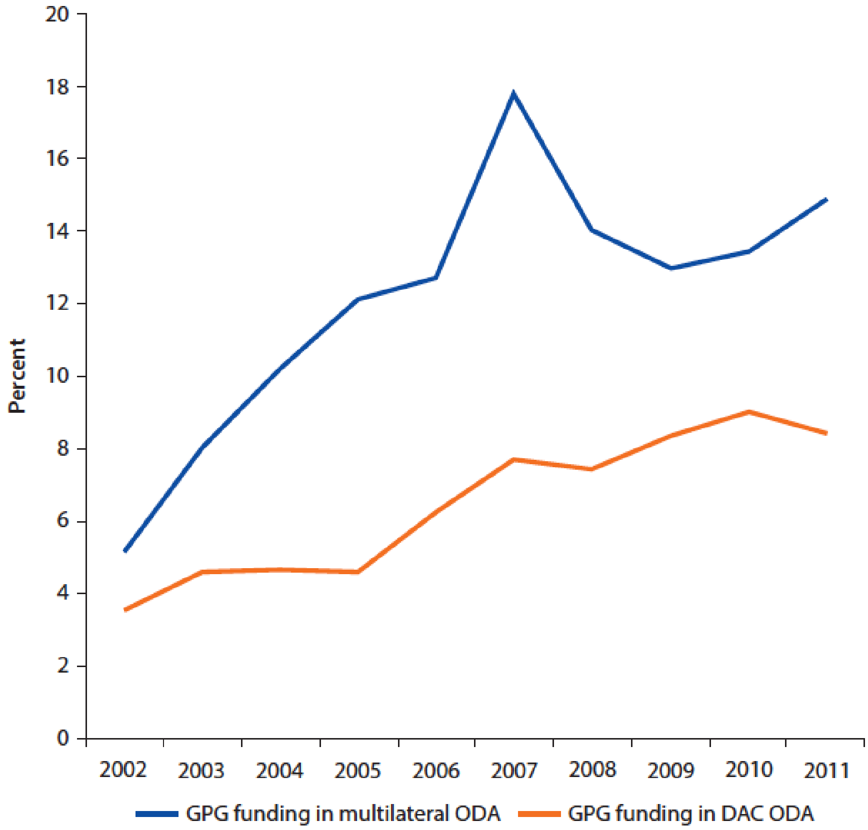
It can be and has been argued that improvements in human welfare achieved over the last few decades have been purchased, at least in part, on credit—that the net gain is less than it seems, perhaps even negative, given the scale of our accumulated liabilities. In part, this is because gains made at the level of households, communities and countries have not been adequately insured against global public 'bads'—transnational problems whose solution or mitigation generally calls for international cooperation.

While the era of big treaties might be receding into the past, international cooperation can and does work at a more practical level, given adequate resources and effective international institutions to support it. Undoubtedly too few resources are being applied presently to the production of global public goods such as climate change mitigation, infectious disease control and refugee management. However, as the figure below illustrates, a growing and now substantial share of both bilateral and multilateral aid is being spent on such things.

Trends in share of Official Development Assistance for global public goods



Source: Too Global to Fail, Figure 5.6, p. 104. Calculations are based on OECD Creditor Reporting System data. Some of the same dollars figure in both OECD Development Assistance Committee (DAC) members' and multilateral organisations' reporting on annual disbursements, so multilateral and bilateral shares are displayed separately.

Much of this aid for global public goods goes to and through, or else depends upon the complementary actions of, multilateral development organisations. The provision of several major such goods depends not so much upon direct international cooperation as upon parallel action by individual countries, mediated by multilateral organisations working across those countries to help produce an outcome in some significant quantity. Pre-eminent among such organisations, for many though not all global problems, is the World Bank.

So, would it be true to say that the World Bank puts the delivery of global public goods anywhere near the heart of its operations?

We have gathered some quite diverse perspectives on this question in a new book, [*Too Global to Fail: the World Bank at the Intersection of National and Global Public Policy in 2025*](), which forms part of the World Bank's Directions in Development series. It contains views from former senior staff of the bank, young professionals inside and outside the bank, academic researchers and others. A factor in our decision to co-edit and contribute to this book, though not the only one, was our experience of working together, on opposite sides of the bilateral-multilateral divide, on the design and early implementation of the Bank-managed Climate Investment Funds from 2008 to 2010 or so.

It was around 2008, curiously, that international discussion about the financing and delivery of global public goods began to fall away, after being quite active for the seven-year period bookended by Inge Kaul and colleagues' influential work on global public goods in 1999, and the 2006 report of the International Task Force on Global Public Goods, which began its deliberations in 2003 (one of our contributors, Scott Barrett, advised the latter body). It is not at all clear why interest waned. It might be that the increasingly dominant Millennium Development Goals narrative, with its heavy emphasis on household-level goals, swept it aside. It might be that rising aid volumes made the financing problem less pressing. In any case, now that a post-2015 international development framework (with a stronger emphasis on 'sustainability') is in prospect, and now that aid volumes must be assumed unlikely to maintain the rate of growth achieved in the previous decade, one would expect questions about the financing of global public goods, and about institutional mediation for their delivery, to return to the fore.

It should be acknowledged that the World Bank has often played a pioneering role in this area. In the environmental sphere alone, it has created new forms of partnership like the Global Environment Facility, the Critical Ecosystem Partnership Fund, the Climate Investment Funds and a stable of carbon funds, commencing remarkably long ago with the Prototype Carbon Fund in 2000. Nevertheless, what many of the contributions to our book have in common is a sense that the Bank is approaching global problems with insufficient urgency, an inadequate over-arching strategy, and a business model that, being fundamentally geared to supporting the delivery of national public goods within country or at best regional silos, is generally antithetical to the pursuit of global public goods.

Several major reviews by the World Bank's Independent Evaluation Group (IEG) since 2008 have examined the Bank's work on climate change and other global issues and found substantial shortcomings. They have recommended a rationalisation of the Bank's engagement in addressing global challenges which, among other things, takes account of the relevance of those challenges to sustained economic development and the Bank's capacity to deliver adequate resources in individual cases. The IEG has also pointed to a disconnect between the Bank's country and global priorities. Essentially, its findings suggest that the Bank's strong country focus in the allocation of its own resources for public investment has led to a bias toward short-term interventions and national public goods.

There should, in principle, be no question about the centrality of the World Bank's role in the provision of global public goods. The Bank's formidable country teams are well equipped to support client countries in tackling critical transnational and global challenges. They know the risks and opportunities, and the financing, capacity and governance problems that must be well understood in order to devise successful long-term solutions. They know where the entry points are, and the locked doors. And they are backed by an institution with unparalleled convening power, a strong track record of fiduciary management, and a deep capacity for analysis and innovation. However, at least four barriers exist at the institutional level.

First*, the Bank's governance arrangements*. The dominance of the US and Europe in the Bank's boards of governors and directors has not only limited the institution's capacity to expand its capital base but has also seen it lose custody of large-scale financing for climate change mitigation and adaptation. The Green Climate Fund has been established as a separate financial institution despite the potential inefficiency of this arrangement.

Second, *the Bank's heavy reliance on external, heavily earmarked and atomised funding for global initiatives*. The Bank is generally unable to take such initiatives onto its own balance sheet, and rarely in a position to support them through mainstream country operations.

Third, *the Bank's heavy and often risk-averse bureaucratic processes*. These are geared more toward large, loan-financed operations than toward partnership-based and grant-financed programs and impede flexibility, innovation and speed, and therefore limit impact.

And fourth, *the near-absence of incentives for the Bank's country teams to look beyond borders (*even where special-purpose donor funding is made available). The Bank's existing framework [pdf] for its work in support of global public goods is flimsy, dated and without bite. It appears to have been adopted as a shelf ornament largely in response to the flurry of interest in global public goods up to about 2007.

The World Bank does have the capacity to play a fundamental role in meeting global challenges, and its place in the institutional architecture might in fact be strengthened if it were to do so. However, in our view this would require something of a Copernican shift in the way that global problems are viewed within the Bank. At present, even after the creation of a raft of new 'global practices' that concentrate sectoral resources, such problems are viewed as important but outside the scope of the institution's mainstream work. They are sidelines; almost 'hobby shop' preoccupations.

The most important global public goods will not be supplied by means of relatively small funds and tight-knit coalitions of like-minded organisations; they will be supplied by governments and private actors through cumulative, large-scale action across multiple countries. It is therefore essential to create incentives within the Bank for the pursuit of global public goods through mainstream country operations, rather than merely through global programs.

A weak formulation of the above point would be that the Bank should do more through country operations to contribute to the supply of global public goods. A stronger, more Copernican formulation would be that the Bank should make this its primary job—to find and work at the intersection between national and global public policy. The latter formulation is likely to seem increasingly relevant as developing countries, in this 'age of choice', increasingly turn to bilateral development financing institutions or other emerging sources of finance, such as the BRICS grouping's New Development Bank or the China-led Asian Infrastructure Investment Bank, to support their national development priorities.

Multilateral development organisations, and particularly the World Bank, should have a central, indeed privileged, role in the supply of global public goods. By the same token, such organisations should be expected truly to make that role central to their mandates, rather than seeing it as marginal and confined to the domain of special-purpose donor trust funds. They need explicit institutional strategies for contributing to the supply of global public goods through both country and global programs, linked as far as possible across key institutions. These strategies should be more than general expressions of sentiment: they should be operational strategies that set goals, drive resource allocation, articulate implementation arrangements and provide a basis for monitoring and evaluation.

In addition, in light of the availability of both concessional and less-concessional financing for development from an increasing variety of sources, the World Bank should be more generally enabled to offer clients flexible financing packages that provide sufficient incentives to undertake or modify investment intentions in favour of global public goods. At present this happens only to a limited extent in connection with environment and climate change mitigation investments. Such packages might blend concessional and non-concessional resources in various degrees, with the blend determined not by the income category of the borrower or the sectoral category of the operation, but by the level of incentive required to reach agreement in a particular case. The concessional resources used should be drawn from one or more large, flexible facilities established outside the bank under more equitable governance arrangements—the Green Climate Fund being one such.

International development assistance has so far failed to complete a necessary transition, which would see it take as an explicit and principal objective the provision of global public goods important for development. The World Bank can play a leadership role in achieving this transition, working within new kinds of coalitions but not abandoning the fundamentals of its operating model. Given that some of the most important global public goods are provided through the separate and cumulative actions of multiple countries, the challenge for the Bank—one that might be helped, but is not automatically met, by the creation of 'global practices'—is to find ways of investing strategically and sharing knowledge across countries, while keeping faith with their national development strategies, so as to achieve maximum global impacts.

That is what we mean by saying that the Bank should work at the intersection of national and global public policy.

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Too Global to Fail *can be downloaded free from the World Bank's Open Knowledge Repository, here, or ordered in hard copy via Amazon.com, here.*

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