International public goods for development

Shared challenges and responses in the Asia-Pacific

Robin Davies
1. It’s not all about the money

- Emerging Asia contributes to development in poorer countries via trade and investment, financial/technical assistance and the provision of regional and global public goods
- Developed countries like Australia, and global institutions like the G20, can help maximise the contribution of emerging economies to international development through the production of IPGs
2. IPGs are produced in several ways

• Some are produced once and for all by just one or a few players with strong capacity for innovation or execution (vaccine or drug development) – *singular* public goods

• Some are produced in a cumulative fashion through the separate actions of individual players, with a handful of major players doing the heavy lifting (climate change mitigation) – *composite* public goods

• Some must be produced jointly by all relevant players to be effective (infectious disease surveillance and control regimes) – *structured* public goods
3. Emerging Asia’s contribution

• Emerging Asia contributes commercially to the production of singular public goods such as access to affordable medicines and renewable energy technologies – e.g. MenAfriVac

• Asia is making large contributions through domestic policy measures to the production of composite IPGs such as climate change mitigation

• Asia is providing structured IPGs through regional-level policy coordination in areas such as financial sector stability, energy efficiency and the sustainable use of marine resources
4. Developed countries can facilitate

• With respect to singular public goods, developed countries could increase support to, and extend the scope of, public-private partnerships for development

• With respect to structured public goods, developed countries could be more inventive in the way they provide support – support leadership; foster cross-regional replication

• But the greatest scope for global impact exists with respect to composite public goods, which require policy measures within the borders of emerging economies
5. Financing emerging economies to produce IPGs

• There is no organised discussion among traditional donors about how best to create incentives for action on IPGs by emerging economies

• Global issues are dealt with piecemeal by an ad hoc network of multilateral trust funds, programs and partnerships, below the radar

• The use of mechanisms like the Global Environment Facility and the Clean Technology Fund to soften the terms of multilateral lending to middle-income-countries is a sort of guilty secret
6. Aid vs financing for IPGs

• There is a pervasive belief that aid should not be used to subsidise action by middle-income countries on globally important issues.

• This is held in common between those who think financing for IPGs should be separate from and additional to aid, and those who think the concept of aid should be replaced by a concept like “international public finance”.

• But there is a third view – where an IPG preponderantly benefits developing countries, and where subsidising an emerging economy to contribute to its production is particularly efficient and high-impact, one should go ahead and subsidise it with aid.
7. Banging heads together

- There is a jungle of issues about financing the provision of IPGs and in particular about using aid to subsidise action on composite IPGs by emerging economies
  - the conceptual problem just mentioned
  - the chaotic terrain of funds, programs and partnerships targeting various IPGs
  - the rigidly country-oriented nature of much bilateral and multilateral funding
- These things are discussed only in a disconnected way... a job for the G20
8. IPGs for development and the G20

• The G20 development agenda seeks to:
  – promote innovation and private sector participation in the creation of singular public goods (AgResults)
  – encourage domestic policy measures by its members that help build composite public goods (reduction of barriers to international remittance flows, expansion of social protection systems)
  – establish/strengthen international arrangements that help crystallise structured public goods (food market surveillance, Global Pulse, regional emergency food reserves)

• The G20 plays a de facto role as a board of boards for the international financial institutions, who manage the bulk of the resources available for facilitating the production/uptake of IPGs
9. What might the G20 actually do?

- Provide greater legitimisation of financing for action on IPGs in emerging economies, defined as financing for development
- Enact changes in multilateral architecture such that various funds and programs are collapsed into IDA, with IDA resource allocation done by purpose and likely impact rather than by country and income level
- Bring about improvements in the capacity of the multilateral development banks to finance regional initiatives