



Global Public Goods: A Key To Achieving The Millennium Development Goals



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Introduction

The Millennium Development Goals (MDGs) are an ambitious international initiative.¹ Their attainment calls for focusing efforts and using available resources as efficiently as possible. This, in turn, requires among other things, to promote an adequate mix of private goods and public goods.

Some of the critically important public goods are global public goods (GPGs) that today are either severely underprovided or malprovided, and as a result, impeding rather than fostering economic growth and development in developing countries. Enhancing the provision of these goods could be a decisive—and cost-effective—step towards meeting the MDGs. And it could be politically attractive, too, since all stand to gain, industrial and developing countries alike.

This argument will be developed in three steps. Section I of the paper discusses the links between public goods and development. Section II examines in more detail the current provision status of select global public goods and their benefits and costs for developing countries. This examination covers global public goods issues such as reforms in the multilateral trade regime and the international financial architecture, the provision ("trading") of global environmental services, building the international knowledge management system, facilitating the access of developing countries to global financial markets (including insurance markets), as well as reforming current international-level governance structures. Section III presents policy options for enhancing the provision of these goods. The concluding section summarizes the main findings and policy recommendations.

The main recommendation emerging from the discussion is that many of the suggested changes are of a re-regulatory nature, aimed at reshaping and modernizing current international regimes. Therefore, they are also changes that could be effected speedily and without placing a major burden on the public budgets of donor countries. If a prioritization of the recommendations were desired, the *top two* might perhaps be:

- 1) Improving the multilateral trade regime by restructuring agricultural and other support programmes (subsidies) in industrial countries to avoid distorting world-market prices (a measure that could create new market opportunities for developing countries in the amount of about US \$ 44 billion);
- 2) Improving the international financial architecture by:
 - Modernizing the current system of official development assistance (ODA) so as to make foreign aid benefit from advances in financial technologies (such as securitization); the establishment of the International Financing Facility (IFF) could represent an important step in this direction;

¹ See www.un.org/millenniumgoals/

- Canceling the debt of the poorest countries, recognizing that international lending rules in the past were inadequate (viz. lacking sustainability criteria and mechanisms); and,
- Using foreign aid on a priority basis to facilitate access of developing countries to financial markets, including insurance markets, to meet their investment and hedging requirements and minimize the risk of external shocks undoing what other development efforts are trying to accomplish.

I Public Goods and Development: The Links

A balanced mix of private goods and public goods is a key ingredient of people's well-being. Human development requires private goods such as bread, clothes, a bicycle to facilitate mobility or a computer to access or contribute knowledge and information; and it requires public goods such as law and order, peace and security, efficiently functioning markets, good public health conditions, or respect for human rights. Of course, the precise mix of goods that people desire can vary widely, across cultures, regions, generations, income or gender groups, and stages of development. Yet people will generally find that there are some things—viz. public goods—that no one, not even the richest persons, can adequately produce or purchase on their own. Public goods are those things and conditions that are in the public domain, affecting all or available for all to consume (see box 1).

[Box 1 close to here]

The main characteristic of public goods is that they are public in consumption. But many public goods are also public in provision: collective-action goods. They may depend on collective action, i.e. cooperation among a number of individual actors, for various reasons:

- The provision of the good may require concerted action by all (e.g. all have to stop smoking in order to achieve a smoke-free environment), necessitating some sort of voluntary agreement, an enforceable form of regulation or the provision of financial incentives (e.g. subsidies or taxes) to encourage private actors to align their private interests with those of society; or
- No one person may be interested in providing services (such as birth or death registration) that offers few, if any, readily appropriable private benefits, making tax collection or another form of burden-sharing necessary to finance its state provision in the longer-term interest of all; or,
- No one person can enjoy the legitimacy to play a particular role (e.g. dispensing justice), so that again state provision and joint financing is called for.

Thus, the state often plays an important role in fostering collective action. However, private initiative and markets are also important. In recent years more and more public goods are being provided through public-private partnerships of different types (see, Osborne 2000). Clearly, the balance between private goods and public goods cannot be equated with that between markets and states. Private goods can be provided through the state; and firms and markets can play a major role in public goods provision—this in particular where both markets and state institutions are well developed.

Therefore, not surprisingly, the more developed countries have the better stocked public domains, i.e. a tendentially adequate supply of a wide range of public goods such as property rights systems and legal frameworks, extensive transportation and communication systems, or education, science and research capacity.² Many traditional and local societies have had varied institutional arrangements to encourage collective action and the provision of local public goods (see Ostrom 1990). Ironically, these institutions often collapse when development begins to interconnect local communities and to integrate them into larger jurisdictions—provinces, nation states, regional groupings or the international community (Besley and Ghatak 2003).

The breakdown of cooperation during the initial stages of development is ironic, because poor people in particular benefit relatively more from an adequate supply of public goods and a well-endowed public domain. One US dollar a day (the poverty threshold) means something different in countries with a well-endowed public domain, i.e. with public transport, public health care and basic education, law and order as well as peace and security, than in countries ravaged by civil strife and war, corruption, crime and violence, and largely privatized social services.

The fact that developed countries tend to have a better-endowed public domain may reflect the realization that personal income, however high, does not automatically guarantee a good quality of life and human development. High fences are not a durable solution to crime and violence; and even large individual savings can be wiped out by financial crises, jeopardizing old-age security. Put differently, as their income rises, people perhaps realize the diminishing returns from private consumption for human development and their willingness to pay for public goods may increase as a result. But the relatively strong public domain of the richer countries may also reflect awareness that making or leaving certain things public, notably nonrival goods such as knowledge, is the most efficient and at the same time fairer route towards economic growth and development: it benefits both the individual and society.

Clearly, strategies for achieving the MDGs ought to aim at accelerating the provision of public goods to complement and sustain any gains resulting from a rise in the poor's consumption of purely private goods. Such strategies for development could aim at enhancing the provision of public goods such as basic education or water supply and sanitation but also that of market-enhancing public goods, notably property rights (see, de Soto 2000), a strong legal system (Acemoglu, Johnson and Robinson 2001),

² For studies on this issue, see, for example: Aschauer (1989), Collier and Gunning (1999), Easterly and Rebelo (1993), and Kanbur and Pottbaum (2002a; 2002b).

connectivity (Arunachalam 2002), a sound banking system and public support for financial R&D to broaden and deepen financial markets and develop financial tools for them to also serve the poor (Agenor and Montiel 1999, Rajan and Zingales 2003).

II Global Public Goods and Development: Current Trends and Patterns

However, in better stocking the public domain in developing countries, it is important to recognize that a growing number of public goods have, during the past decades, been “globalized”. Significant advances have been achieved in terms of openness of national borders and behind-the-border policy harmonization. Coupled with progress in transportation and communication technologies as well as enhanced political openness, these trends have not only encouraged a high volume of transborder economic activity but also led to an interlocking of national public domains. The result has been the globalization of a growing number of public goods (see box 2). Financial stability, public health (especially communicable disease control), law and order (or the control of crime and violence, including terrorism), or food safety, are examples. These and many other public goods can today no longer be adequately provided for national or local consumption through domestic policy actions alone. These goods now require international cooperation as an integral part of their production path.³

[Box 2 close to here]

The response of the international community to the rising importance of cross-border issues and activities has so far been primarily to forge a rapidly rising number of international regimes. However, these regimes have two critical shortcomings: one, they are often still incomplete, leaving important dimensions unsettled; and two, they reflect more the interests and concerns of the richer countries than those of the poorer. Thus, even where developing countries make efforts to strengthen their national public domains, they may introduce norms and standards or policy regimes that, in the way they are shaped at present, may not always be fully conducive to national development concerns, notably pro-poor development endeavors.⁴

To illustrate, the *multilateral trade regime* is perhaps one of the most extensive international regimes. Yet despite all progress towards freer trade, a lot remains to be done on the side of the developed countries to reduce or eliminate still high tariffs and non-tariff barriers, and to phase out the equivalent of more than US \$ 300 billion a year in

³ On the growing importance of global public goods and how to conceptualize these goods, see, for example: Kaul et al (1999) and (2003); Sandler (1997). However, besides globalization there also exist growing trends towards regionalization. Hence, regional public goods are also an issue of growing concern. On this issue see, Arce and Sandler (2002) and Ferroni and Mody (2002).

⁴ Norms and standards, such as those for banking, or rules, such as those for cross-border trade, can be seen as intermediate public goods that feed into the provision of such final public goods as “financial stability” or “efficient markets”.

agricultural subsidies, denying farmers in developing countries a fair chance to compete in international markets.

The *international financial architecture*, too, still lacks completeness and an integrated design. At present, it consists of, for example, the Bank for International Settlements (BIS), including among others the Financial Stability Forum (FSF), the International Monetary Fund (IMF), the multilateral banks and various development grant facilities and organizations as well as a number of ad hoc arrangements made to respond to one or the other pressing concern, notably disasters, reconstruction of war-torn societies and other peace-building or peace-keeping operations.

Some of the major weak points of this architecture are:

- Countries have to individually insure themselves for the eventuality of pressures against their currency, an arrangement which has led to developing countries (including emerging markets) holding some US \$ 540 billion SDRS (in 2000) in currency reserves, mostly in industrial-country bank accounts—rather than being able to invest them in development (see Clark and Polak 2002, p.15);
- The highly skewed distribution of decision-making power in various financial decision-making bodies, leading at times to ineffective policy design and lack of policy ownership (Buirra 2003 and Griffith-Jones 2003);
- A policy approach of primarily charity and morality rather than investment-orientation to development assistance, coupled with a lack of effort to prepare proper cost estimates and cost-benefit calculations of development projects;⁵
- A muddling of different financing purposes, causing aid, global public goods financing as well as humanitarian assistance often being confounded and paid out of the same limited envelope of official development assistance (ODA) (see, Kaul and Le Goulven 2003); and most importantly; and,
- Reluctance (or unawareness) on the part of governments and intergovernmental organizations to employ modern finance technology (such as securitization) in support of international cooperation initiatives, including foreign aid initiatives.

The *international arrangements for managing the natural global commons* have been strengthened during the 1990s at the level of rule-making but not so much at the operational level. The reason often is that the incentives to act are not right. For example,

⁵ An exception is the report of the World Health Organization's Commission on Macroeconomics and Health. See, WHO (2001).

although developing countries often hold the key to an efficient solution of some of these problems, the prices they are being offered do not reflect the true scarcity value of the services they could provide. Often, the reward is an aid project or some compensatory funding for incremental costs through the Global Environment Facility or bilateral arrangements. As a result, responses to many environmental threats have remained half-hearted, developing countries are losing an important new income-earning opportunity, and the world is facing an intensifying risk of global warming and loss of biodiversity—a “classic” prisoner’s dilemma situation.⁶

Turning to the present *international arrangements for knowledge management*, there is much debate about the world moving into the age of knowledge-based societies. Yet the international mechanisms concerned with various aspects of knowledge management have patchwork character. As regards commercial knowledge, they consist primarily of mechanisms such as the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) within the context of the World Trade Organization (WTO) and the services provided by the World Intellectual Property Organization (WIPO). The thrust of both these arrangements is towards encouraging dynamic efficiency and rewarding the creators of new technologies. This is an important function. But it comes at the expense of static efficiency, i.e. the widest possible dissemination of knowledge and its application to development.⁷

Of course, inventors need to be able to recoup their investments in research and development. So intellectual property rights are important. Yet what would be needed as a complementary measure in the interest of overall efficiency and equity are dissemination mechanisms. Those are often lacking today; and this fact has been a major contributing factor, among other things, to the global HIV/AIDS crisis we are confronting today, a crisis that at present shaves off about 1.5 percentage points of Africa’s economic growth annually and threatens, if unattended, to lead to the collapse of whole nations within three generations (Bell, Devarajan and Gersbach 2003).

The situation is not much better when it comes to providing incentives for the production of sorely lacking new knowledge for the development of the poor, and thus, for reducing the increasingly explosive gap between the knowledge-and-income rich and poor. For example, in the health area, only 10% of the global expenditure on health related research and development addresses 90% of the global disease burden (the 10/90 gap), with conditions affecting developing countries being almost entirely neglected (Global Forum for Health Research 2002). Again, some experimental initiatives have been launched in the health area in response to the present crisis. The International AIDS Vaccine Initiative (IAVI), for example, is pledging to ensure that once an HIV/AIDS vaccine becomes available, it will be equally effective in developed and developing

⁶ Such a situation arises when two actors do not communicate and each—not knowing what the other party will do—chooses non-cooperation as the dominant strategy, making both parties worse off.

⁷ Restricting the use of knowledge is inefficient, because knowledge is a good that is nonrival in consumption: if I know how to make electricity, I can share this insight with you without losing my knowledge about this process. Once it exists, knowledge, like other nonrival goods, can be disseminated at zero cost or at very low cost; and therefore, it is inefficient to limit its use.

countries, and that the decade-long lag that developing countries usually face when new vaccines become available is eliminated. And the Medicines for Malaria Venture (MMV) is focusing resources on accelerating the development of new medicines to treat malaria, one of the neglected diseases affecting predominately developing countries. Yet these constitute ad hoc responses. The world has not yet drawn the lesson from this experience and recognized the need for more systematic knowledge management.

Even in the field of non-commercial knowledge things are of a rather haphazard nature. Some efforts are underway to collect, analyze and store non-commercial knowledge that could be critical to promoting development. The Development Gateway of the World Bank is an example (see, <http://www.developmentgateway.org/>); and so are some of the knowledge management systems launched within other development assistance agencies, such as the United Nations Development Programme (see Sub-Regional Research Facilities or SURF at <http://www.undp.org/policy/surf.htm>). But on the whole, there exist as yet no systematic, well-articulated strategies for this purpose.

Markets, because they deal with private goods, are often overlooked in public good discussions. Yet the institution of markets as such is a public good; and integrated markets are global public goods.⁸ There exist today many markets, notably the financial and insurance markets, which, if they were accessible to the poor, could make major contributions to poverty reduction. Yet often, market actors (suppliers) are unfamiliar with as-yet-to-emerge markets; or they find it too costly to provide pro-poor products. As a result, important new opportunities, such as those for risk management, remain unavailable to the poor. And foreign aid, again and again, focuses on dealing with the consequences of this lack of opportunity--rather than with building up and facilitating the work of requisite intermediaries and access bridges.

Thus, the international community today confronts an expanded agenda of international cooperation. And even in the more conventional areas, such as peace and security, it faces new challenges, such as the problem of severe civil strife and conflict within nations. These challenges require new policy approaches but also new, additional resources for international cooperation. So far, the world has been hesitant to recognize this fact. Large sums of money are—rather inefficiently--being spent on controlling the ill-effects of the underprovision or malprovision (maldesign) of certain global public goods. This is seen as being more do-able, because the negative consequences make themselves usually felt locally, within national jurisdictions. By contrast, investing in providing the good, let us say, financial stability, could require investments abroad, e.g. in a developing country to strengthen its capacity to manage financial flows. Yet national policymakers, especially national budget committees, still find it often hard to accept that at times spending money abroad does not mean giving resources away but rather that it

⁸ To elaborate, the more agents are participating in a market, the more competitive and efficient the market is likely to be. Hence, markets are non-rival in consumption. And markets in most instances also don't discriminate between or against potential users. As long as agents possess something to sell or buy, they can enter markets. Hence, markets are nonrival and nonexclusive. However, they can pose access problems: They are of little value to agents without purchasing power or with too demand so small that the transaction costs faced by suppliers would let the potential exchange appear uneconomical.

can be one of the best investments to make in one's own future—and to one's own benefit. Table 1 illustrates this fact for the world as a whole: it lists the costs of the current underprovision of select global public goods and the costs of corrective action. The comparison suggests that it could often be less expensive to act than to live with the consequences of underprovision.

[Table 1 close to here]

A major reason for some of the biases existing in the provision and design of some of today's global public goods often lies in the present *international governance patterns*: the lack of voice of developing countries. This lack does not only reflect the skewed distribution of decision-making power mentioned earlier but also the limited institutional and professional capacity of developing countries in such fields as policy analysis and design or international negotiations. Another dimension is that the international community at present lacks an effective forum for participatory global priority setting and policy oversight. Issues are mostly being addressed on an issue-by-issue basis. Yet preferences for public goods, notably global public goods, vary. So if the global public domain is to have a fair character and offer positive utility for all, the preferences of all need to be taken into account.

III Enhancing the Provision of Global Public Goods to Foster the MDGs: Policy Options

The present set of international regimes often seems to entail costs for developing countries; and in other cases, it fails to exploit low-cost opportunities. Clearly, there is ample scope for reshaping and complementing the present regimes in order to better align them with the intentions of the MDGs and avoiding more and more the current situation of “one hand taking what the other one is giving” (see table 2). But what are the incentives to initiate corrective action?

[Table 2 close to here]

Global and international inequity has assumed increasingly explosive dimensions. The MDGs themselves are an expression of the fact that the world now realizes that the current policy course is in many respects unsustainable and needs correction. This not only because extreme poverty is perceived as unethical or immoral but because it generates direct externalities such as the risk of failing states, exacerbated political turmoil and conflict, spread of communicable diseases, or interruption of commerce and investment flows.

Yet all nations and many actors would benefit from achieving the MDGs. Hence, we encounter once again the problem of free-riding, or at least, easy-riding. Some donor countries are waiting for other donor countries to take the lead and foot the bill; and some government entities in developing countries are perhaps waiting for flows of outside assistance before tapping into their own resource pool. So the wish to act exists but

overcoming the collective action problems linked to the financing of the agreed-upon Goals is still a serious challenge. Can it be met?

In fact, enhancing the provision of the global public goods discussed here could have important re-distributive effects and significantly improve the economic growth and development prospects of developing countries. It would be an important step towards meeting the Millennium Development Goal 8—*To develop a global partnership for development*. Importantly, all that would in many instances be called for is some re-regulatory action—a task perhaps more easily to be accomplished than direct financial transfers from North to South.

Among the priority actions to be considered could, for example, be the following:

- *Eliminating agricultural price and trade distortion in industrial countries*—This measure could create new market opportunities for developing countries in the amount of some US \$44 billion⁹ annually, and thus help stimulate economic growth and enhance the level of national resources available for development (Anderson, Hoekman, and Strutt 2001)¹⁰;
- *Streamlining and complementing the current international financial architecture by:*
 - *Modernizing the ODA system*--Moving beyond direct government-to-government or other transfers of public revenue from richer to poorer countries by creating mechanisms, such as the International Finance Facility (IFF), which could allow the international community to mobilize funds in the requisite amount, at the right time;¹¹
 - *Canceling HIPC debt*--So as not to rob “Peter” (viz. debt repayment obligations), to pay “Paul” (viz. new aid allocations intended to foster progress towards the MDGs);¹²
 - *Focusing ODA on facilitating developing country access to financial and insurance products/markets*--To assist them in overcoming resource constraints in a more sustained way and better managing aggregate risks;

⁹ In 1992 dollars.

¹⁰ Based on more recent estimates (World Bank 2003) cuts in tariff peaks, combined with reductions in prevailing tariff averages, a decoupling from production of agricultural subsidies, and an eventual end to agricultural subsidies, could realize up to \$350 billion in gains for developing countries, as well as \$170 billion for industrial countries by 2015.

¹¹ For an elaboration of the IFF proposal, see UK HM Treasury and DFID (2004)

¹² For a more detailed argument setting forth the case of debt cancellation for Heavily Indebted Poor Countries (HIPCs), see, for example, Bhattacharya (2004), Birdsall and Williamson (2002) and Sachs (2002).

- *Agreeing on regular allocations of SDRs*—Structured to specifically benefit developing countries by reducing the costs accruing to them now of maintaining adequate currency reserves;¹³
- *Differentiating systematically between the various cooperation agendas*—viz. 1) development assistance (i.e. ODA), 2) global public goods financing, 3) humanitarian assistance, and 4) assistance for the reconstruction of war-torn societies. As regards 2, the concerned line (or technical) ministries and departments could be brought in to help finance related costs; as regards 3, foreign affairs ministries might help meet the relevant resource requirements –as additional to ODA; and as regards 4) the costs would most appropriately be borne either by defence or foreign affairs ministries—again, as additional to ODA. Such a measure could help safeguard ODA resources for MDG-focused initiatives and allow war-ravaged countries more quickly to return to a path of peace and development.
- *Devising an efficient and fair international system to address global environment challenges*--This system could build on the many ad hoc innovations being implemented at present and the policy and management lessons they have generated. The aim would be to bring out the proper scarcity value of relevant environmental goods and services, many of which are being provided by developing or transition economies.
- *Creating an independent Advisory Council for Efficient Knowledge Management*—Such a council could be set up as a multi-actor (state, business, civil society, and epistemic community) and multi-disciplinary (e.g. agriculture, health, energy, and water) body. Its mandate would be: 1) to determine where knowledge or its dissemination are key obstacles to development, in particular, to the timely attainment of the MDGs; 2) to identify priority areas for investment; and 3) to devise feasible strategies for overcoming the present bottlenecks in the shortest possible time, building on experiences of global public-private partnerships as, for example, the Medicines for Malaria Venture (MMV) and practical ways of implementing the TRIPS agreement in a flexible, development-oriented, and at the same

¹³ Clark and Polak (2002, p. 23) note that a one-time allocation of SDR 36 billion designed to meet only a fraction of the increase in global demand for reserves could result in savings accruing to the poorer members of the Fund of up to SDR 1 billion. More regular allocations could then result in more savings, given the cumulative effect of annual savings over time.

time, more efficient and equitable way.¹⁴ The council could also advise on the creation within existing development assistance agencies of comprehensive, coordinated and reliable banks for non-commercial knowledge on MDGs, on which these agencies as well as developing countries could draw in developing country strategies.

- *Creating an effective global forum--a G-20--for deliberating a more balanced provision of global public goods--*This forum could emerge by gradually expanding the G-8 in the following way: adding the recently established G-3 (Brazil, China, India); plus a NEPAD representative; plus 2 other developing country representatives (on a rotating basis); 3 representatives each of the international business community and global civil society.¹⁵ The creation of such a forum could go a long way towards strengthening the voice and negotiating capacity of developing countries. Just as in markets, competition within government and international cooperation arenas fosters finding the right “prices”, i.e. policy options that would allow international cooperation to make political and economic sense for all. Since international cooperation has to work on a voluntary basis, it will only work under this condition of making sense and being fair. Thus, strengthening the developing countries’ policy analysis and design as well as negotiating capacities should perhaps be among the top priorities of ODA in the future.

Conclusion

Section I of this paper has argued that the well-being of people depends on private goods and on public goods. The latter include such goods as law and order, communicable disease control, efficiently functioning markets or clean air. Together, the available public goods create an enabling framework for economic growth as well as human development. Achieving the Millennium Development Goals (MDGs) in a timely and sustainable way will require getting the balance right between private goods and public goods and ensuring that the “basket” of public goods, the public domain, is structured in an efficient and fair way, offering development opportunities to all.

¹⁴ The World Bank (2003, p. xxviii) notes that in the 12 months to October 2002, developed countries accounted for more than 95 percent of the US\$ 270 billion of sales in the world’s leading 20 country markets worldwide. The group of developing countries that may benefit from a WTO agreement on importing generic drugs under compulsory licensing probably accounts for less than 1 or 2 percent of global pharmaceutical sales. Permitting the export to these markets of generic versions of patented medicines is unlikely to erode incentives for research and development.

¹⁵ For a proposal aimed at establishing such a more limited forum (a G-29) within the context of the United Nations see, Kaul *et al.* (2003).

However, as section II of the paper points out, in the wake of increased openness of national borders, the importance of global public goods has grown. This fact must be taken into account in developing the public domain of developing countries, because some global public goods are today severely underprovided, such as the international financial architecture or the international regime for knowledge management, and others are mal-shaped, such as some dimensions of the multilateral trade regime, entailing high costs for developing countries as well as for the world as a whole.

Against this background, section III sets forth a number of possible policy options to enhance the current provision status of select global public goods, which are of special interest to developing countries. Many of the suggested corrective steps are of a regulatory, non-financial type. They would not require high investments; in fact, they would be relatively low-cost. Moreover, detailed studies exist on several of the proposals (e.g. the International Finance Facility (IFF), the cancellation of HIPC debt, the suggested SDR allocation, the elimination of agricultural subsidies in industrial countries, or flexible arrangements for the implementation of the TRIPS agreement). And it is also clear that these measures would yield high aggregate net-benefits and encourage significant resource flows to, as well as resource retention, in developing countries. It could be argued that such re-channeling of resources might be more politically feasible than a direct transfer of resources via such mechanisms as ODA, and thus, constitute an important avenue for achieving Millennium Development Goal 8.

Importantly, the beneficiaries of the suggested reform measures would not just be the developing countries. Industrial countries, too, would gain. As noted in section I, richer countries tend to have a relatively well-stocked public domain. As some studies (e.g. Kanbur and Pottebaum 2002) have pointed out, richer countries, therefore, also face a higher risk of reversal and loss of development gains. And this, in turn, may explain some of their preferences for global public goods and for achieving more broad-based development efforts, such as the MDGs initiative. Achieving the MDGs would let recede the specter of a hopelessly divided world of rich and poor, of failing states, international terrorism, disrupted trade, or rising migration and refugee tides not to mention the moral and ethical challenge of being rich and comfortable in a sea of abject poverty and premature morbidity and death.

Examining the MDGs through the lens of GPGs reflects the embeddedness of the Goals in the Millennium Declaration. It shows the links between peace, the environment, trade and finance, governance and development. Ultimately, it is only through policy coherence across these various issue areas, nationally *and* internationally, that the development aspirations of the international community can be realized: attainment of the MDGs within the context of participatory, sustainable development as well as peace and security for all.

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Box 1. What are public goods?

People's well-being depends on a mix of private goods and public goods. Private goods are those which we can appropriate--call "ours", e.g. by paying a price for them in the market. These goods tend to be excludable: they can be parceled out to individual consumers in line with their demand. For example, some people may like to buy just half a loaf of bread and others may prefer a full loaf.

Public goods have the opposite characteristic: they are the goods (things and conditions) that we encounter in the public domain, affecting all (such as many types of noise or pollution) or available for all to use (such as a public radio broadcast or the legal system).

Some goods lend themselves more than others to being public. These are especially goods that have nonrival properties, i.e. whose consumption by one person does not diminish their utility for others. The light of the candle is an example: it can help many people see in darkness. Goods with a strong potential for being public also include those that are technically or economically nonexcludable. However, these are very few. The warming rays of the sun and the moonlight are examples.

However, in most instances it is a matter of policy choice whether and to what extent goods have either public or private properties. Or, publicness and privateness can be a matter of oversight and neglect: things (such as pollution) may just be "left" public, although it could be more efficient to exclude them; or we may not have the requisite knowledge for determining whether a particular good would be better more/less public or private.

Thus, the definition of public goods can be formulated in a two-tier way:

Tier 1: Goods have a special potential for being public if they have nonexcludable benefits, nonrival benefits or both.

Tier 2: Goods are *de facto* public if they are nonexclusive and available for all to consume.

Source: Kaul and Mendoza (2003)

Box 2. What are global public goods?

Global public goods are goods with benefits and/or costs that potentially extend to all countries, people, and generations.

Global public goods are in a dual sense public: they are public as opposed to private; and they are global as opposed to national. Like publicness in general, globalness is in most instances a matter of policy choice. For example, capital controls or trade barriers are often being removed based on governmental and/or intergovernmental decisions. Or, greenhouse gases must not rise and burden the atmosphere to the extent they do. All of this is today a matter of policy choice.

Thus, few global public goods are global and public by nature. The ozone layer is one of these few naturally global and public goods. Most other global public goods are national public goods that have become interlinked in the wake of increasing openness of borders and as a result of increasing international regime formation and policy harmonization behind national borders.

What is a global public good? – Global public goods are goods with benefits that extend to all countries, people, and generations.

Source: Kaul and Mendoza (2003).

Table 1

Annual costs of inaction and corrective actions for provision problems of selected global public goods

(in US\$ billions)

Type of Costs	International Financial Stability	Multilateral Trade Regime	Reducing excessive disease burden	Climate Stability	Peace and Security
Inaction	50	260	1,138*	780*	358
Corrective Action	0.3	20	93	125	71

*PPP dollars

Source: Conceicao (2003) in the volume

Table 2

What one hand gives, the other takes...

In 2001 Mali received \$38 million in US aid ...

...but lost \$43 million in cotton export earnings due to US subsidies.

Burkina Faso received \$27 million in HIPC debt relief ...

...but lost \$28 million in cotton export earnings due to US subsidies.

Mozambique received \$136 million in EU aid ...

...but lost \$106 million in sugar export earnings due to EU subsidies.

In 2000, developing countries received \$50 billion in ODA ...

...but continue to lose about \$65 billion a year due to heavily protected Northern markets in textiles and agriculture.

Developing countries receive \$30 billion in grants every year ...

...but lose about \$50 billion a year due to banking crises alone.

Sources: OXFAM Briefing Paper Number 27, "The Great EU Sugar Scam: How Europe's sugar regime is devastating livelihoods in the developing world", and Number 30, "Cultivating Poverty: The Impact of US Cotton Subsidies on Africa" (OXFAM International, 2002) and Conceicao (2003)
