

Regional Public Goods: Typologies, Provision, Financing, and Development Assistance

Launching seminar in Stockholm, March 6, 2002.

Chairperson: Gun-Britt Andersson, State Secretary for Development Cooperation, Migration and Asylum Policy.

Notes from the discussion following the presentation by Todd Sandler.

Inge Kaul, Office for Development Studies, UNDP, New York

Inge Kaul noted that her own and UNDP's contribution to the debate on international public goods had been to give a "political spin" to existing academic research, and she acknowledged the patient and long-term work of not the least Todd Sander in this regard. She stated to have no serious objections to the study, but saw some important points of discussion.

1. With reference to Rickard Musgrave, Kaul argued for distinguishing between on the one hand the *politics* of public goods, on the other their *production*.

The political dimension concerns the following questions: What public goods are provided, how much, and how is the production organised? Just as there is a demand for private goods – indeed an uncontroversial position – there is also a demand for public goods. Public goods, Kaul argued, should therefore be regarded as the *public's* goods

The production dimension includes the question of the appropriate level for provision. Kaul argued that the provision of regional public goods (RPGs) may require local private, as well as global or regional action. If one takes malaria control as a regional public good, both the provision of nets locally, national health care systems and the TRIPS regulations are of importance.

Kaul emphasised the need for a 'bottom-up' approach guided by questions like: Who has a demand for which type of goods?

2. Current priorities are, according to Kaul, twofold: First, to generate a consciousness of gainful co-operation at the regional level. Second, there is a need to move the issues into regional bodies, like NEPAD and ASEAN.

Kaul held that while pure RPGs could be funded out of traditional aid, other ministries in donor countries should contribute to the financing of public goods when their provision overlapped with interests and issues in their domain. Forest conservation was one such example.

Discussion:

Sandler agreed that the political dimension of public goods provision was missing, but would be worth while including at a second step. As for addressing the demand side of RPGs, there would be a problem in making such assessments in a development context, since demand also consists of ability (to pay). He saw the need for more work on trying to assess this demand.

In Gun-Britt Andersson's view the debate was too confined to a northern perspective and she emphasised the need to engage the very countries and people's directly concerned by the provision or non-provision of RPGs.

Kaul saw a need to temper the purchasing power of rich nations in international organisations like the WTO, with voting power. In the current situation, purchasing power talked.

Lotta Sylwander, Head of Department for Africa, Swedish Agency for Development Cooperation, Sida.

Sylwander initially stated that her comments mainly were based on the experiences of shaping a strategy for Sweden's development co-operation with Africa. There was reason, she argued, to make a distinction between common problems between countries, and problems that are the same in different countries.

Two prioritised areas of Sweden's development co-operation with Africa had particular relevance in a discussion of RPGs, Lake Victoria and HIV/AIDS. Environmental concerns had mainly been focused in the work with Lake Victoria. However, it was also a case of knowledge-increasing and infra-structural improvements between several countries. With regard to HIV/Aids, the national focus has so far been too strong. The problem, Sylwander stated, must be combated regionally, for example by taking migrating populations into account. Other issues of importance from a RPG-perspective were soil conservation and agricultural extension.

Sylwander also commented on the recommendations to donors in the study. First, the study emphasised the choices donors face, including the need for priorities with regard to regional public goods. However, such an emphasis was according to Sylwander problematic, as it stood in contradiction to the notion of partnership as a relationship between equals. Second, donor countries are advised to "decide where they perceive the highest marginal pay-off." But highest marginal pay-off for whom, Sylwander asked, and argued in favour of making such assessments from the perspective of the developing countries. Third, she fully agreed with the authors on the importance of financial co-ordination, and pointed out that such co-ordination between donors are on the increase. Sylwander finally remarked that there is indeed a need to understand the role of transnational public goods in developing countries, *and* clarify the distinction between 'traditional aid' and aid in promotion of regional or global public goods.

General discussion

1. The regional representative of the Asian Development Bank, *Mr. Keon-Woo Lee*, emphasised the role and capacity of the regional development banks in providing

regional public goods. He listed the ADB's prioritised fields and gave examples of ongoing work, such as the Great Mekong initiative, a water-sharing project involving, among others, China, Cambodia and Laos. He also announced that the multi-lateral development banks (MDBs) had produced a joint report on their role in the provision of international public goods, as instructed by the G7 countries in Rome last summer.

Gun-Britt Andersson stressed the necessity for the regional development banks (RDBs) to make priorities. *Inge Kaul* argued that the RDBs, just like the World Bank, should tone down their political role. One should also not forget the Regional Commissions who, although weak, were important partners of dialogue.

2. *Hugo-Maria Schally*, from the European Commission, questioned whether a focus on regional public goods would have any operational value for the EC. The notion of global public goods covers efforts that already are mainstream, and he doubted that a RPG framework had anything to add. He thought, for instance, that the link to ground-level realities was missing.

Inge Kaul argued in response to Schally, that the operational implications of a regional goods perspective could be seen in the EU itself, e.g. in the form of the structural adjustment funds. At a general level, the benefits of the framework were to focus the attention to issues rather than countries or regions, and to allow for a differentiation of tools. *Todd Sandler* also stated that EU's actions in terms of infrastructure and pollution control indicate the relevance of an RPG approach.

3. The question of additionality was addressed by *Armi Heinonen* from the Foreign Ministry in Finland, who pointed at the potential of public-private partnerships. *Todd Sandler* cautioned that the motives of private partners in development, may be inconsistent with the view of the donors. *Daniel Arce* called for a broader perspective of what aid is. For example, research in medicine is publicly financed, but the medical companies have patent rights once a medicine is developed. In cases like the creation of an AIDS vaccine, taxes paid by the public could very well be viewed as foreign aid.

4. *Bengt Johansson*, Sida, said that transboundary water management was a very good example of an RPG, with diverging interests between upstream and downstream countries. He pointed at the importance of a long-term perspective in dealing with these issues, in particular in cases of population growth. *Todd Sandler* agreed and foresaw water to be the coming issue of conflict in the world.

5. *Peter Gustafsson* at the UNDP Nordic Office addressed a question to all in the panel: how to proceed from here? What is the next step in terms of concrete action? *Todd Sandler's* immediate reply was that the global public goods-issue should be brought back into the agenda at the Financing for Development-conference in Monterrey.

Inge Kaul suggested that the next step could be to undertake country studies on the extent to which the provision of national, regional and global public goods relies on domestic efforts. In connection, there would perhaps be reason to reformulate the comprehensive development framework (CDF). She recommended efforts to identify non-rival goods, such as meteorological satellites, that developing countries could

benefit from in the future. Third, Kaul argued in favour of "aid differentiation", since developing countries could in many instances be seen as *contributors* to the provision of global public goods.

Gun-Britt Andersson remarked that the debate on public goods was born in the donor community and therefore got an "aid-label". However, regional actors should take the lead in the provision of RPGs. The regional development banks (?) could be convenors in that process. The main concern in view of the question of financing public goods from other sources than aid budgets ("additionality") was how to prioritise provision from the point of view of development needs. Andersson also stated that the capacity of existing regional institutions was too low, and she called for further analysis of their work and potential in the field of RPGs.