

PART III

Chapter 13

## Accelerating poverty reduction through global public goods

by

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*Policy making needs to change so that we do not endlessly “forget” about the poor. How can we anchor concerns for ending poverty in governance systems, both nationally and internationally? This chapter outlines how providing global public goods (GPGs) – such as peace, a stable climate and freedom from communicable diseases – can contribute to ending poverty. The author argues that a focus on GPGs can strengthen people’s resilience to economic, climate and other shocks; help tap the opportunities presented by freely and universally available information and technology; ensure the “public” nature not only of consumption of GPGs, but also of their use and decision making about them; and build fairness into the international decision-making architecture. The author outlines some specific steps for achieving this, such as fitting GPGs into national and international governance systems; twinning GPGs and poverty concerns; refurbishing the toolbox of international co-operation; and instilling “smart” sovereignty based on the recognition that fair – and poverty-focused – international co-operation is both a solution to many global challenges and the best way of meeting a country’s own, national interests.*

*Personal income and wealth are of little value where life is threatened by conflict, disease or violent weather – storms, floods or drought*

While income and wealth (private goods) certainly do widen our choices and improve our well-being, the socio-economic, cultural and political context in which we live also matters: whether we live in peace or war, expanding or contracting economies, stable or changing climatic conditions (public goods). In other words, people's well-being depends on private goods *and* public goods (Box 13.1).

In the case of the poor, their well-being depends on public goods in relatively large measure. Wealthier households may be able to protect themselves against a shortfall in public goods by purchasing private goods: locks for their houses, if the public domain is filled with crime and violence; medicines, if they are being attacked by a virus; a car, where public transport is lacking; or an air-conditioner where temperatures and pollution levels are high. The poor usually cannot afford such private escapes from a problem-filled public domain.

The United Nations Post-2015 High-Level Panel of Eminent Persons has recently released its vision for a development framework beyond the Millennium Development Goals, which expire in 2015. The document, *A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development*, identifies ending extreme poverty as one of the “transformative shifts” required to foster more inclusive and sustainable global growth and development (HLP, 2013; Chapter 11). It also lists some intermediate goals for realising this shift, ranging from ensuring a basic standard of well-being and human rights for all people, to building resilience to – and reducing deaths from – natural disasters.

But what the report does not tell us – perhaps because this was not part of its mandate – is how approaches to policy making would need to change so that we do not keep overlooking the poor. What criteria can guide policy making that targets poverty? And how could the goal of ending poverty be anchored in our governance systems, both nationally and internationally? National development efforts and development assistance will certainly play a key role (Chapters 14 and 15). Yet in today's globalising and interdependent world, providing global public goods (GPGs) – such as control of communicable disease or climate-change mitigation – is also crucial.

### **The provision of global public goods can benefit the poor**

As today's lengthening list of global challenges signals, many GPGs are currently not adequately provided. Just think of global climate change, the excessive financial and commodity-price volatility we have recently experienced, or the rising spectre of land and water scarcity. This lack of availability of public goods – such as free schooling and affordable public transport – can make the situation even worse for poor and vulnerable households.

### Box 13.1. What are public goods and global public goods?

Standard economic theory distinguishes between two main categories of goods: private goods and public goods.

- *Private goods* are goods that can be parcelled out and made exclusive, so that clear property rights can be attached to them. An example is a bicycle or car.
- *Public goods*, by contrast, are goods that are non-exclusive, meaning that the goods' effects (benefits or costs) are shared by everyone. Examples are peace and security or climate stability.

If a good is to be purely public, it must be both “non-exclusive” and “non-rival” in consumption (i.e. an additional consumer of the good does not reduce its availability for others). Examples are peace and security. If a good has only one of these characteristics, it is impurely public. The atmosphere, for example, is non-exclusive but rival in consumption, because pollution can change its gas composition and contribute to global warming. Patented pharmaceutical knowledge illustrates a non-rival good, whose use has, at least for a limited period of time, been made exclusive. So it, too, falls into the category of an impure public good.

The public effects of a good can be of different geographic – local, national, regional or worldwide – reach; and they can span across one generation or several generations.

- *Global public goods* are goods whose benefits or costs are of nearly universal reach or which potentially affect anyone anywhere. Together with regional public goods they constitute the category of transnational public goods.

It is important to emphasise that in this context the term “good” is used as a short form for the goods or products as well as services and conditions that exist in the public domain.

Also, in most cases, “publicness” and “privateness” are not innate properties of a good, but the result of social or political choice. For example, land can be freely accessible to everyone; or it can be fenced in, be made exclusive. Globality is a special form of publicness; and in most cases, it, too, results from a policy choice, e.g. a decision to promote free trade or financial liberalisation.

Some public goods are referred to as “final goods” because we perceive the benefits of them. Examples are peace and security or financial stability. Others constitute “intermediate goods”, because they are an input into the provision of other goods. Green technologies, for example, could be an input into climate change mitigation.

*Source:* Adapted from I. Kaul (2013), “Global Public Goods: A Concept for Framing the Post-2015 Agenda?”, *Discussion Paper*, No. 2/2013, German Development Institute, Bonn.

With growing economic openness and globalisation, more and more public goods have assumed a transnational nature, i.e. they have become global in nature. Therefore, meeting the challenge of ending poverty now also depends on international co-operation and co-ordinated domestic policies for many, if not most countries. Yet, it is not only a question of under-provisioning of GPGs. Poor countries and poor people may also suffer when the provision of GPGs is not properly designed, e.g. when their provision is over-standardised, failing to pay full attention to the fact that we live in a world of wide disparities and differences.

In order to allow individual GPGs – and the global public domain as a whole – to better serve the needs of the poor, and to do so in a sustainable manner, the international community, including state and non-state actors, should keep the following three policy-design criteria in mind.

### **Keep people out of poverty by strengthening resilience to external crises**

Past experience has provided ample evidence of the fact that crises are costly in economic, social, environmental and other terms. Moreover, although the poor are in many cases only innocent bystanders, they often bear a major and devastating part of the costs. The ill-effects that global warming is already having on the poor are one example; similarly, the international financial crises and flagging global growth have hit people in the South especially hard, in particular those earning their livelihood in export-oriented industries.

*The poor are innocent bystanders who often bear the brunt of economic, social and environmental crises*

According to the World Economic Forum, more and more global problems are lingering in a near-crisis state, reinforcing each other and beginning to form risk clusters of potentially catastrophic proportions (WEF, 2013). This applies also to the reinforcing links among global warming, water scarcity and the growing demand for food. Such clustering of risks can make ending poverty an elusive goal. Priority attention must be directed to diffusing these emerging risk clusters and addressing seriously underprovided GPGs. Of course, this is easier said than done, but where the poor are already risk-exposed, we need to reinforce the existing set of international external-shock facilities, e.g. those helping poor countries and poor people cope with excessive financial or commodity-price volatility and natural disasters.<sup>1</sup>

### **Accelerate poverty reduction by tapping the opportunities of existing GPGs**

There are several types of GPGs – knowledge and technology, the Internet and international markets – that hold much potential for improving the lives of the poor, but that currently are not fully and freely accessible by the poor. How can this be resolved?

- **Ensure knowledge and information for all:** Knowledge and technology are prime examples of global public goods that should be freely available but can sometimes be restricted (see Box 13.1). As revealed by continuing debates about Trade-Related Intellectual Property Rights (TRIPS),<sup>2</sup> or by issues such as the lack of research into diseases of the poor, we have not yet found the right balance between fostering innovation (i.e. rewarding innovators) and using knowledge and technology to solve the world's pressing problems. Ending poverty through sustainable growth and development by 2030 appears to require a full implementation of existing TRIPS flexibilities – e.g. in order to allow developing countries access to cheaper medicines – as well as new and innovative policy tools and mechanisms to further facilitate technology transfers to countries of the South.<sup>3</sup>
- **Provide “ladders” to help the poor overcome the hurdles to accessing GPGs:** The Internet and international markets are essentially pure public goods: the more participants they have the more useful they become. However, to access them people need to overcome certain hurdles. In the case of the Internet, they must be able to afford a phone or computer, as well as access or service fees; language problems may also come into play. In the case of markets, especially international markets, people need to demand or supply goods or services in quantities that are likely to arouse the interest of potential suppliers or buyers. This requires development agencies or programmes to help strengthen the supply and demand of the poor.

While the poor's access to these platforms has already improved – for instance, through the spread of mobile phones in the case of the Internet, and thanks to financial innovations like micro-credit in the case of markets – further improvements are certainly possible. For example, with some capacity support, small and medium-size enterprises in the South could play an important role as suppliers of “green” products and services, e.g. in the fields of biodiversity preservation or the generation of renewable power, creating new job and income opportunities while also helping to advance the global transition to more sustainable growth and development paths (see, for example, Watson et al., 2013; and OECD, 2013).

### **Sustain gains by giving people a stake in GPGs**

Sustaining poverty elimination will also require getting the politics right, for example by matching a goods' publicness in consumption with publicness in utility and in decision making. In other words, a GPG's political acceptability could be enhanced if those affected by it could see that they are benefiting from its existence (as with payments for ecosystem services in Costa Rica, Chapter 10, Local solution 1). That, in turn, would be more likely if they also had a say in which goods to provide and how to shape them. How can this be achieved?

- **Allowing the poor to benefit:** the introduction of global norms to benefit the poor – such as corruption control or tax rules – is likely to meet with opposition from those who have benefitted from their absence (e.g. policy makers who have succumbed to the temptation of corruption or private firms in the field of extractive industries that do not report what they paid to their counterparts, e.g. for obtaining a license to operate).

A way to reduce likely opposition could be to actively promote and monitor the globalisation of standards like corruption control so that they apply in all countries and to all actors, creating a level playing field for the private and government sector alike. This would ensure that, at a minimum, poverty reduction policy strategies would imply a zero/win solution: no loss for the non-poor and a win for the poor.<sup>4</sup>

The Lough Erne Declaration and Communiqué of the 2013 summit of G8 leaders includes a number of important proposals that could lead to urgently needed improvements in areas such as taxation, mining and land acquisition. These will only bear fruit, however, if the international community can agree to move in unison on these issues. Much the same is true for many other issues of importance for the poor, including the regulation of international financial markets, strengthening of human rights, and good governance, i.e. governance that is participatory, open, transparent and accountable.

- **More participatory decision making at the global level:** most countries have come to realise that for an effective, efficient and equitable provisioning of public goods it is useful to bring together the circles of stakeholders and decision makers. Internationally, we are still searching for such decision-making patterns, although past experience has shown this lesson also to hold internationally. International agreements that are perceived as lacking in fairness often face serious implementation problems (see, for example UNDP, 2013).

More participatory decision making on global matters might ensure policy makers do not overlook missing GPGs or set aside fairness principles, like those of common but differentiated responsibility.<sup>5</sup> It would help them to build fairness right into international regimes; the resultant flow of benefits for the poor would be much more reliable than the provision of concessional funding (so-called “aid”) could ever be.

As a more equitable design of international regimes – one that gives all an effective voice in matters that concern them – is likely to foster stronger policy ownership and more

effective follow-up, enhanced global fairness will ultimately be also the more efficient policy path, because the incidences of renegeing and non-compliance will be lower and more global challenges will be resolved effectively – benefitting all, rich and poor.

However, realising a poverty-focused provisioning of GPGs along the lines suggested above would call for a number of governance reforms, as the following discussion will show.

### **Coherence is needed between GPG provisioning and poverty reduction**

Making GPG provisioning better serve the goal of ending poverty appears to require four sets of institutional reforms:<sup>6</sup>

1. recognising the existence and importance of GPGs in national and international governance systems;
2. twinning GPG and end-poverty concerns;
3. refurbishing the toolbox of international co-operation;
4. rethinking the current strategies of exercising sovereignty in order for these and other changes to make sense for policy makers.

#### **Fitting GPGs into national and international governance systems**

Today, most governance systems are structured along geographic or economic-sector lines rather than global-issue lines. However, addressing global challenges often requires multi-level, multi-sector and even multi-actor inputs. Therefore, where they do not yet exist, it would be important to create – for all major GPGs – an anchor institution, nationally and internationally, that could function as a “global-issue manager”.

The role of such global-issue managers would be to nudge all concerned parties into action, help mobilise the resources required, monitor the coming-together of the good and ensure accountability to stakeholders.

#### **Twinning concerns for GPGs with those for ending poverty**

In order to ensure that ending poverty is one of the concerns that such anchor institutions or issue CEOs pursue, it would be useful to assign to them a high-level advisor on poverty reduction, both in industrial and Southern countries. At the same time, GPG advisors should be placed into aid agencies and foreign affairs ministries.

A further innovation could be to establish scientific councils for each of the major GPGs. Their mandate would be to help the international community identify measures that could better use GPGs in the fight against poverty. Joint meetings of some of these councils could be convened to work out possible cross-issue bargains.

If global issue managers were appointed at both the national and the international level, it would also become more feasible to achieve the concerted provisioning of national and international-level inputs required by many GPGs.

#### **Refurbishing the toolbox of international co-operation**

*We need to shift mind-sets from a notion of “financing development” to “resourcing development”*

As discussed earlier, a range of new policy instruments might need to be developed in order to facilitate a closer twinning of GPG provisioning and poverty reduction. In particular,

it would be important to demonstrate that poverty reduction is not only promising a win/win in the longer-run, but that it is affordable in the short term.

Enhanced risk management, based on public-private partnering, could be a way of bringing down the costs of poverty reduction. Similarly, new incentive measures for fostering poverty research and development or facilitating technology transfer could shift mind-sets from a notion of “financing development” to “resourcing development”.

In order also to strengthen the willingness to co-operate of poor countries and the poor themselves, it would be important to get the prices right where international co-operation involves trade in global services such as the reduction of greenhouse gas emissions, rather than a conventional development co-operation relationship between a richer and a poorer country.

Local solution 1 in Chapter 10 (PES in Costa Rica) provides one example of innovations along these lines that have already produced results. It is now time to consolidate and mainstream them.<sup>7</sup>

### **Forging a consensus around “smart sovereignty”**

The types of institutional reforms required to end poverty mean addressing, simultaneously and urgently, a fundamental, world-order issue: the role of national sovereignty and how it can be exercised under today’s policy-making realities in order to meet both national interests and global challenges. Countries currently lack a rationale for GPG provisioning that is compatible with national objectives and benefits. Such a rationale would recognise that, for the most part, international co-operation must happen voluntarily and that, therefore, co-operation needs to be fair so that it can also be effective. For countries to buy into the need for fair GPGs, they must realise that working with the poor on these issues is in their own enlightened self-interest (because it increases security, reduces conflict, contributes to a stable climate and economy and reduces the transmission of disease) – and not, or not only, in the interests of development co-operation.

*We lack a rationale for GPG provisioning that can help nations buy into it*

Therefore, it could be desirable to include in the post-2015 agenda a request to the UN Secretary-General to establish a high-level panel to foster consensus, through global discussion, on a notion of smart sovereignty, perhaps the most fundamental “missing” GPG at present (Kaul, 2013).

## **Conclusions**

As the discussion in this chapter has shown, GPGs can play a major role in putting an end to extreme poverty, as envisaged by the United Nations commissioned High-Level Panel of Eminent Persons on the Post-2015 Development Agenda. Yet, fostering enhanced coherence between GPGs and poverty reduction requires two sets of reforms: first, building poverty eradication into the design of the provisioning of GPGs; and second, adjusting existing governance systems so that GPG and poverty reduction agendas of international co-operation are intertwined. In the current global context of economic openness and policy interdependence, achieving more sustainable growth and development depends on fostering, at the same time, more inclusive growth and development. Forging a new global



partnership, as the UN High-Level Panel on the Post-2015 Development Agenda also recommends (UN, 2013), is no longer merely a matter of solidarity, but one of enlightened self-interest. All stand to gain.

### Notes

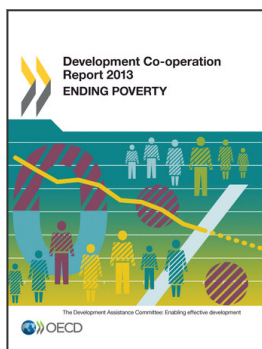
1. On this point, see, among others: Griffith-Jones and te Velde (2012); Kaul et al. (2006); Laframboise and Loko (2012); Skees (2008); and Vargas and Torero (2009).
2. The agreement requires all World Trade Organisation member states to establish minimum standards of legal protection and enforcement for a number of different forms of intellectual property rights. Non-governmental organisations have criticised TRIPS on the grounds that it imposes various costs on developing countries – such as more expensive drugs, agricultural inputs and foreign-owned technologies – without producing sufficient longer-term gains in areas like trade and investment (Source: SciDevNet, [www.scidev.net/global/policy-brief/trips-and-its-impact-on-developing-countries.html](http://www.scidev.net/global/policy-brief/trips-and-its-impact-on-developing-countries.html), accessed 19 July 2013).
3. See, for example, Correa (2013); OECD (2013); and Zaman (2013).
4. The larger the number of people accepting and abiding by such norms, the more established and legitimate they become. See Altinay (2013) and Rao (1999) on the issue of norms as GPGs, among others.
5. The concept of common but differentiated responsibility was enshrined as Principle 7 of the Rio Declaration at the first United Nations Conference on Environment and Development (the Rio Earth Summit) in 1992: In view of the different contributions to global environmental degradation, states have common but differentiated responsibilities. The developed countries acknowledge the responsibility that they bear in the international pursuit of sustainable development in view of the pressures their societies place on the global environment and of the technologies and financial resources they command.
6. On the types of institutional reforms that more effective international co-operation might require in order to meet existing global challenges, as well as those that are likely to confront us in the next decades, see also Gavas (2013), and Kharas and Rogerson (2012).
7. For an overview of some of the principles that could guide a rethinking of international-cooperation financing, including the switch from “financing” to “resourcing” and the design of new and innovative tools, see, among others, Kaul et al. (2006), Shiller (2012), as well as the rich literature on climate finance.

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