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PAPER

Global Public Goods and International Developmental Aid

Garima Sharma

Abstract The modalities of international development aid have formed one of the central themes of international governance discourses, since the historical provision of development aid to the recipient countries has been closely interlinked with governance conditionality calling for structural changes in these countries. Since the past decade, the governance modalities of developmental aid have assumed new dimensions, shaped by the emergence of the 'Global Public Goods' approach in the international development discourse. The purpose of this paper is to explore the conceptualization of international developmental aid through such an approach. It seeks to analyze whether the Global Public Goods approach provides an alternative to the hierarchical and unequal structure of the existing development aid discourse or reinforces it in new ways. This paper will thematically address three broad areas –re-framing the international developmental aid question through a public goods approach to examine the manner in which this issue is conceived in a global public goods framework; the extent to which this approach can be seen as an alternative by assessing the modalities of the relationship between development aid and global public goods and; finally, to interrogate the politics underpinning such an approach itself to problematize its ability to counter the traditional governance discourses.

Keywords Global public goods - International development - Aid financing - Governance

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Garima Sharma (✉)
Centre for the Study of Law and Governance, Jawaharlal Nehru University, New Delhi.
e-mail: garima6in@yahoo.com

Introduction

The controversial role of foreign aid in discourses of international development is well known. The various debates within this discourse are widely defined according to the issues of the legitimacy of the shift from bilateral to multilateral lending, of the moral location of the agency of donors and recipients, reciprocity and the maintenance of a *status quo* order and of the relationship and effectiveness of this aid with respect to economic growth and social policy in developing countries. These debates, within the international development discourse, can be captured through the rationale of similar mechanisms on the basis of which the structure of international development aid is made feasible – the principle of compartmentalized exclusion through linearity in the transfer of resources between nation-states. Through such a transfer the stability of the donor-recipient relationship is preserved, whatever the costs of aid incurred.

This form of traditional aid financing is sharply different from the proposition of aid financing of global public goods. The central characteristic of these goods, much like the public goods, include non-rivalry[1] and non-excludability[2], resulting in ‘market failure’. At the same time, unlike public goods, they cannot be optimally provided by the state, since they are in a global domain with cross-border spillovers, and require collective action. Given the necessity of collective action in the production, provision and consumption of these goods, in the case of aid financing of these goods, the donor-recipient divide gets considerably blurred. The blurring of traditional divisions due to the diffuse nature of these goods and the simultaneous inconceivability of aid financing of these goods, given certain conditions, is a paradox which leads to an affirmation of certain structural foundations of the idea of aid financing itself, even when applied to the supposedly radical framework of global public goods.

Changing Conceptions of Public Goods in the Discourses on International Developmental Aid

Policy discourses on international bilateral and multilateral aid effectiveness have primarily been legitimized through the implicit assumption of the effectiveness of such aid in institutionalizing the provision of basic public goods at the national level. Such an assumption is anchored along two lines:

1 Consumption of an additional unit of the good does not reduce its utility for others. For example, clean air.
2 The marginal cost of excluding an additional person from consuming the good is not equal to zero, so that nobody can be excluded from the consumption of the good.

First, the state in the recipient countries is characterized by a mode of a.) Progression/ transition/development and b.) Conditions of scarcity. Second, as such, the state needs an enabling policy environment, provided by a.) International aid institutions and b.) Changing politically-neutral, universalist discourses which anchor these aid modalities. Through all its processes and rationales, the structure of international aid and the discourses around it crucially rest on a moral assumption, which is premised on the logic that the processes of accountability, transparency and other important elements of state policy that they promote are crucial to an optimal and equitable provision of basic public goods.

Thus, the justification for international aid ultimately lies in the degree to which it is able to operationalize the substantial provision of public goods (Cook & Sachs, 1999). The fact that it has not been able to do so and has merely resulted in aid transfers, due to its complex politics, has increasingly led to the idea of aid financing of global public goods as a better alternative.

Restructuring International Aid through Global Public Goods: An alternative to traditional Aid?

The idea that a global public goods policy provides a definitive alternative to the international aid framework in international development remains contested. It has been indicated that only the terms of the debate of international aid have shifted and that global public goods can be viewed as being a part of the international aid framework –investment in global public goods is really a form of an investment in international developmental aid (Jayaraman & Kanbur, 1999). Underlying this line of argument is the idea that the dimensions of self-interest inherent in the logic of aid-giving by the donor countries has acquired radically different dimensions with increasing global interdependencies and the transnational and cross-border nature of the harms produced, such that the production of harm in the recipient country has substantial effects on the welfare of people in the donor countries –which is why donor countries would have an interest in a.) Strengthening public goods provision as a form of foreign aid and b.) Strengthening transfers or aid to enhance global public goods provision.

Whether or not, and in what proportion, countries will contribute to the provision of either incomes transfers (aid) or global public goods, depends, greatly, on the nature of the good –what is often referred to as the ‘aggregation technologies’ (Sandler, 2007), according to Jayaraman & Kanbur, 1999. The authors have highlighted three situations:

- If the good is simply ‘additive’ in nature, that is, a summation or aggregate effort good, where one contribution is equally replaceable by another, then the donor country is likely to be indifferent to the choice between income transfers and global public goods. However, if the good is non-additive and efficiencies vary such that the donor is more efficient, it is likely that the donor will choose public goods provision over transfers. To the extent that this directly benefits the recipient, they can be regarded as a form of foreign aid.

- In case of weakest link goods, whose provision crucially depends on effective cooperation and contribution by the weakest country in the chain, the donor uses a combination of transfers and provision of global public goods.
- In case of best shot goods, whose provision depends on the single best effort of the well-equipped country or a group of such countries, the donor would clearly favour investment in public goods rather than any form of transfers.

As Jayaraman & Kanbur, 1999 argue, this framework shows that global public goods provision and transfers/ aid do not always go hand-in-hand. It is only under very limited conditions that the donor country would want to invest in international aid, apart from investing in the public good. In all probability, it would prefer to invest in the public good only, by the simple rationale of minimizing the additional cost of international aid, unless absolutely necessary (as in the case of weakest link goods).

This kind of a rationale for the provision of global public goods through aid financing gives rise to clear political implications. It is clear that the characterisation of aid financing through these types of goods needs to be interrogated rather than accepted in case of all goods.

Interrogating the provision of global public goods through aid financing

Aid financing of international public goods is markedly different from the manner in which financing for these goods, especially in the context of the summation or aggregate effort goods, has often been conceived in the policy application of the related literature. In case of these aggregate goods –forming the majority of global public goods, such as climate change mitigation –given the usually high immediate costs and highly diffuse immediate and uncertain future benefits, aid financing is, arguably, the least favored alternative. For instance, international negotiations on the provision of climate change mitigation are almost always conducted through the individualistic cost-benefit calculations by self-interested parties, such that even the issues of imperatives of development and justice are tailored to this broad framework; aid financing is clearly a non-starter in such negotiations. It is only under certain conditions and for certain type of international public goods –weakest link and single best effort goods – that aid financing is favored. How, then, should we rationalize aid financing within a global public goods framework? It is clear that, given the circumscribed preferences for aid funding for certain type of global public goods, there is a clear departure from the traditional approach to international aid in two ways:

First, unlike the traditional mode of international aid financing, provision of international aid for global public goods is based on a notion of reciprocity, modelled through self-interest. In case of all types of global public goods, given that the benefits of the good are highly diffuse and non-excludable, all countries, including the donors, stand to benefit, in principle.[3]Aid financing, in the case of global public goods, is, thus, yielding material returns to the donor countries. This is unlike the case of traditional international development aid, where such an aid had to be accompanied by the additive of aid conditionality in order to be able to yield any such reciprocal benefits[4] to the donor countries.

Second, since aid implies lending or transfer of resources below market prices, aid itself becomes a form of public good which supposedly gives rise to substantial externalities for the donor countries. Given the nature of global public goods, it is not possible to impose conditionalities for their provision (weakest link and single best shot goods) or to clearly decide the identities of the particular donors and recipients.

Finally, it must be noted that the contribution of rich countries to the provision of global public goods can be construed as 'aid' only under certain conditions –if the rich countries are voluntarily willing to bear the short term costs of cooperation and provision of these goods, even if these costs are not commensurate with the near or future benefits, such as in the provision of goods like climate change mitigation, where short-term costs of cooperation and implementation are high, while the benefits are in the future and uncertain.[5]

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3 It is in practical implementation that considerations such as incommensurability of cost and benefits, geopolitical and demographic and other special factors, intervene to filter the benefits of the good differently to different countries. But, in principle, given the non-exclusiveness of the good, all countries –donors and recipients –stand to benefit at least to a certain minimal extent.

4 These include benefits such as free market conditions in the recipient countries and a more accountable and rules-based political system –while the governance discourse of International Financial Institutions may tout these as benefits to the recipient countries, in reality, they are really enabling conditions to encourage greater investment in open markets for the donor countries. As such, the argument for the presence of reciprocity for aid is present here.

5 Currently, climate change negotiations can hardly fall under the category of an aid financed global public good.

Under such an understanding of ‘aid’, it is clear that the financing of weakest link goods and single best shot goods wilfully by the rich countries cannot be construed as a form of aid, as these are the kind of goods whose provision is imperative for the sustenance of the rich countries themselves –the benefits are absolute and the question of cost-benefit calculus does not arise in the first place. Arguably, then, we should speak of aid financing of global public goods only in the context of aggregate effort goods, and the argument for aid financing would be applicable to these goods, only if the rich countries are willing to shoulder the major costs of the provision of these goods, rather than go through the route of bargaining in international cooperation.

This explains why the idea of aid financing of global public goods has not favor with the developed countries (Carbone, 2007). The provision of these goods is vastly different from the traditional modes of aid financing, through either bilateral relationships or via multilateral institutions. Unlike these traditional modes, the benefits of aid financing of aggregate effort global public goods cannot be circumscribed effectively in the absence of institutional exclusion mechanisms or the presence of a sovereign political authority, and as such they demand so much more investment from the donor countries as is clearly incommensurate with even the diffuse and necessary benefits of these goods.

Clearly, then, under the given conditions, aid financing of global public goods cannot be envisioned as a clear alternative to traditional forms of aid.

How to Operationalize Global Public Goods through Aid – A new Alternative or an Additionality?

Operationalizing the provision of global public goods through aid financing can potentially involve three major alternatives:

1. Direct investment in global public goods as an alternative to traditional international aid financing.

2. Raising the aggregate amount of financing allocated by various international institutions and donor countries to aid, dividing it between global public goods and national public goods. Although this alternative signals the policy of raising additional financing for the purpose of global public goods vis-à-vis traditional aid, yet the additional amount of aid allocated separately for each of these purposes may not be proportional to the amount required or the amount that would have been allocated without division, if the financing was for only one of the either purposes.

3. Provision through the traditional policy, by tying aid conditionality more effectively to the conventional issue of public goods provision nationally, clearly giving preference to traditional mode of aid financing rather than a shift to global public goods. This assumes that the effective provision of national public goods would, in itself, improve the public goods provision at the global level.

Neither of these alternatives provides a comprehensive alternative in itself, as there are two crucial issues involved here:

First, to make our very first option of the sole aid investment in global public goods work, the option of provision of national public goods cannot be dismissed. This is because of two reasons:

1. The benefits of GPGs will be realizable only if their access is effectualised through the provision of national public goods in the relevant sectors (Velde, 2002). Therefore, arguably, the financing for GPGs cannot replace traditional aid, but has to be additional to it.
2. In case of weakest link global public goods, even if there is a substantial increase in the amount of aid allocated for the provision these goods (such as control of communicable diseases), it will remain ineffective and is likely to incur much higher future costs, since the provision of these goods at the global level crucially depends on their effective provision at the national level, up to the most vulnerable country.

Second, the issue of the state or a political authority remains central in both the perspectives of national as well as global public goods, and hence we should take cognizance of the idea that mechanisms of either conditionality or exclusion remain central to conceiving the relationship between global public goods and international aid. Moreover, the fact that the rich countries are reluctant to finance the provision of aggregate effort goods and would rather prefer traditional forms of international developmental aid only further reinforces the centrality of exclusion mechanisms to the logic of global public goods provision.

Given the centrality and desirability of exclusion mechanisms to the provision of international public goods by the donor countries, and the impossibility of operationalizing such a mode of exclusion at the global level, is it finally possible to herald the onset of an era of an uncontroversial mode of aid financing with the introduction of global public goods, where the donor countries would be fulfilling their obligations of aid without exclusion by conditionality and only a very minimum degree of reciprocity?

It is highly unlikely that a global public goods perspective can be conceived so optimistically as an alternative to the traditional discredited mode of aid financing.

This is because, while clearly not explicit, the logic of a certain kind of exclusion is inherent in the very rationale of the global public goods framework. When applied to the modalities of aid financing of global public goods for the benefit of the less developed countries, this rationale gives rise to profound structural political implications.

Implications of Aid Financing Model of Global Public Goods: The Politics of Trade-Offs

The emergence of investment in global public goods as an alternative to the promotion of international aid has given rise to a different kind of discourse, which underpins the modalities of international development. Discourses of international development, which have centered on international aid and governance, have ultimately relied for their effectiveness, albeit rhetorically, on the envisioning of basic needs and substantive outcomes as the public goods that they would ultimately deliver.

On the face of it, the policy discourse of global public goods radically restructures this narrative. Conceived as being normatively desirable goods, with a strong dimension of ‘publicness’ which fosters the idea of inclusion, the idea of global public goods appears to ground itself on equal public claims. This is markedly different from the politics of conditionalities and hierarchical relationships that characterized the governance discourses of international organizations, especially as they manifested in the politics of international developmental aid.

The pertinent question that, then, arises is whether the framework of global public goods provides an alternative restructuring of the governance discourse at the global level? In order to determine the space for alternative reconstructions offered by a global public goods approach, it is important to look beyond the policy rhetoric and interrogate the rationale behind the process by which such an approach is seen as becoming feasible.

Here, it is important to note that one of the main dimensions by which a global public goods approach can be seen to have policy workability is the dimension of the tradability of these goods, since global public goods have been conceived as being ‘tradable’ in the UN policy literature (Kaul, Grunberg, & Stern, 1999, p. 8). This dimension needs to be critically examined in order to see the possible developmental outcomes that it may lead to in global public goods governance, since it facilitates the homogenization of these goods in global policy. For instance, global public goods of financial stability and environmental sustainability can be conceived, on an equal footing, as being tradable, such that a reduction in the benefits to an actor accrued as a result of the production of one kind of good can be offset by a corresponding, deliberate gain by that actor in another issue-area. This kind of a rationale has two main implications for international development:

First, negotiations on policies of international development become a zero sum, instead of a positive sum game. Whereas, politics of developmental policies like those of international aid have always been premised on positive sum outcomes, based on a transfer of assistance resources without any explicit intervention of the idea of material reciprocity[6], the politics of global public goods, in contrast, are structured on zero sum outcomes. The idea of tradability means that a country does not necessarily have to invest in global public goods by incurring the costs of such investment or transfer, as it can offset these costs by incurring benefits in another issue-area.

This raises the question of the effectiveness of a global public goods framework as an alternative to the international aid framework in development, when applied to specific problems like climate change mitigation. For instance, will not a positive sum outcome, though incurring more short-term costs for the individual actor, be more desirable and have less social cost in the long-term, than a zero sum outcome envisioned in a global public goods framework?

Second, and more importantly, the politics of trade-offs also has an implication in that it can now effectively signal a shift in policy emphasis from importance of outcomes to importance of processes. The fact that any good which is 'normatively desirable' (Bodansky, 2012) and possesses the properties of non-rivalry and non-excludability can be conceived as a global public good leads to a prior emphasis on the provision of just and accountable processes as a foremost global public good, in itself. For instance, UNDP, in one of its documents, clearly stated the following among its list of important global public goods – "Institutional infrastructure harmonized across borders to foster such goals as market efficiency, universal human rights, transparent and accountable governance, and harmonization of technical standards." (Kaul, Conceicao, Goulven, & Mendoza, 2002, p. 6).

Thus, while in the international development aid discourse these modalities were viewed through the much discredited and over-abused notion of conditionalities, which could never really gain legitimacy in the various frameworks of development, the global public goods framework radically altered the external dimensions associated with such conditionalities by transforming them into global public goods themselves.

6 This is not to disregard the notion of reciprocity in politics of international aid –it is prominent in many different ways (Hattori, 2003). However, the relevant point here is that these notions of reciprocity are structured, partially hegemonically, in discourses of power which lead to larger structural changes, such as perpetuation of status-quo of donor-recipient relationships. They are not, however, structured as immediate returns in terms of material reciprocity.

Given this kind of a conceptualization of global public goods and the manner in which the tradability of global public goods can lead to an articulation of the erstwhile conditionalities in traditional aid as global public goods themselves, the possibility of aid financing of aggregate effort global public goods, like climate change mitigation, would no longer appear as an averse proposition to the donor countries. At the same time, these political implications also make visible the fact that, in the final analysis –having dismissed the financing of weakest link and single best shot goods as a form of aid, and left only with aggregate effort goods –the idea of international aid, even when applied to the provision of global public goods, can, under the given conditions, only be feasibly conceived through the mechanisms of traditional modes of conditionality, albeit in different forms.

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