

What Good Are Global Public Goods?

Global Public Goods (GPGs) have attracted growing attention in international policy circles over the last few decades. Public policy makers, civil society bodies, business people and academics are researching and debating their potential to assist in addressing key international policy issues such as more equitable trade relations, financial stability, peace and security, health, and knowledge management that have been marked by repeated failures of cooperation.

This poverty briefing looks at the potential GPGs have to play in poverty reduction, specifically in the Southern African region. It looks at:

- the definition of public goods in general and GPGs in particular, their history and the reasons for the current interest in them
- some of the issues raised in the current debate with the focus on developing country concerns and on poverty reduction
- The potential for GPGs to contribute to poverty alleviation using examples such as the recently established Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM)
- the process that led to a proposal at the Monterrey Conference on Financing for Development to appoint an international task team to report on GPGs and the proposed terms of reference for the task team.

Goods, bads and poverty

A public good is defined as something that provides a benefit to society in general and is:

- non-rival – meaning that its consumption by one person does not stop others from consuming it,
- non-excludable – meaning that it is difficult to exclude anyone from sharing the benefits.

A road is an example of something that everyone can use freely without limiting other people's use. However this technical definition does not recognise that in practice there is almost always a political choice in deciding what public goods are prioritised and provided. In practice there may not be equal access to the policy processes that lead to these choices and there may be considerable inequity in access to, and use of, the public goods that are produced.

Some public goods are limited to a particular area and historically most public goods have been provided within nation states. But with the growing interchanges between states that have marked globalisation an increasing number of public goods cross international boundaries. International public goods can be divided into those that are regional in nature, such as a water resource shared by a number of countries and those that potentially provide benefits to everyone in the world. The latter are called global public goods.

In the past GPGs mainly concerned issues outside the boundaries of national states, such as the law of the sea, but increasingly they concern issues that cross borders. The examples of GPGs that are most commonly given include:

- the global environment
- financial stability and market efficiency

- control of communicable diseases
- knowledge
- peace and security and
- human rights.

Many of them are easier to recognise by their counterparts – global public bads. These include environmental pollution, unfair market access and economic instability, the spread of diseases, attempts to privatise knowledge through intellectual property rights, international wars and human rights abuses. The prevalence of global public bads points to the failure to provide an adequate supply of public goods in the international arena or limited access to available GPGs. Both issues have a direct bearing on poverty reduction. People in the Southern African region have to deal with the consequences of many of these public bads. Some examples include:

- increasing economic instability, especially in poorer countries, as markets become more integrated
- the spread of HIV/AIDS, tuberculosis and malaria
- widespread poverty and food insecurity that contribute to crises like the current famine
- the current international regime of international property rights, which restricts access to knowledge and resources that could be used to produce cheaper drugs or to improve food production
- warfare and human rights abuses.

What leads to the spread of these public bads and what can be done to secure greater production or better use of the global or regional public goods that can help to reduce or eliminate them? Much of the present debate revolves around problems of under provision, lack of participation in decision making and inequitable access to the benefits of GPGs.

Underproduction of public goods is a widely recognised phenomenon. Although public goods play an important role in society, in general the private sector has little interest in

producing them unless it can secure a return on its investment. This leads to inequitable distribution of resources devoted to providing GPGs. For example of approximately US\$70 billion devoted to vaccine research in 1998 only US\$300 million went to HIV vaccines and US\$100 million to malaria vaccines, two of the major diseases affecting people in the Southern African region and the developing world in general. Overall the bias in expenditure was towards research into vaccines for illnesses affecting people in the developed countries where there are strong markets for the resulting products. (R Gardiner and K Le Goulven, 2002, Global Public Goods Briefing Paper, Economic Briefing no 3, Heinrich Böll Foundation, available at www.earthsummit2002.org)

Underproduction of public goods

Many of these problems reflect the failure to adopt and implement international policies to ensure an adequate supply of GPGs. Why this failure if it is in everyone's interest to have an adequate supply of public goods?

Economists have generally related under production of public goods to two phenomena which reflect failures of collective action called 'the prisoner's dilemma' and 'free riding'. However some recent studies have challenged this view, arguing that while such self interested responses may be characteristic of one off interactions, repeated interactions are more often characterised by cooperative behaviour. Other factors that are cited as influencing influence the under production of public goods include:

- the lack of an effective global institutional framework for this purpose
- the overemphasis in recent times on the role of the free market at the expense of

The Prisoner's Dilemma describes a situation where if someone acts purely in terms of their apparent self interest it will have negative impacts for others and for themselves in the longer term

Free riding refers to a situation where it is in an individual or organisation's short term self interest to use common resources developed or maintained by others without contributing to their production or maintenance.

the state, which has traditionally played a major role, directly and indirectly, in providing public goods, and

- the lack of mechanisms for participation by civil society and private sector which have also played an important role in the provision of public goods. [Zedillo and UNDP study]

Because it is difficult or impossible to exclude people from enjoying the benefits of public goods it is difficult to make money from them. This means there is little incentive for the private sector to produce them. As a result governments generally have to play a role in securing the production of public goods. There are two basic ways to do this. They can intervene to make it possible for the private sector to secure a return. An example is patent rights that restrict access to knowledge so that a particular individual or company can either monopolise production based on the knowledge, or charge others for using it. In doing this governments have to balance the advantage of encouraging greater investment in research against the disadvantage of restricting access to the benefits of knowledge. The result is some inefficiency in the use of knowledge.

The other route is for government to support the production of public goods directly. This would be the most efficient practice if governments could raise the required revenue at no cost and if they were efficient at identifying the public goods required, for example in the case of knowledge, identifying the best research projects. In the case of basic research that has no immediate link to the production of goods or services governments generally have to provide a large part of the funding.

Because governments play an important role in determining which public goods will be produced, power and influence, priorities and trade-offs, and resource and capacity constraints enter into the development of policy on public goods and its implementation. This means that the production of public goods, and even

decisions on what will be regarded as public goods involve political choice and are not purely determined by society's needs.

While the state is generally regarded as the provider of public goods, in fact a wide range of public, private and civil society institutions and organisations are involved, both in policy development and implementation. For example civil society organisations, both local and international, have played important roles in securing action to provide public goods in fields such as gender equality, health care and human rights, while corporate interests have played a major role in the development of market and financial regulations. This points to the conclusion that effective provision of public goods at both national and international will benefit from institutions and mechanisms that ensure effective participation by government, civil society and the private sector.

International provision of GPGs

The important role that governments, civil society and the private sector play in the production of public goods introduces the question of international governance structures, or the lack of them. For developing countries there are particular concerns because of the limited role that they play in international decision making forums. This leads to fears that the GPGs agenda will be dominated by the concerns of developed countries, and that issues such as food security, HIV/AIDS and other health issues, basic education and poverty reduction will receive less attention than, for example, financial and capital markets and trade relations. There are also concerns that the growing focus on GPGs will redirect already declining flows of Official Development Assistance (ODA) to support projects and programmes that are mainly located in developed countries.

The Report of the High-Level Panel on Financing for Development (The Zedillo Report) underlined the importance of separating finance for GPGs from finance for development and humanitarian assistance and

ensuring adequate funding for each area. It estimated that an additional US\$20 billion per year is needed to provide an adequate supply of GPGs. Among options for raising this finance Zedillo proposed looking at the possibilities of a Tobin tax though the report acknowledged that this was unlikely to be introduced in the short term.

A range of other financing mechanisms, including taxes, user fees and compensatory payments have been suggested to pay for GPGs. In practice it seems likely that financing mechanisms will differ, reflecting the nature of the production process and incentive structures needed to provide specific GPGs. Financing is likely to need both horizontal adjustments between richer and poorer regions and nations and vertical adjustments to enable local provision of international public goods. (www.un.org/esaf/ffd/DocumentsIndex.html, www.globalfundatm.org, Michael G Faust et al, 2001)

There are other problems related to the nature of specific GPGs. Todd Sandler who has researched and written several pieces on GPGs contrasts the relative ease with which the international community reached agreement and implemented action on CFCs with the difficulties experienced with greenhouse gases. He identifies a number of differences between the two issues that have played a role. CFCs presented a relatively clear cut issue that would affect all people in a relatively short space of time. There was clear, uncontested scientific evidence and a relatively simple, readily available and affordable solution without any real impact on lifestyles. On the other hand greenhouse gases present far more complex issues with results that are likely to vary in different parts of the world, potentially even benefiting some areas. Despite a growing consensus there are remaining differences within the scientific community about the extent, speed and nature of outcomes and the extent to which they are caused by human actions or are the result of natural processes. There are also differences about the most appropriate and cost effective

solutions. Many involve substantially higher costs and major changes in technology that may have significant impacts on the high consumption lifestyles that are important for political stability in many countries. The result has been limited progress towards solutions and the withdrawal of the USA from the multilateral process.

(www.oecdobserver.org/news/fullstory.php/aid/540/understanding_global_public_goods.html)

The GFATM

Sustainable international cooperation to provide GPGs requires:

- meaningful participation in decision making and effective implementation by all affected parties, including governments, civil society and private sector players
- equitable access to benefits
- fair sharing of burdens and
- new financing mechanisms that enhance rather than prejudice existing aid flows

Some indication of the potential is shown by the performance of the recently established Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria (GFATM). The fund was set up to give effect to commitments made at the United Nations General Assembly Session to discuss these diseases held in June 2001. Although the fund has not reached its target of raising US\$10 billion a year for HIV/AIDS and an additional US\$2 billion each for TB and Malaria it did raise close to US\$1.9 billion by the time it made its initial grants in April 2002, and distributed over US\$600 million. SADC countries benefited considerably from these grants with South Africa receiving the largest grant overall of US\$ 93 million (+R249 million) for a five year programme, a substantial addition to the funds available to combat HIV/AIDS. Zambia also benefited from a grant of US\$92 million over 5 years. Malawi put in the biggest proposal. Although it was referred back for adjustments it is likely to be granted in the second round. Overall about half of the proposals approved came from Africa, amounting to roughly half the funds granted.

(Alison Hickey, IDASA Budget Brief no 108, 28 June 2002, www.idasa.org.za/budgetday/)

A press release from the Global Fund states that its initial grants will enable six times as many people in Africa to receive anti-retroviral treatment over the next five years as at present. Subsequent rounds will increase this amount. The Fund has been set up as a public private partnership with its board representing an equal number of donor and developing country representatives, with seven seats each and two NGO and two private sector representatives.

Dr Richard Feachem, Executive Director of the fund has promised that its operations will be distinguished by five basic values:

- Balancing idealism with pragmatism with its response balanced geographically and between diseases, based on the burden of disease, greatest vulnerability and financial need. There will also be a balanced use of both treatment and prevention interventions.
- Ensuring that the public sector and private sector work side by side, enlisting the help of all segments of society to succeed in the challenge of controlling HIV/AIDS, TB and malaria.
- Promoting dynamic and innovative thinking, such as the novel Country Coordinating Mechanism (CCM) process which is emerging as an alternative to directing donor resources to governments without the involvement of civil society involvement, NGOs, faith-based organisations and the private sector. This process is still far from perfect, but the Global Fund will embrace risk and learn from mistakes in developing new and better ways of providing financial support most rapidly to those who can use it most effectively.
- Practicing transparency and accountability, increasingly monitoring projects that have received grants, and ensuring that their progress toward achieving agreed-upon goals and intermediary targets is transparent to all interested parties. The fund will call upon

a wide array of institutions and experts to help meet this challenge.

- Achieving measurable results to improve the health of those in greatest need, changing lives in a real way.

Despite the considerable amounts raised the GFATM has not met its fund raising targets and while it has enough money for round one and two, it will need to raise additional contributions if it is to meet round three proposals. (Mail & Guardian, 18/10/2002)

An international task force

The Zedillo Report, which fed into the development of the Monterrey Consensus, identified providing or preserving the supply of GPGs as one of the four vital roles for international development cooperation in assisting to secure the International Development Goals by 2015. The other three were helping to initiate development in countries that attracted little private investment, coping with humanitarian crises and confronting and accelerating recovery from financial crises.

Despite the importance given to them in the report, GPGs did not feature in the Monterrey Consensus. However, France and Sweden joined with the United Nations Development Programme (UNDP) to host a side event at the conference on GPGs. From this event came a proposal to establish an international task force to investigate the issues around GPGs.

Proposing the task force, Jan O Karlsson, Swedish Minister for International Development Cooperation, stated that the failure to address issues of international governance and the provision of GPGs represented a 'missing link' in the Monterrey Consensus.

He went on to say:

We need to define and identify key global public goods, we must determine priorities and we must look at delivery systems and financing options for global public goods. In the Monterrey process calls have been made

for clearer **definitions** of global public goods. This is indeed true, I see a risk in calling everything a global public good. It will soon render the term meaningless.

However, in the end the decision on whether something is a global public good is not a matter of definitions. It is and must be a political choice! This leads to an even more important task – the **identification** of prioritised global public goods from a perspective of reducing poverty by half before 2015. This is not an easy task but we are de facto doing it today when we fail to protect and educate all children and when we on the other hand manage to establish a global fund for combating HIV/AIDS and the other killer diseases.

Delivery systems for global public goods. The task force should look at how our prioritised key global public goods are provided, or under-provided, today and recommend possible changes. The division of responsibilities and institutional options should be addressed.

Financing options. How are global public goods financed today and do we need any changes with new instruments or sources. According to World Bank estimates around 30 percent of the US\$55 billion of ODA went to global public goods during the 1990s and this number seem to be increasing. I do believe that ODA should be involved in the financing of global public goods. How can it not be when 2/3 of the world are living in developing countries. However, we need more of the same. The far too exclusive G-0,7 club need more members. ODA should also work

as a catalyst to leverage other sources of financing, including the private sector. We have seen a good example of this in the health session.

Since the provision of global public goods is beneficial to all countries, developed as well as developing, all countries have to contribute to their financing from ordinary resources and new funds should also be raised. A case-by-case basis is absolutely necessary for the financing of global public goods. The financing of financial stability as a global public good will be quite different than the financing of HIV/AIDS research. This is obvious to all of us.

In concluding, the discussion on how to provide and finance global public goods should not be an academic luxury. We are dealing with matters of common concern and the discussion needs to be taken to the political sphere and people from all over the world must participate. For this we need an open and participatory process. A partnership approach!

This is also a **pedagogical challenge** - make no mistake about it. A main challenge for the task force will be to communicate the meaning and advantage of the global public goods approach.

People are asking: What's in it for us? No definition will do the trick if we in the rich part of the world do not feel concerned about the poverty and conflicts of the world, out of compassion, solidarity or out of self-interest. And no definition will do the trick if the voices of the poor themselves are not heard loud and clear.

The side event proposed the following terms of reference for the task force.

International Task Force on Global Public Goods – Terms of Reference

In an interdependent world, national development goals can often not be met by national policies alone; and complementary international as well as regional cooperation is required in order to produce locally desired development outcomes. Recognizing these interdependencies, Sweden, France and UNDP propose the establishment of an international task force with a mandate to foster an enhanced provision of international public goods, which are of critical importance to achieving the Millennium Development Goals (MDGs), notably the objectives of reducing poverty. In an

interdependent world, extreme poverty and its manifold consequences are of concern to all; and it is thus in the enlightened self-interest of all to ensure a life in dignity for all. It is in our common interest to secure sustainable development in all its dimensions; environmental, social and economic.

Background

While the notion of international public goods is gaining widespread recognition in the international development debates, the concept is met with circumspection and reservation, calling for a further clarification and discussions. Considering in particular, that the notion refers to issues of *global, i.e. common concerns for all*, voices have thus been raised suggesting to initiate a participatory process in order to gain a better understanding of the analytical as well as practical-political relevance of the concept of international public goods and on how to translate it into concrete policy actions. It is in this light that a temporary international task force, which would work in a highly consultative manner, is proposed.

Objective

The task force should systematically assess and clarify not only the notion of global and regional public goods but also the policymaking dimensions of determining to which public goods to accord policy and expenditure priority. It should identify key international public goods from a perspective of poverty reduction and of common interest for sustainable development, and make recommendations to policy makers and other stakeholders on how to provide and finance them. It should also have an objective to define responsibility for follow up of adequacy and effectiveness.

Tasks

Task 1 – Defining international public goods

With the current debate on international or global public goods as a point of departure, the task force should provide recommendations on adequate and pragmatic definition(s) of international public goods. This task should be approached with rigour and pragmatism with the objective of bridging the international academic discussion with ongoing policy processes within the international community, including in developing countries and the civil society.

Task 11 – Priorities in the provision of international public goods for development

a) Selection of key international public goods

The task force should identify a short list of key international public goods relevant from a perspective of reaching the Millennium Development Goals, in particular the objective of halving poverty by 2015. The selection will be made through a participatory process with concerned stakeholder and actor groups, including representatives of governments, civil society and the private sector. The interplay between the global regional level and national development efforts should be given special attention.

b) Learning lessons from past experience: management issues

The task force will analyse the existing institutional framework involved in setting priorities and the provision of the identified international public goods, including the division of labour between

relevant stakeholders at national, regional and global level. It will also consider possible changes of the provision system to enhance the provision of the identified international public goods.

c) *Learning lessons from past experience: financing issues*

The task force should explore the wide spectra of financing options, including market creation, regulations, private and public sources, partnerships and innovative financing mechanisms. Special attention would also be given to exploring the lessons to be learned from international public goods, which are currently well-financed through private and public sources, including and excluding aid. These tasks should be undertaken with a view of providing recommendations for appropriate financing options and arrangements for the identified prioritised international public goods.

Task 111 – Recommendations for further actions

Based on its findings the task force will present recommendations and provide guidance to relevant policy making processes for accelerating progress towards the goal of poverty reduction and sustainable development through an enhanced provision and financing of international public goods.

These terms of reference were issued as a non-paper for discussion. Comments and questions are welcome to:

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This poverty brief provides an introduction to the debate around GPGs. For more information visit:

www.sarpn.org.za

www.globafundatm.org

www.undp.org/globalpublicgoods/

www.undp.org/ods/

www.earthsummit2002.org/es/issues/GPG/gpg.htm

europa.eu.int/comm/environment/wssd/publicgoods.pdf

www.earthrights.net/docs/financing.html

www.oecdobserver.org/news/fullstory.php/aid/540/understanding_global_public_goods.html

www.brettonwoodsproject.org/topic/social/2527.html

www.ncsdnetwork.org/knowledge/per02.htm

www.utrikes.regeringen.se/inenglish/frontpage/taskforce_publicgoods.htm

people.cornell.edu/pages/sk145/papers/IPGWB.pdf

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Sagasti Francisco and Keith Bezanson, 2000, *Financing and providing Global Public Goods: Expectations and Prospects I*, Ministry of Foreign Affairs, Sweden

Contact us

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