Public Goods

Official development assistance has conventionally supplied or supplemented the supply of public goods in poor countries. This is appropriate because public goods are services and resources which offer shared benefits. In their pure form, they are non-rival in consumption and non-excludable, so all can benefit, including the poorest. By the same token, they give rise to free-riding, and the market will not supply (or price) them optimally, so the case for public intervention holds. If the national public purse cannot produce an adequate supply of public goods to foster normal development, it was deemed proper for aid donors to attempt to fill that gap.

There was a period in the 1980s when not only did official aid flag but its purpose began to be questioned. Resources of multilateral and some bilateral donors were focused on slimming down the state and stimulating the private sector. In the process, some of the momentum for strengthening the provision of public goods was lost. But the post-1996 OECD agreement on international (later Millennium) development targets focused on poverty alleviation restored some of the balance since so many of the targets were welfare-related.

Global Public Goods

With the enhanced appreciation of globalisation came gradually the recognition that global public goods were under-provided, there being no international fiscal mechanism for funding them, and hardly any institutional frameworks for providing them. Through their poverty, developing countries were themselves the weakest link in global provision. Whether the goods (or bads) in question were in the domain of knowledge, health, the environment or governance (the four categories in our study, see Ferroni and Mody, 2002), it could be argued that their under-provision in developing countries affected the world as a whole, so the supply of aid to meet their needs was legitimate. From here it was a short step to shift official development assistance from national actions to global public goods, but that was a political
decision, taken when the overall supply of oda was shrinking. Aid for global public goods is estimated to have doubled over 20 years, taking a 9% share of oda currently.

**Multilateral**

What is interesting is to observe and analyse the adoption of a policy of aid for global public goods for a political purpose. When this is done at the multilateral level, the appreciation is fairly straightforward. UNDP probably leads the pack in this respect, and Inge Kaul and others have published sterling work of analysis on global public goods which has probably extended the boundaries somewhat, and even brought along some of the more doubting agencies such as the World Bank. Moreover, though it may remain largely unstated, UNDP would see success in its global public goods policy as a way of securing guaranteed financing whether via supportive member governments’ direct and indirect contributions, or through the otherwise taboo subject, the instigation of international taxes; in any case, success would also contribute to the UN body’s own institutional strengthening. Further, when a multilateral body such as the IMF or the WTO tries to persuade us (against some logic, it must be said) that, say, the world trading or financial system has many of the characteristics of a global public good, and that as a supplier and guarantor the core institutions should be specially privileged to avoid the perils of under-funding and under-provision, we are clearly in the domain of institutional politics rather than value-for-money aid delivery.

**UK**

But national donors running bilateral programmes and contributing to UNDP and other programmes also take up positions on aid for global public goods and these vary. The UK has not so far had a pro-active policy to give general support to aid for global public goods, preferring to be selective. This is because current UK international development policy is based on strong and uncompromising guidelines contained in fresh policy documents (White Papers) on poverty-focus (1997) and globalisation itself (2000). As a result, at Monterrey, the UK resisted moves to make global public goods funding additional to conventional aid (and to oda targets); institutionally, DFID also resisted the call to raise global public goods aid from
domestic sector ministries; but above all the UK was wary of agreeing to global funding streams which were not simultaneously tied to the poorest countries and to poverty-focused activities. Britain has public service agreements, essentially between spending departments and the Treasury, which bind even international policies to a range of domestic political goals such as eliminating child poverty. The result of this consistency, with a rising UK aid programme since 1998, has been that whereas aid to global public goods has been rising overall, the UK’s share going to global public goods has probably not kept pace. Within the overall policy context, however, this can be seen to be for pragmatic rather than ideological reasons. If there is to be a further readjustment in future, it will be interesting to analyse the political basis for the change.

**France**

In contest, France’s endorsement of enhanced aid for global public goods could hardly be more shrill. Since France held elections in mid-year, shifting form left to right without apparently altering this stance, it is important for European understanding – and for eventual European policy coordination – to attempt to appreciate the foundation of this policy. France was one of the hawks in favour of aid-additionality for global public goods at Monterrey and is generally more sceptical than the UK of poverty elimination as the goal of aid and development cooperation; France regards this as reductive and rather removed from the world of realpolitik. Funding international public goods however has been seized upon as a way of breathing new life into France’s aid programme which has been in decline both since Chirac first became president and during the Jospin government. France sees global public goods funding as a new selling point for aid, much needed given donor fatigue and the perceived imbalances of globalisation, which would appeal both to the electorate (as the Tobin tax manifestly failed to do) and to the tax-paying public under the new government.

Nor is this stance ideological if it sits comfortably both with the left-coalition government (to May 2002) and the Chirac-Raffarin majority. Global public goods provision is not necessarily a form of international socialism or even redistribution. France’s stance too is pragmatic, but in the French context. If France wishes to maintain aid levels (despite budgetary difficulties) in countries within its traditional
ambit which are not among the poorest or most needy, and to resist international pressures to focus exclusively or at least increasingly on poverty, the various supply-sectors of global public goods provision – especially environment and international waters, cultural pluralism and knowledge in the form of internationally generated and accessed research – are tailor-made to cut across rich and poor clients of French aid. This sector-based approach may be open to abuse – the most commonly cited example being aid for forestry in Gabon deemed to be a global environmental good, and this could be a concern when overall more than half of GPGs aid has been for the environment – but poverty-focused aid can also be (literally) counter-productive if excessively welfare-focused.

**Funding dilemmas – for Europe and beyond?**

A significant contrast is however between the apparent ease with which the UK in recent years has raised aid spending levels, in exchange for public service agreements domestically but without recourse to what I am tempted to call Global Public Goods Millenarianism, and France’s difficulty in maintaining a large, heavily technical cooperation-based aid programme, causing it to resort to portraying global public goods support as an innovative but also regulatory device, and so necessitating an innovative source of development funding.

The official French paper on Global Public Goods (DGCID and Direction du Trésor, 2002) before the Monterrey Financing for Development conference went so far as to assert that it was ‘essential’ to devise new sources of development financing, favouring ‘a system of international taxation compatible with each individual government’s capacity to contribute’. Whether through a carbon tax (Zedillo), a levy on international capital movements (Tobin redux) or a tax on the arms trade (various ngos), all three were cited in the official document as possibilities – before the elections.

It is too soon to judge whether the Raffarin government will maintain this stance on new funding options: it would be good if French and other knowledgeable participants in the EADI working group could take the discussion further. Other points to discuss in the session include:
• Do global public goods require new, dedicated funding streams or can they legitimately draw on existing aid flows?
• If the UK and France seem so far apart, how do we advance towards a European position on GPGs?
• What institutional framework should regulate aid for global public goods? Is the OECD enough and are its procedures robust enough?
• Would, should, the USA agree to any the above?

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Bibliography


