



Global Public Goods

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FOREWORD	3
1. THE NEW CHALLENGES FOR OFFICIAL DEVELOPMENT ASSISTANCE	5
1.1 The traditional bases for aid under attack	5
1.2 The market alone will not solve all of our planet's problems	6
1.3 The emergence of global issues	6
1.4 Inadequacy of existing decision-making mechanisms	7
2. CAN GLOBAL PUBLIC GOODS PROVIDE A NEW BASIS FOR DEVELOPMENT ASSISTANCE?	10
2.1 Public goods: definitions and approaches	10
2.2 Global public goods	12
2.3 The GPG approach: a new paradigm for aid?	14
2.4 Global public goods and poverty reduction	17
3. WHAT CONSEQUENCES DO GLOBAL PUBLIC GOODS HAVE FOR FRENCH INTERNATIONAL COOPERATION POLICY?	19
3.1 Sector versus geographic vision	19
3.2 Bilateral versus global vision	20
3.3 Principles for action	20
3.4 French international cooperation priorities in the global public goods sphere	21
3.5 Consequences for French ODA (in terms of volumes and organisation)	22
3.6 Avenues for further exploration	23
4. FORMULATING A FRENCH POSITION	25
4.1 The global public goods approach and ODA funding	25
4.2 The governance of global public goods and the role of democracy in setting international ground rules	26
4.3 Global public goods to the advantage of developing countries	27

Foreword

At a time when official development assistance is in deep crisis, partly as a result of the relative decline in geopolitical motivation since the fall of the Berlin wall, the concept of global public goods provides development cooperation with new avenues for analysis and action.

This economic concept is a response to the imbalances at world level revealed by analysis of the globalisation of production and trade, long since identified by economic theory at the national level. At neither level can the market provide enough of the goods and services necessary for the activity and well-being of all social actors.

These market failures are remedied in various ways by the regulatory functions of the State. **The global public goods approach proposes to implement, on a world scale, policies aimed at correcting market deficiencies and at securing for all actors in the global economy access to such public goods as environmental quality, peace and security, or again protection against major endemic diseases, or the stable functioning of international financial systems.** The definition of these global public goods is a matter for debate, a debate that ought to continue until consensus has been reached, failing which it is impossible to imagine a concerted international policy approach.

The most original feature of the global public goods approach probably resides in the fact that it is an

economic concept which calls for global economic answers. This approach leads to a preference for sector-based approaches rather than the traditional geographical approaches to development issues. It also entails giving priority to **multilateral solutions**—implying the search for multilateral agreements—and seeking to overcome the classical bilateral framework. This raises the question of which methods to use in search of such agreements, and the need to identify which actors ought to be involved (governmental or non-governmental).

This global approach is of direct—though not exclusive—relevance to North-South relations, and creates a new frame of reference for official development assistance. That is because official development assistance may be viewed as a tool for the management of North-South issues related to the globalisation process. In that sense, it takes on a political as well as an economic dimension, inasmuch as it is contributing to the emergence of new relations between industrialised and developing countries. In this sense, official development assistance is the rightful contribution of Northern countries to the production of global public goods by the developing countries.

The adoption of the global public goods approach thus implies **establishing a new partnership between North and South and seeking new sources of financing commensurate with the problems**

facing the planet—at a time when volumes of traditional official development assistance are in decline. This approach therefore opens up new perspectives for development assistance.

The global public goods approach has several consequences for France's development assistance policy:

- **first we need to define our priorities** (environment, health, food security, regional economic integration, international financial stability, research for development, cultural and linguistic pluralism) and confront them with the priorities of our partners from both North and South, in order to form genuine partnerships;
- we should further **define our position on the governance of global public goods**. Identifying public goods, determining the relevant regime and how they should be managed, are all decisions of a political nature. It is important that they be made by authorities seen as legitimate by Northern and Southern countries alike.
- finally, we need to **define how public goods are to be financed worldwide**. This in turn involves placing our international cooperation practice more firmly within a multilateral framework, starting with Europe.

The **Monterrey conference**, which will concentrate on the question of development financing, should provide an opportunity for concrete progress on this score. It is essential to find new and additional

sources of development financing. The current examination of possible new forms of international taxation should be continued. Generally speaking, the concept of international taxation is well adapted to the increasing interdependence of our economies and the aim of balance in sharing the financing of world issues. **France favours a system of international taxation** compatible with each individual government's capacity to contribute. How should this tax be calculated and on what basis? There are several options here: a **levy on international capital movements, on carbon emissions** (as suggested by the Zedillo report) or on the arms trade. Our twin objectives, as we progress towards a definition of these new financing mechanisms, should be to **regulate globalisation, and to finance development**.

This note is an initial summary of the work of a reflection group set up by the French Ministry of Foreign Affairs, and covers four points:

- *The new challenges for official development assistance;*
- *Can global public goods provide a new basis for development assistance?*
- *What consequences do global public goods have for French international cooperation policy?*
- *Formulating a French position on global public goods.*

1

The new challenges for official development assistance

major social and human costs, involving a worrying degree of exclusion.

This led to so-called “**aid fatigue**”, as people began to question aid’s effectiveness. Together with the desire of donor States to contain public spending, this crisis brought about a **steep drop in official development assistance**. The very notion of development suffered a loss of credibility both in public eyes and among some development actors.

1.1 The traditional bases for aid under attack

The fall of the Berlin wall dispelled **one of the geo-strategic motives for aid**: Western countries no longer had an incentive to provide financial help to the governments of developing countries in order to ensure their support in the East-West confrontation.

There has also been a questioning of the instruments of international aid, whose strictly financial approach has revealed its limitations. Implementation of aid on the ground has not always produced the intended results. Structural adjustment programmes have had

The fact that aid went on declining even in a climate of economic growth was highly significant. Given that the large share of aid that goes to refinance debt via adjustment is due to disappear under the HIPC initiative, ODA may very well fall to 0.2% of developed countries’ GDP.

This is one reason why the World Bank today prefers to talk more about “**poverty reduction**” than about development. The Bank’s 1999 annual report states that “nearly 70 percent of adjustment lending in 1999 was poverty-focused”. This language comes close to that of the humanitarian organisations, which expanded considerably in the 1980s.

Nowadays, this would appear to be the only language acceptable to public opinion, with limited success, however.

Apparently, then, we are seeing a radical change, in which **development assistance is gradually being replaced by the market, to survive only in its reduced role as poverty reduction, at the risk of becoming an essentially charitable approach.**

In this restricted sense, poverty reduction may be seen as supporting strategies to strengthen market mechanisms, so as to manage the social consequences of adjustment processes and economic liberalisation.

1.2 The market alone will not solve all of our planet's problems

Yet the idea that the market alone will not solve all of this planet's problems has slowly gained ground over the last decade.

The 1980s saw a new awareness of the dangers purely market thinking represents for the environment. The Rio Summit in 1992

was an initial attempt to reconcile the economy with social and environmental aspects, without challenging the primacy of economics.

The scene has changed greatly since that time. The Marrakech agreement did not keep all its promises, especially from the developing countries' point of view, and imposed further constraints on them rather than offering opportunities for growth and integration in the globalisation process. Major financial crises in Asia and Latin America have demonstrated the chronic instability of markets. Negotiations over international agreements on the environment (especially on the Biodiversity Convention and the Biosafety Protocol) have revealed rifts between the WTO's preferred free trade and the measures needed in order to preserve biodiversity and safety in trade in GMOs.

More generally, the idea that **the extension of the sphere of influence of the market impinges on societal choices,** and that it should not be allowed to develop blindly or in a uniform manner, is now being expressed more clearly both among political leaders, especially in the developing countries, and within civil society. Examples of societal choices include the role of public services, food quality, the application of the precautionary principle, and the reduction of exclusion and

inequality both within societies and between them.

1.3 The emergence of global issues

After two decades of structural adjustment in developing countries, the most pressing concerns are with **market failures.** In most developing or transition countries, a number of **public functions are no longer provided,** or are increasingly poorly provided. No one any longer seriously postulates that the market and economic growth alone can solve all of the problems of welfare and equity.

Economic liberalisation, the expansion of trade and increasing volumes of foreign direct investment have allowed globalisation to progress, to the point where the concept of "globalisation" has come to designate this new period of the world economy. The retreat of the State, lower tariff and non-tariff barriers, drastically decreased sectoral and national protections, have given rise to a new situation in which economies and societies compete with each other and are told to adapt to the imperatives of global markets.

One unexpected, albeit logical, effect of this globalisation has been the rise of the “**anti-globalisation**” movement, which more precisely opposes free-market globalisation. Since the market is global, its failures and externalities (especially the negative ones) must in turn be considered to be global.

The pursuit of economic policies on an international scale thus naturally raises global questions.

It is logical that these questions should be raised by those who simultaneously question the workings of the market and the way the state operates.

Environmental questions have also fundamentally modified perceptions of global questions. The response to these concerns (air, climate, biodiversity, pollution, etc.) requires **cooperative solutions on a world scale**.

This also applies to questions of **international security, financial stability, eradication of epidemics, and the dissemination and sharing of knowledge**.

Such issues can be solved neither by State regulation nor by the invisible hand of the market. **A complex international architecture of conventions, agreements and so-called “virtuous” coalitions** has therefore been established in an attempt to preserve these collective goods, bringing together governmental and non-governmental

actors, local government at various levels, business, etc., within so-called systems of “governance”. It is around these new mechanisms that the question of collective goods arises, and around them too that people are seeking solutions.

1.4 Inadequacy of existing decision-making mechanisms

Global questions need to be dealt with globally. But as of today no **global institution has the legitimacy** to treat these questions. The only comparable institution is the WTO in the field of international trade. The IMF and World Bank do have a global mandate, but their mission is basically economic and so they are dependent on shareholders whose clout reflects their contribution to the institutions' share capital, and they deal with national governments: Most World Bank financing, for instance, may only go to governments. Such a vision is too narrow to take account of all regional or global problems such as peace, inequality reduction, climate change, desertification, and so forth.

And yet,
• global problems are currently

holding centre-stage;

- their study and treatment could become the chief justification for the multilateral development institutions, including the World Bank, as well as bilateral cooperation policies.

Environmental problems—or at least some of them—are covered by international agreements. But these agreements generally do not stipulate observance mechanisms, and their secretariats are ill-equipped to **follow up and monitor compliance**. This situation may change, but we are still far from the World Authority some countries, including France, are calling for.

In the social field, similarly, the **International Labour Organisation** produces **conventions** that flow from consensus between representatives of business, employees and governments. But these conventions lack any **compulsory character**. The idea of including a social clause in WTO's international trade agreements, therefore, could be one way of strengthening the legal value of these texts, but does not as yet enjoy an international consensus.

The specialist remit of these various institutions and agreements prevents them from tackling in an integrated fashion the global questions they are responsible for at a truly global level. Conflicts of standards and jurisdiction emerge.

Moreover, the way in which decisions are reached within these forums often appears to rely on a **small number of governmental actors**.

Given the economic and financial purpose of the IMF and the World Bank, their Boards are dominated by rich State representatives. It is true that at the United Nations procedures allow more room for less advanced countries (one country, one vote). But **developing countries have difficulty making their voices heard** in discussions where the **concerns of the strongest are naturally dominant**.

This situation nevertheless evolved considerably during the nineties: for instance, in the negotiations leading to the Biodiversity Convention and its Biosafety Protocol, Southern countries were able to push through their point of view on some issues (as on sui generis intellectual property rights, and the precautionary principle in GMO trade), often by striking alliances **with the European Union**. On the negative side, the failure of the Seattle ministerial conference illustrated the refusal of the Southern countries merely to sit on the sidelines as spectators in the confrontation between Europe and America in the new WTO round.

So, at the dawn of the new millennium, there is a growing feeling that **global questions** cannot be settled through agree-

ments between the most powerful countries only, but that they **require a minimum international consensus** among all of the world's countries.

In this respect, the case of **standards** is highly significant. Globalisation demands more extensive standards, massively as in the field of trade (where they are replacing tariff barriers), and in the environment (eco-labelling, emissions and waste disposal standards, etc.), as well as in the social sphere (e.g., child and prison labour), etc. **Even the standards on safety and quality are mainly designed by Northern countries**. Southern countries, lacking the experience and expertise to take part in the debate, **thus find themselves with highly restrictive and expensive obligations placed upon them**. However, the necessary transfers of technology and funding from the industrialised countries fall short of the needs of the developing countries who are obliged to implement all the standards. The only alternative open to the developing countries in such debates is, well, to refuse to debate. This is why, fearing yet another trap, they **prefer to shun negotiations linking economic and environmental questions** (in the climate change convention, for instance) or trade and social aspects. This means that one of the most important issues relating to globalisation today concerns **the involvement of Southern countries**

in the standard-setting process. Linked to this issue is the problem of devising mechanisms whereby Northern countries might be prepared to **shoulder part of the cost of adjustment to standards incurred by the Southern countries.**

Developing countries must take a greater part in dealing with global issues and defining rules. Similarly, **negotiations** to achieve consensus on these issues **must include representatives of non-governmental sectors** (e.g., trade unions, local governments, research bodies, civic groups, non-profit organisations, etc.) **in negotiations.** Equally, national parliaments should also be involved. Admittedly, official negotiators already take the opinion and advice of associations, research institutes, parliamentary commissions and so forth, from their respective countries. Advocacy organisations and especially industry representatives have the know-how to lobby effectively. But the present situation lacks transparency, is disorganised and often anarchic: it is not satisfactory. We must **devise more formal modes of participation by non-governmental actors in the negotiations on global questions.**

This question is crucial for civil society movements, which roughly means those attending the Porto Alegre forum. Everyone now sees the legitimacy of such movements, especially when they express not only protest but also the search for

alternative policies. Everyone sees, moreover, that inter-governmental confrontation is not a very satisfactory way to handle global questions. Finally, everyone now realises that governments are ill-equipped to formulate solutions while negotiating these solutions, setting conditions and overseeing their implementation. It is therefore vital that the institutions and governments in charge of global questions devise **mechanisms for integrating** into the negotiation process the proposals, claims, or ideas for further consideration put forward by **alternative movements**

2

Can global public goods provide a new basis for development assistance?

2.1 Public goods: definitions and approaches

Although there exists a classical definition of public or collective goods, it has been variously interpreted.

The classical definition is as follows: public goods are goods, services or resources that are available for all, involving non-rivalry (the consumption of this good by one individual does not prevent its consumption by another) and non-excludability (nobody can be excluded from consuming this good). Examples are air quality, control of epidemic diseases.

If both conditions are fully satisfied, the public goods are said to be pure. If only one is satisfied, they are said to be impure:

- the non-rivalry principle ceases to obtain when consumption moves towards saturation (e.g., urban highways in the rush hour);
- the non-excludability principle may be violated by imposition of a right to access (e.g., toll highways).

A major problem raised by public goods is that private markets are generally unable to supply them optimally. In this respect, the production of a public good such as a malaria vaccine differs significantly from that of a consumer good. Effective production of public goods requires collective action to circumvent the inability of private initiative to earn a profit from a malaria treatment. These sources of ineffectiveness are even greater in the case of global public goods, whose advantages are widely dispersed in time and space.

Public goods are often equated with common goods, a term originating from the field of natural resources management and referred to nowadays by

environmentalists. But the notion of “common pool resources” in principle applies only to resources available to one given human group (e.g., pond, communal meadow), generally excluding other users.

Public goods and common goods may be **local** (e.g., noise control near an airport), regional (water quality in a river basin), national (control of toxic waste), **multinational** (control of acid rains) or **global** (curbing climate change). This serves to characterise the geographical area where the **behaviours** of economic agents are **interdependent** with regard to this good. But the appropriate **level for the management** of a local public good (e.g., local reduction of greenhouse gas emissions) may be situated at a higher level. Thus, the only way to reduce a local emission of greenhouse gases efficiently is by treating it at the global level. Consequently, public goods are characterised by their **appropriate management level**.

Interdependency may also refer to the effect of present behaviour on future generations: this leads to the notion of **intergenerational public goods** (e.g., our natural resources heritage).

Negative externalities are another form of market failure, referring to the nuisances generated by an economic activity, the cost of which must be paid for by the community because it is not

covered by the persons in charge of this activity (e.g., pollutant emission). When this externality affects a public good, it leads to the underproduction of the given good (e.g., water or air quality).

Negative externalities may traditionally be corrected by bilateral negotiation between the perpetrator and the victim of the externality, or by intervention by the community (local institution, non-profit organisation, government, supranational authority, etc.) to restore the proper working of the market, introduce regulations or set up funds to indemnify the victim. In most cases, solutions can be reached only if all the stakeholders cooperate together, which in turn implies that they renounce their claims and accept an end-result less favourable than they could have achieved by pursuing only their own interest.

Although the definition of public goods is well established in standard economic theory, it is less so in **political economy**, because what a given society chooses to regard as public goods depends on its collective values, and these may change over time. The two approaches may indeed be opposed: the first lies within a free-market perspective, referring to market failure and collective ways of remedying it. The second, which is espoused by international political economy, emphasises common heritage, the balance of powers

and international imbalances, and holds that the task of defining the general and collective interests rests with the stakeholders themselves. Under the first conception, public goods may be defined by economic criteria, and international cooperation may be improved without upsetting the existing balance of power. Under the second, the questions concern the procedures and decision-making processes allowing us to prioritise public goods, to produce them and fund them by setting up normative frameworks and a transnational tax system. Behind this lies the question of **an emerging transnational sovereignty, global citizenship and a new international architecture**. This second vision places political choices right at the centre of policymaking in the realm of international cooperation.

More research is needed to define the scope of the public goods concept with greater precision, both in theoretical terms and for its potential contribution toward identifying new instruments of economic policy. One line of research seeks a **more positive definition of public goods**, one that differs from the classical one in terms of non-rivalry and non-excludability and integrates the contribution of international political economy. Such an approach has recently been proposed by UNDP.

2.2 Global public goods

Global public goods (GPGs) are currently the subject of most active research, because the globalisation of markets and the emergence of global questions have given new meaning to the concept. The first general work on the subject, published by UNDP in 1999 under the title "Global public works",¹ has become a general reference. UNDP is working on a second book on the subject. Many other organisations, together with universities and development cooperation administrations, are actively working on this theme. A key direction of current work concerns **international cooperation**, and this was indeed mentioned in the subtitle of the first UNDP publication ("International cooperation in the 21st century").

A distinctive aspect of global public goods is that they are "stock externalities". This means that the impact or damage involved depends on a stock of capital, knowledge or pollution accumulating over a long period. In the

case of global warming, the effect of greenhouse gases depends more on their past and future accumulation in the atmosphere than on the current flow of emissions. Conversely, noise pollution or road congestion are "flow externalities", since they depend on the flow of noise or traffic.

This stock externality feature of global public goods makes them different. By their nature, **these stocks are an accumulation, sometimes a slow one, and it may be hard to identify a problem or achieve a scientific consensus before it is too late** to react. Furthermore, since they accumulate slowly, stock externalities have lasting and irreversible consequences. One example is the extinction of a species, which is an irreversible loss for a biological system. Because of this time-lag, these externalities may have an impact far in the future, making it essential to introduce a long-term perspective into problem-solving.

Global public goods also reveal the **political, economic, and cognitive interdependencies that exist between actors**. It is because these interdependencies are more and more evident and identifiable that the question of the provision of global public goods is increasingly under discussion in the international arena. Indeed, the existence of interdependencies, both geographically bound (intra-generational) and time-bound

(inter-generational), is limiting the capacity of actors to ensure the provision of various global public goods they acknowledge to be essential. Coordination is therefore necessary, on a win-win basis.

The ideal way of managing a global public good would be a cooperative regime, in which nations would negotiate binding agreements to achieve an effective supply of that public good. Although perfect cooperation does not exist in the real world, the World Trade Organisation or the Montreal Protocol come fairly close to this ideal by promoting, in the first case, rule-based free trade, or in the second, the removal of chemical substances that threaten the ozone layer. A cooperative regime of the sort used for CFCs would need to set an objective for the effective supply of the global public good, include the largest countries in an agreement, set up arrangement to monitor compliance, and create strong incentives for the signatories to comply.

Is there at present a **consensus on what is meant by the term "global public goods"**? The answer is not totally positive. While no one disputes that it includes peace and world security, international financial stability, or fighting the global pandemic of HIV/AIDS, there is more debate over whether to include

¹Kaul, Inge; Grunberg, Isabelle), and Stern, Marc A.. *Global Public Goods: International Cooperation in the 21st Century*. New York, Oxford University Press for UNDP, 1999.

international political stability (supporters of change oppose supporters of the status quo), food security for countries with food shortages (exporting countries feel the market can solve the problem), or social protection for individuals. These examples show that the identification of what are regarded as global public goods results from societal choices that are not necessarily universal. They are “**social constructs**” (to use the UNDP term) **that express ethical or political values**. This implies that the notion of global public good is necessarily changing, depending as it does on changing international and national values. This also implies the risk that international discussions may give greater weight to those global public goods that the most influential countries consider most important, based on their own value systems. This in turn would mean these values came to be imposed on other countries.

Another currently debated question relating to GPGs concerns whether issues such as the right to health, to housing, to food, women’s rights, minorities’ rights, etc. ought to be counted **as fundamental human rights?** In fact these are **civil and political rights, as well as economic, social and cultural rights**, as adopted by the **United Nations**. But at a more collective level, we may also include the right to food sovereignty, as claimed by the opponents of

free-market globalisation. It might therefore be tempting to **equate GPGs with fundamental rights**. But doing so runs the risk of increasing the confusion in this still highly-imprecise field of global public goods. It may be preferable, in the field of technical cooperation, to consider that there are several integrating concepts such as poverty and inequalities reduction, global public goods, and fundamental rights, which coexist side-by-side. Each of these concepts grows out of certain ethical, economic and political choices; each defines a **view of cooperation** and fields of application that partly overlap without being identical. It should be noted, in passing, that while the theme of poverty reduction has already been broadly investigated and has inspired several programmes, the theme of GPGs is more embryonic. The theme of fundamental rights, meanwhile, is still largely at the stage of declarations, notably that in the United Nations Covenant of 1966. It plays only a minor role in international political cooperation and still less in economic cooperation. It deserves at least as much attention, in the years to come, as is currently accorded to GPGs.

2 3

2.3 The GPG approach: a new paradigm for aid?

Southern countries should contribute more **to the production of GPGs**, since they are also beneficiaries of them. Should this **objective serve as a basis for redirecting all**—or a substantial portion of—official development assistance? We can give a positive answer to this question, based on a number of arguments.

A first line of reasoning argues that the **free play of market forces should lead to convergence of per capita incomes** between rich and poor countries. This convergence is hindered by **market failure**, especially by the obstacles standing in the way of capital and labour movements. These obstacles, indeed, can actually generate increasing divergence.

These failures are especially relevant to the **local markets** of developing countries, which operate poorly or are even some times hardly instituted. These failures prevent global growth and entail risks for world stability.

On the other hand, **global market failure** (as in the case of financial market instability, for instance, or in international trade rules, which penalise some countries) has a negative impact on development in the countries of the South.

In this sense, official development assistance (ODA) can play a **central role in remedying these failures**, both at the local level in developing countries, and at the global level. This type of reasoning gives new legitimacy to ODA, by rooting it in purely economic arguments. This also strengthens considerations of ethics or international solidarity in justifying aid to the least advantaged.

More simply, in addition to arguments based on divergent world incomes or market failure, it is worth noting that many of the issues (old and new) connected with **the present trend toward globalisation**, whether they concern international trade, preserving biodiversity, fighting climate change, promoting international financial stability, or fighting AIDS, etc., **are now viewed in terms of GPGs**.

Most of these questions directly involve North-South relations. Enabling the developing countries to contribute to the production of these GPGs thus represents a new goal for North-South cooperation. Actions in pursuit of this new

objective are possibly now being added to more traditional development aid concerns. At the same time, however, they are **profoundly transforming** our view of some of these **traditional questions**. This applies to AIDS or desertification, as well as to “deficient public goods” (roughly, public goods and services for which governments make little or inadequate provision, essentially in the developing and transition countries). Whereas the free-market approach emphasises the strengthening of market mechanisms and private initiative, the reference to public goods justifies the role of States and support for their capacities for regulation. The existence at central and local level of sufficiently robust institutions is therefore one of the preconditions for tackling the production of public goods of benefit to all, at both national and international level.

ODA thus has a new mission: as the **instrument**—or an instrument—for **tackling North-South issues associated with the globalisation process**. Not all questions related to globalisation involve North-South relations, of course. Conversely, not all North-South questions impinge on the GPGs debate. But we can at least say that this new mission for ODA is radically renewing the political North-South dialogue, once again placing international cooperation

at the heart of the ongoing globalisation process.

This new perspective implies that **cooperation actors ought to play an active role in discussions on GPGs**. Aid agencies and ministerial departments in charge of cooperation have a role to play in formulating their respective country's position in negotiations, by **advocating the concerns of the South**. Among the questions they could raise are: which GPGs should top the agenda (trade before climate? climate before biodiversity?); how to make rules elaborated in the negotiation process more responsive to developing countries' needs? which standards should take precedence over other standards? in particular, are trade standards more important than environmental standards? how should international cooperation deal with countries that behave uncooperatively and act as "free riders" (the countries of the North are not blameless in this respect)? In other words, cooperation actors have an important part to play in **constructing the new North-South political relations implied by globalisation**.

Bilateral and multilateral organisations also need to support the process of building national compromises in the South. In particular they should take part in the debate on **tools and**

methods for implementing GPGs. From a more operational point of view, the global public goods perspective implies that cooperation should focus more on **providing support for** (national or regional) **economic policies in sectors affected by globalisation**. Naturally this does not mean abandoning action connected with development projects. But priorities must be defined in a context of declining ODA budgets. We should also take into account that the proliferation of projects has so far failed to produce the desired effects in terms of development, and that its effects in terms of GPGs can only be indirect and relatively marginal.

An aid agency or ministerial department that decides to work on GPGs can also work on **regional or national public goods**. But while it is relatively easy to initiate cooperation with regard to global public goods, for which there is generally a cooperation framework in place already (i.e. the relevant international convention), together with an institution to enforce compliance, matters tend to be much more complicated when it comes to regional public goods. The latter generally lack both a regional agreement and an institution responsible for overseeing its proper management. Take, for example, the case of a river that flows through several countries, or a marine

fishing zone bordering on several countries (as in the Indian Ocean): in situations of this kind, cooperation agencies could help frame regional agreements to govern the administration of the public good concerned, and to establish the requisite regional institutional framework.

Again in operational terms, with GPGs in mind, cooperation programmes need to give absolute priority to **institutional capacity building in the Southern countries**. Such a conclusion is now gaining general acceptance, regardless of one's perspective, e.g., sustainable development², economic or political democracy, poverty and inequality reduction, and so forth. In the field of GPGs, capacity building strives simultaneously to ensure active and effective participation by the countries of the South in international negotiations, to enable national authorities to link global issues to national perspectives, and to enable them to pursue their chosen policies, notably with the aim of fulfilling that country's commitments made in international negotiations.

In the financial sphere, how does the GPGs perspective affect the **ODA volumes needed**? It is

²see for instance: Laurence Tubiana, "Environment and development. What is at stake for France?". (*in French*), La Documentation Française, Paris, 2000.

worth recalling the view expressed by the World Bank and the Zedillo Report, calling for doubling the flow of ODA in order to move towards achieving the development objectives the international community set itself for the millennium.

Adopting a point of view more directly in line with the GPGs perspective, we find that the current agreements and conventions, in the fields of climate change, biodiversity, AIDS, international trade standards, etc., often make provision for or envisage the **necessary financial transfers from richer countries to Southern countries**, to enable the latter to meet their (more or less active or voluntary) obligations under these agreements or conventions. Such transfers may be considerable. For the Climate convention alone, it is estimated that the tradable emission rights that could be allocated to Southern countries could, under certain conditions, equal or exceed present ODA volumes.

By extrapolation, it is even conceivable that, were GPGs to become a major principle in international relations, the **transfers** envisaged under the agreements and conventions could **replace traditional ODA**. But since the Earth Summit of 1992, Northern countries have shown little willingness to fulfil their commitments regarding financial transfers to

the South. In all probability, therefore, ODA will continue to be the general instrument for financing North-South public cooperation, and this may be preferable to a proliferation of trust funds as called for under the agreements and conventions.

The notion of GPGs thus has important **practical implications for aid agencies**, in terms of the substance of cooperation programmes, of modalities for implementation, and of funding volumes. But the GPGs perspective has another implication for the global policies of **bilateral donors**, since it requires them to **make their national practices consistent with their international commitments**. Concerning efforts to combat the greenhouse effect, for instance, it is not enough to advocate cutting greenhouse gas emissions in the multilateral arena: countries must also make choices in terms of national energy policies. This, by the way, could spark fresh **interest in international cooperation within the national community, in both civil society and Parliament**. But we could go a step further: we could imagine that developed countries' initial negotiating positions in the multilateral arena go beyond merely protecting their strict national interests and envisage some form of North-South cooperation right from the outset. Agricultural questions exemplify this need for broader negotiating positions.

This of course falls within the general competence of government, but aid agencies and departments in charge of international cooperation can add their voices too.

We cannot conclude this presentation of GPGs without providing a tentative **list** of the themes this notion embraces where ODA is concerned. Based on the UNDP [1999] book, but after excluding from the list those goods and services that correspond more to externalities or to market failures than to public goods, and retaining only those fields where genuine global **interdependencies** obtain, we suggest the following list:

- international financial stability;
- environmental issues;
- combating AIDS;
- managing specific animal diseases;
- knowledge creation and dissemination.

Food security may be added to this list, although it belongs equally to the realm of human rights as to that of GPGs or poverty reduction.

But once a country has made its choices, it must not only allocate resources to them but also publicise them and, when necessary, advocate them vis-à-vis its international cooperation partners.

2.4 Global public goods and poverty reduction

Although the idea of GPGs is entering the debate, development cooperation strategies remain dominated by **poverty reduction** which France has accepted and added to it the **reduction of inequalities**, understood as “inequality of access to income-generating and social relationships-generating resources”³.

Although poverty reduction remains the **priority objective** for development aid policy, the advocacy of GPGs as a new paradigm strengthening the bases for official development assistance might seem to some to reduce the primacy of poverty reduction. Other advantages of this new concept are its convincing nature and the rigour of its economic analysis.

Is there any **contradiction between the concept of GPGs and**

the goal of poverty reduction? Caricaturing positions somewhat, supporters of poverty reduction point to the vague, “catch-all” nature of the GPG concept. They view it as too technocratic to be of much help to the cause of development, especially the cause of the poorest of the Southern countries. Those in favour of GPGs argue that you cannot make sound economic policy based on sentiment, especially when the problems concerned are largely dependent on global policies.

These **contradictions** are largely **artificial**, of course. The two concepts do not overlap, do not serve the same objectives, and imply distinctly different modes of operation. Simplifying again, we can say that **poverty and inequality reduction** is justified solely by the **concern to help the poor and the excluded escape their condition**, on moral grounds of course, but also for all of the economic reasons that make poverty an impediment to development. **From the public goods perspective**, we help the poor because we need them to supply the environmental, agricultural, economic, etc. goods and services they alone are capable of supplying, and which benefit all of us, at the national, regional and global levels. The two approaches converge in that they consider poverty and inequalities to be the ultimate systemic risk.

³Cf. Attacking poverty, inequality and exclusion. Informing the debate. French Ministry of Foreign Affairs. Directorate General for Development and International Cooperation, July 2001, série repères.

Concerning modes of operation, it is worth noting that:

- poverty reduction depends on analysis of conditions in the field, where **geographic** aspects predominate;
- GPGs, on the other hand, have a planetary dimension, and restore **sector-based** policies to their rightful place.

If the GPG approach were to prevail, that does not necessarily mean poverty reduction would be moved to the back burner, for poverty and inequality pose a threat to regional and global **equilibria**, whose preservation is the central objective of the GPG approach.

At a more political level, would it be correct to regard the GPG approach as a neutral, unpolitical one, and the poverty and inequality reduction approach, aimed at restoring the rights of the excluded, as being more political?

While the aim of poverty and inequality reduction undeniably has political aspects, political considerations are not totally absent from the **notion of GPGs** either, based as it is on the **quest for global equilibria**. After all, the **balance of power** within the international negotiating forums are generally highly **unfavourable to the weak**. By giving fresh legitimacy to the need for public regulatory intervention, the GPG approach also seeks to bring

about an equitable production of GPGs and to restore the rights of the weakest to access to these goods. In that sense, the GPG approach represents a neutral means of **restoring some form of equality of opportunity**—i.e. equality of opportunity of gain for the different participants in a international negotiating round.

Consequently, the concepts of poverty and inequality reduction and GPGs are highly complementary. They partially overlap, but are driven by different rationales.

3

What consequences do global public goods have for French international cooperation policy?

French international cooperation policy **joined in the debate on GPGs from the moment the concept made its appearance** in international forums, notably by broaching the negotiations on environmental issues in the light of the new concept. France intends to pursue and deepen its ongoing thinking on this subject, and to play an active role in furthering international debate on this theme.

3.1 Sector versus geographic vision

The **geographic vision** is essential in formulating and implementing **poverty and inequality reduction** programmes: poverty takes a huge variety of forms, but it is always associated with highly specific local and national conditions. What is true for situations of poverty is to a large extent also for situations of **inequality**, even if the latter, and in particular North-South inequalities, are to some extent governed by global rules, mechanisms and phenomena.

Sector-based policies, and more generally cross-disciplinary theme-based analyses, are **key instruments for the design and implementation of GPGs at the national, regional and global levels**.

Any development actor that chooses to invest in the supply of a given GPG must **concentrate its attention on those countries in which this GPG is lacking**, and on those countries where these

deficiencies are generating serious global consequences. These considerations may imply revising the distribution of partner countries if, as is the case for France, it is mainly determined by poverty criteria. On the other hand, France's approach emphasises geographical proximity in its selection of countries for its priority solidarity zone, and is consistent with the production of **regional public goods** (one such regional good being the Franc Zone).

At all events, just as the poverty and inequality reduction and GPG approaches are complementary, one may consider that the geographical vision and sectoral policy are not mutually exclusive.

3.2 Bilateral versus global vision

Although **GPGs** are primarily a matter for multilateral discussions, they are not necessarily a monopoly of the multilateral arena. **Every country in the world, developed and developing alike, has a role to play in implementing GPGs**, just as they do in multilateral discussions. Nor should governments alone be involved: other public authorities and **actors in civil society and the private sector**

ought to take part in the debate, as well as in the process of defining and implementing policies acknowledged to be necessary.

The international community, and in particular the countries of the North, thus has a special responsibility for:

- **guaranteeing the multilateral character of negotiations;**
- creating the conditions for the **involvement of non-governmental actors** in inter-governmental debates;
- achieving a **better, fairer balance of power** within the negotiating forums. This is a *sine qua non* if the countries of the South are not to regard decisions and standards adopted in these forums as yet another manifestation of the Northern countries self-appointed right to intervene.

The developing countries have just experienced two decades of public policies often perceived as being imposed on them from the outside, throughout the entire period of structural adjustment. The aid donors proposed the theme of poverty reduction partly as a means of legitimising ODA, and partly as offering the beneficiary countries an opportunity to exercise greater "ownership" of their public policies. This ownership is made particularly explicit in Poverty Reduction Strategy Papers, which civil society is invited to help formulate. **The GPG perspective**, meanwhile,

presupposes a certain number of rules formulated in multilateral forums where the voice of the developing countries was not dominant. Any extension of this perspective must not deprive **these countries of the benefits of this new ownership.**

3.3 Principles for action

In theory, a country that decides to formulate all or part of its international cooperation policy within a GPG perspective should start by selecting its priority areas. It should also make its various international cooperation programmes in these sectors consistent. Relevant actions should cover:

- contributing to **international negotiations** and the **positions** adopted by the country in those negotiations;
- bilateral development **cooperation programmes;**
- participating in **multilateral donors' programmes**, and in particular financial transfers to these programmes, regardless of whether the transfers carry no strings, are jointly administered by the donor and the multilateral agency (as in the case of trust funds), or are tied to specific operations.

By participating in the emergence and the production of GPGs, bilateral aid donors should find themselves **contributing more to the funding of multilateral programmes**: the priority in the war on AIDS should be to contribute to regional and national programmes funded by international aid, and the recently created Global Health Fund. Although this transfer of aid funding in favour of multilateral programmes is essential, it does not **preclude bilateral programmes** in support of the public goods selected. Cooperation programmes concerning GPGs will continue to grow out of **joint action by all aid donors**, bilateral and multilateral alike. What is central to the new vision, however, is the **imperative need to coordinate** all these different actions. This of course raises the question of who is to provide leadership in coordinating these actions, an issue far more crucial than in the case of more traditional approaches.

As for the modalities of bilateral aid, the GPG rationale can be used to renew them in favour of sectoral approaches. These are perfectly compatible with poverty reduction objectives and the promotion of basic human rights. The sectoral approach does not contradict the project approach and cannot fully replace it, although the project approach needs to adapt in order to integrate its action into the framework of national strategic priorities recognised by donors.

Bilateral donors' cooperation programmes will need to be consistent with donors' positions on the international cooperation stage, and more generally with all their external actions in North-South relations—i.e. the positions they adopt in forums devoted to international cooperation and development financing, their conduct of bilateral relations with its State partners, and their positions in regional bodies to which they belong. The issue of food security is a good example of obstacles to consistency: European Union Member-States need to argue consistently on this issue at the WTO, with the Sahel countries, the Mercosur countries and the Southern Mediterranean countries, as well as with countries discussing an agricultural sector adjustment programme.

3.4 French international cooperation priorities in the global public goods sphere

French international cooperation policy priorities in the sphere of GPGs will depend on the following criteria:

- Emphasise those aid areas in which France and the European Union have a specific message to convey (support for regional integration, biodiversity, etc.)
- Concentrate on areas that have received scant attention from existing international institutions. Apart from the Franc Zone, international financial stability is already being addressed multilaterally, as is peacekeeping, which is only indirectly related to ODA.

An initial selection might include the following seven areas:

- the global environment, with particular attention to those fields in which the major conventions are still relatively inoperative (e.g., climate change, biodiversity and desertification), or non-existent (forests) and water;
- health, with particular emphasis on combating AIDS in Africa;
- food security, a major focus of European cooperation policy;
- support for regional economic integration as a basis for producing

regional and global public goods;

- development-centred research;
- promoting cultural and linguistic pluralism as the indispensable counterweight to globalisation, and economically justifiable within the GPG perspective.

This list includes a number of public goods that are not strictly global (water, and health other than AIDS), and it needs to be extended and spelled out in detail. It quite reasonably **reflects French concerns**, but could in due course be complemented by other public goods for which **partners of our international cooperation policy** show a marked interest. It is clear that public goods reflect the values and options peculiar to each society. **An African list** might be quite different from the one suggested. But for that, the particular African society would need to be able to express its GPG priorities, which presupposes the existence of institutions that can express preferences, relate them to international negotiations, and formulate them as negotiating positions. This point reveals yet again the importance of having a **many-faceted, GPG-oriented institutional cooperation policy**.

Some of the above fields are scheduled for discussion in **international gatherings** or conferences for multilateral agreements, **in the coming months**. France will **grasp the opportunities thus afforded to**

deepen its thinking on the GPGs in question. This would apply to the various environmental agreements, as well as to **food security**, which will be the subject of fierce debate—it is a matter of vital importance to the countries of the South—at the upcoming FAO Food Summit and in negotiations for the WTO agricultural agreement.

3.5

3.5 Consequences for French ODA (in terms of volumes and organisation)

France will deepen, with all its partners, the reflection on **global ODA needs**. The preparation of the next United Nations conference on Financing for Development is an excellent opportunity for that purpose. France has the necessary capacity and international legitimacy to **support a position aiming at a substantial increase in ODA, and a major redesign of its contents**. It has done so consistently within the G7. The next UN World Summit on Sustainable Development (Rio +10), scheduled for September 2002 in Johannesburg, will be another opportunity to develop this perspective.

ODA does not have to finance all development needs, since some of these may also be covered by the new financial mechanisms designed to finance GPG production (for instance, credits derived from multilateral environment agreements). But these new mechanisms should be really additional with respect to ODA. The French Global Environment Facility (FGEF) is a good example of this additionality.

Such a global public goods policy must, of course, be compatible with the major contribution the private sector (and economic growth in general) can make to poverty and inequality reduction. This stress on GPGs is intended both to have a leveraging effect and to regulate the development of private flows, making them more effective, more sustainable and more respectful of human rights.

The GPG approach entails giving priority to financing sectoral policies and advocating an increase in the multilateral dimension of international cooperation programmes. This double requirement could be an opportunity to take a new view of **increasing the European dimension of cooperation programmes of member States**, at least as far as questions relating to global and regional public goods are concerned.

3.6. Avenues for further exploration

A more thorough examination could usefully combine the spheres of research and non-governmental cooperation, not only at a conceptual level, but also in more pragmatic terms, so that whenever projects or programmes are formulated or evaluated they may set out their point of view on the integration of GPGs in the proposed operations.

This means:

a) Confronting discussions on GPGs, poverty reduction and implementation of fundamental rights.

French cooperation services are helping to review thinking on poverty reduction, by specially insisting on the reduction of inequalities and exclusion. It is important to identify the complementarities and possible contradictions between the various approaches: emphasising GPGs should not lead to confusing the objectives and messages of international cooperation, which give primacy to poverty and inequality reduction.

This is also the case for the fundamental rights issue, which partly overlaps with the preceding

ones, but which is inspired by another approach, that of the United Nations economic, social and cultural rights, which is more political

b) Further investigating “institutional gap” issues in GPG production.

“Institutional gap” refers to the absence of a global authority in charge of caring for the production of GPGs—which precisely makes these goods global rather than national or local, in which case governments or a local authority might intervene.

The institutional dimension is a relatively weak point in the debate on GPGs. This should start with international standards: who defines them, who negotiates them, who pays a high price for implementing them, who monitors and evaluates their implementation, who applies sanctions? This question has become a central one for developing countries, which see in it a new form of Northern imperialism. It is crucial to conduct a non-partisan debate on this issue and to derive practical consequences with respect to the contents and modalities of international negotiations.

c) Assessing environmental and trade negotiations over the last two years in terms of global public goods

French cooperation services have undertaken this study, as a

concrete illustration of the practices, power struggles and conflicts behind the efforts toward an improved management of global public goods. The negotiations in point would include Seattle (WTO), Nairobi (biodiversity), The Hague and Bonn (climate change), Montreal and Montpellier (biosecurity), Bonn (desertification).

d) Establishing a link between global public goods and our position on cultural diversity.

The public good character of cultural production has been recognised since at least Adam Smith. Public intervention on behalf of the arts may be to some extent legitimised by economic arguments about market failure in this particular sector. Without reducing everything to economics, this could be a useful way forward for strengthening our position in favour of cultural diversity.

e) Seeking the most rapid economic growth possible within the regulation process required for GPGs

Creating a favourable environment, maintaining financial and monetary stability, ensuring effective healthcare systems and food security for ordinary people, are all factors that ultimately favour economic development, attract investment and stimulate activity.

The production of global public goods can thus be a catalyst in developing the market and non-market sector, recognised as crucial for the sustainable development of Southern countries.

4

Formulating a French position

Three points at stake, closely linked, appear especially important:

- the global public goods approach and the financing of official development assistance;
- the governance of global public goods, and democracy in setting up the rules of the international game;
- support from developing countries for the GPG approach.

4.1 The global public goods approach and ODA funding

Two broad approaches are possible to remedy market failure with respect to global public goods, both of them based on the “internalisation of externalities”:

- creating a market for rights of use or quotas;
- setting up taxes on an appropriate basis.

The first modality is well suited to “summation” public goods, defined by UNDP as the effect of adding various contributions of equal importance for an overall objective, such as reducing greenhouse gases or restricting the use of CFCs. This has been the basis for the flexibility mechanisms of the Kyoto Protocol on Climate Change (tradeable permits, clean development mechanism—CDM). The recent Bonn negotiation has shown that Southern countries saw in the CDM a suitable

development tool to ensure their energy requirements. Bonn also showed that this type of mechanism may be implemented even if all countries do not endorse it.

On the other hand, for “weakest link” goods, where the production of the good is limited by the efforts of the weakest partner (eradication of AIDS, peace and security, financial stability), “tax” type solutions—the most famous of which is the “Tobin tax”—are more appropriate; but these solutions are politically difficult to adopt. They will be effective only if they are implemented by all countries, since the “free rider” effect in favour of the countries who would not implement them would create unacceptable distortions.

Other types of international taxation currently envisaged include taxes on arms exports. Some parties express reservations here but none appear to be conclusive. If the European Union were to show the way, even symbolically, the burden of the argument would be reversed. Other analysts propose a tax on carbon emissions. This is an attractive idea, and will one day be implemented. Global warming is too dangerous for it not to be.

The success of such taxes would appear to depend on certain conditions:

- determination of tax level, normally very low;

- tax collection by national authorities;
- allocation of some or all of the proceeds of the tax to the production of “weakest link” type of public goods such as fighting AIDS, etc.
- possibility for the countries that implement the tax to include in their ODA contribution the amount used to the advantage of Southern countries.

Adoption of such taxes, earmarked to fund an agreed list of GPGs, would bring ODA close to the 0.7% objective, on an impartial basis agreed upon by all.

France has argued for the introduction of such a tax mechanism based on States' ability to contribute that would regulate the excesses of globalisation and fund the production of global public goods, to the advantage of the developing countries in particular. This country has not so far commented on the practical issues, such as the tax rate and tax basis, but wants the international community to open a debate on this question.

4.2

4.2 The governance of global public goods and the role of democracy in setting international ground rules

As already mentioned, the identification of a good as a public good is a political decision. When this good is a global good, two issues arise:

- who decides whether it is to be regarded as a global public good?
- who sets the rules for producing this good (the so-called “international regime” for this good)?

The legitimacy of these decisions, and therefore the likelihood of their effective implementation, depend strongly on the democratic nature of the authorities making them and the effectiveness of their operating modes.

To reconcile these ambitious objectives, France makes two proposals:

- creation of a World Environmental Organisation (WEO) to provide a consistent

focus for a topic that at present lacks it;

- creation of Security Council for economic and social affairs, to arbitrate between competing multilateral rules. France will be submitting a motion on this topic to the next General Assembly of the United Nations, in order to define practical ways of creating such a Council.

4.3 Global public goods to the advantage of developing countries

Recent debates in the African Prepcom of the World Summit on Sustainable Development have clearly shown that for African developing countries only the “economic and social” pillars of sustainable development matter, whereas environmental aspects come far behind in their concerns. More generally, many global public goods may not be perceived as such by Southern countries. This entails an obvious risk of converging interests between some Northern countries favouring unfettered free-market economics free of any regulation and some G77 countries which may not perceive the relevance for them

of the GPG debate, thus blocking any chance of evolution.

It is therefore essential, to succeed in implementing the global public goods approach, to be able to prove to Southern countries the relevance for them of this approach.

The European Union has shown, during recent conferences, that it had a good capacity to propose middle-of-the-road solutions acceptable to both developed and developing countries. We should therefore resort preferably to European channels to disseminate these ideas on GPGs.

Last but not least, it is important to rely also on the capacity of NGOs for reflection and mobilisation. Specific actions aimed at common discussion and communication, and preparing international conferences should be conducted with advocacy NGOs. Within France, the High Council for International Cooperation is one forum where such debate is possible.

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Promoting development means first and foremost putting the case for ideas and values that express the view we have of the world. For that reason it is essential to clarify concepts that are bandied about in development circles, without their presuppositions or practical consequences always being understood.

That has been the purpose of this paper: to define more clearly what global public goods are, to give a sharper idea of the common good at global level, and to specify the operational consequences that follow, particularly for implementing the regulation of globalisation that France wishes to see.

It is true that global public goods are a recent idea. They arouse surprise and interest. They have yet to be adopted by everyone, whether donors or countries of the South. Only a collective endeavour to argue this case will enable us to manage in concert our mutual interdependencies.

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