A Policy Framework for Linking Regional Public Goods and the SDGs – The Role of Multilateral Development Banks

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Roadmap

- **Links**
- **Objectives**
- **Definition of Key Concepts**
- **Methodological Approach**
- **Preliminary Results**
- **Potential Role of MDBs**
- **Way Forward**
Relevance of linking RPGs and SDGs

*Developing a regional agenda on providing public goods for sustainable development*

1. **Facilitating regional cooperation**
   - Leverage the high-level political buy-in for 2030 Agenda to generate commitment of regional partners

2. **Enhancing partnerships**
   - Leverage the multi-stakeholder approach of the 2030 Agenda to foster new partnerships for RPG provision

3. **Fostering efficiency and effectiveness**
   - Capitalize on the interconnectedness of the SDGs to maximize co-benefits for RPG provision
Research interest and objectives

Agenda 2030:

• historic consensus for sustainable development adopted in 2015 by all member states of the United Nations and

• new global legitimacy basis with high-political buy-in and globally agreed goals, targets and indicators

→ important gap in the international development discourse: a missing systematic link of GPGs/RPGs and SDGs

→ develop a framework to define policy and economic solutions for RPG-related SDGs and clarify the respective role of MDBs and RDBs
Definition of key concepts

PUBLICNESS

• non-excludability and non-rivalry
• beyond pure public goods: incl. common and club goods
• publicness in consumption and provision

REGIONALITY

• Complex and multifaceted concept (*territorial subsystem with specific geological, geoclimatic, geographical, cultural or political aspects, or groups of neighboring countries or formal political organizations beyond the nation-state*)
• beyond geographical proximity: functional definition
Methodological approach

Working definition of RPGs

Screening of SDG Targets

Selection of examples and role of RDBs

1) Publicness
2) Regionality

6 main RPG functions
1) Natural Resources, Environment and Biodiversity
2) Economic Cooperation and Integration
3) Human and Social Development
4) Governance and Institutions
5) Peace and Security
6) Connectivity

Policy vs. economic activity

Aggregation Technology
1) Weakest-Link
2) Summation
3) Best-shot

1) Selection of targets
2) Defining role of RDBs
Preliminary results of analysis

- RPGs are relevant for all 17 SDG Goals
- RPGs with multiple functions illustrate opportunities for co-benefits in RPG provision
- The majority of SDG-targets requires policy action for RPG provision, but some opportunities for market-based solutions exist
- Aggregation technologies helpful as policy guidance, but with limitations in our approach/ applicability to SDGs
RPG-relevant targets in all 17 SDG goals:

1. No Poverty (3 targets)
2. Zero Hunger (3 targets)
3. Good Health and Well-being (2 targets)
4. Quality Education (2 targets)
5. Gender Equality (2 targets)
6. Clean Water and Sanitation (2 targets)
7. Affordable and Clean Energy (1 target)
8. Decent Work and Economic Growth (1 target)
9. Industry, Innovation, and Infrastructure (4 targets)
10. Reduced Inequalities (3 targets)
11. Sustainable Cities and Communities (3 targets)
12. Responsible Consumption and Production (5 targets)
13. Climate Action (3 targets)
14. Life Below Water (7 targets)
15. Life on Land (8 targets)
16. Peace and Justice, Strong Institutions (9 targets)
17. Partnerships for the Goals (8 targets)
18. The Global Goals for Sustainable Development (67 targets)
Co-benefits in multiple RPG functions

Table 1. List of Categories of RPG Functions and Number of RPG relevant SDG Targets

<table>
<thead>
<tr>
<th>RPG Functions*</th>
<th>RPG-relevant SDG Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources, Environment and Biodiversity</td>
<td>18</td>
</tr>
<tr>
<td>Economic Cooperation and Integration</td>
<td>9</td>
</tr>
<tr>
<td>Human and Social Development</td>
<td>10</td>
</tr>
<tr>
<td>Governance and Institutions</td>
<td>7</td>
</tr>
<tr>
<td>Peace and Security</td>
<td>5</td>
</tr>
<tr>
<td>Connectivity</td>
<td>3</td>
</tr>
<tr>
<td>Multiple Categories</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
</tr>
</tbody>
</table>


Examples

**Target 3.9 (1, 3)**
Human Development and environmental pollution

**Target 7.b (1, 6)**
Sustainable energy services through infrastructure and technology

**Target 17.8 (3, 6)**
ICT for capacity-building
Policy action and market potential

<table>
<thead>
<tr>
<th>Mode of Delivery</th>
<th>RPG-relevant SDG Targets</th>
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<tbody>
<tr>
<td>Policy activity</td>
<td>61</td>
</tr>
<tr>
<td>Economic activity</td>
<td>25</td>
</tr>
<tr>
<td>(both)</td>
<td>21</td>
</tr>
</tbody>
</table>

Table 2. RPG modes of delivery in SDG targets

Example

**Target 1.5**

By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.

**Policy**
- Social protection schemes

**Economic/Market**
- Insurance mechanisms
Policy action and market potential

Table 2. RPG modes of delivery in SDG targets

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Example

Target 1.5
By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters

Co-benefits in multiple RPG Functions (1, 3): e.g. investment in dams or irrigation to reduce drought risk generating greater productivity; but they can also include significant environmental and social benefits.
Aggregation technologies for policy guidance

Table 3. Overview of aggregation technologies in RPG-relevant SDG targets

<table>
<thead>
<tr>
<th>Aggregation Technology</th>
<th>RPG-relevant SDG Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summation</td>
<td>52</td>
</tr>
<tr>
<td>Weakest-Link</td>
<td>13</td>
</tr>
<tr>
<td>Best-Shot</td>
<td>28</td>
</tr>
</tbody>
</table>

• helpful guidance to distinguish and define different policy and economic approaches,
  • *e.g. regional cooperation to facilitate scaling for summation RPGs to achieve SDGs; RDBs distribute benefits for best-shot RPGs, RDBs address collective action problems for weakest-link RPGs*

• often, multiple aggregation technologies per target, due to encompassing and vague targets

→ limitations within our approach and the applicability to the SDGs
What role can MDBs play in RPG provision within the framework of Agenda 2030?

1. Facilitating regional cooperation
   - Regional cooperation can unlock best-shot potential of RPGs and distribute benefits
   - Regional cooperation can be a scaling tool (facilitate summation RPGs) to achieve SDGs

2. Enhancing partnerships
   - Invoke MDB convening power to address policy challenges in weakest-link RPGs
   - RPG focused partnerships creates synergies and eases SDG implementation

3. Fostering efficiency and effectiveness
   - Use targeted financing instruments (concessional loans, grants) to create incentives for RPG provision (e.g. increase desirability of a club good)
   - Generate best-shot RPG provision through setting standards and raising benchmarks

→ For a strategic policy approach the RPG provision and its contribution to SDG targets should be studied, monitored and ideally evaluated by MDBs and RDBs
### Potential role of Multilateral Development Banks

**Example**

<table>
<thead>
<tr>
<th>SDG target</th>
<th>RPG Function</th>
<th>Mode of Delivery</th>
<th>Aggregation Technology</th>
<th>Role of MDB</th>
</tr>
</thead>
</table>
| 4.b substantially expand globally the number of scholarships available to developing countries | Human Development and Connectivity | Policy | Summation | Develop (sub-)regional scholarship programs, e.g. for small island states  
• **Financing instruments** (grants, RBF, Co-financing with private sector, concessional loans)  
• **Knowledge**, e.g. MDB expertise on sustainable fishing  
• **Convening power**, cooperation and exchange with other regions, e.g. EU  
• **Standard setting**, e.g. quality of schools to meet cooperation benchmarks |
The Way Forward

Our next steps

• Continue selection of targets (e.g. with co-benefits)
• Define role of MDBs/RDBs

Policy considerations for MDBs

• Prioritize RPGs of focus
• Analyze MDB investment portfolio by RPG themes
• Carry out stakeholder analyses of actors active in region for RPGs
• Capture co-benefits of regional cooperation on public good provision
• Conduct monetary risk assessment and feasibility studies
• Evaluate political value chains for specific RPG provision
• Leverage concessional financing to generate incentives for cooperation
• Assess to what extent concessional financing would undermine RPGs that are already being provided
Annex I: Analysis of RPGs/ GPGs in World Bank DPLs

**Share of RPG prior action spending of total World Bank DPLs**, FY10-16

![Bar chart showing share of RPG prior action spending in different regions]

<table>
<thead>
<tr>
<th>DPL Prior Action Theme Code Classification*</th>
<th>WBG Regional Definition</th>
<th>ADB Membership Regional Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In $k</td>
<td>In $k</td>
</tr>
<tr>
<td></td>
<td>(% share of total)</td>
<td>(% share of total)</td>
</tr>
<tr>
<td>Natural disaster management</td>
<td>1063 (11)</td>
<td>1169 (8)</td>
</tr>
<tr>
<td>Climate change</td>
<td>157 (2)</td>
<td>166 (1)</td>
</tr>
<tr>
<td>Trade facilitation and market access</td>
<td>77 (1)</td>
<td>105 (1)</td>
</tr>
<tr>
<td>Pollution management and environmental health</td>
<td>0</td>
<td>52 (0.4)</td>
</tr>
<tr>
<td>Anti-Money Laundering and Combating the Financing of Terrorism</td>
<td>0</td>
<td>3 (0.02)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1297 (14)</strong></td>
<td><strong>1495 (10)</strong></td>
</tr>
</tbody>
</table>

*Note: Theme codes are assigned to Development Policy Lending (DPL) like all other activities that directly serve an external client. Themes reflect the main objective(s) of these reform measures (prior actions or tranche release conditions in the policy matrix) supported by the operation.*