

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

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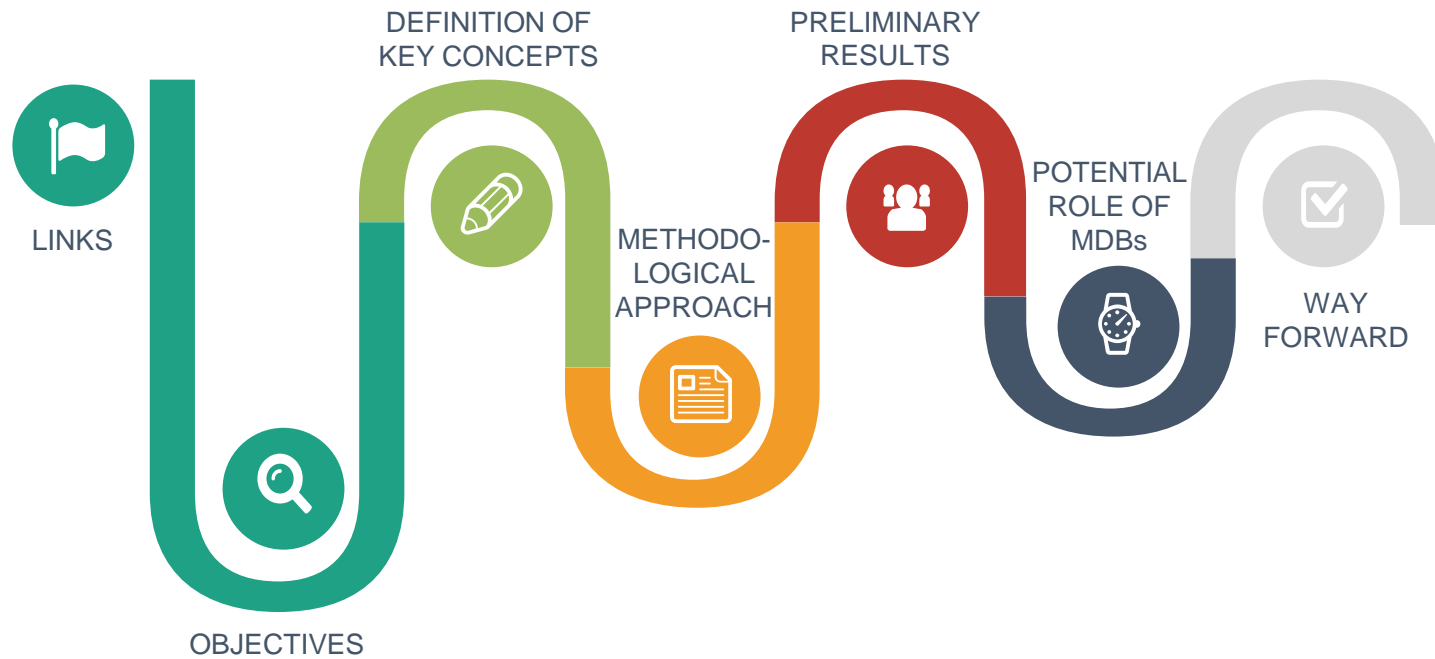
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Optimal Provision of Regional Public Goods in Asia and the Pacific:  
Implications for Supporting Sustainable Development

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# Roadmap





# 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

*How can the Agenda 2030 inform regional cooperation on providing RPGs, focusing on the role of MDBs?*

## **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



- 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

Criteria



# 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

3 targets



3 targets



2 targets



2 targets



2 targets



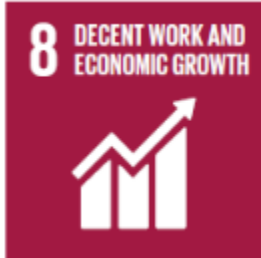
2 targets



1 target



1 target



4 targets



3 targets



3 targets



5 targets



3 targets



7 targets



8 targets



9 targets



8 targets



67 targets







# Co-benefits in multiple RPG functions

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

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

## 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



\*Source: Liu/Kahn 2017.



# Policy action and market potential

**Table 2. RPG modes of delivery in SDG targets**

<b>Mode of Delivery</b>	<b>RPG-relevant SDG Targets</b>
Policy activity	61
Economic activity	25
(both)	21

## 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



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### Target 1.5

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**Policy**

**Economic/Market**

Social protection schemes

Insurance mechanisms

**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**

<b>Aggregation Technology</b>	<b>RPG-relevant SDG Targets</b>
Summation	52
Weakest-Link	13
Best-Shot	28

- 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*

SDG target	RPG Function	Mode of Delivery	Aggregation Technology	Role of MDB
 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 <ul style="list-style-type: none"><li>• <b>Financing instruments</b> (grants, RBF, Co-financing with private sector, concessional loans)</li><li>• <b>Knowledge</b>, e.g. MDB expertise on sustainable fishing</li><li>• <b>Convening power</b>, cooperation and exchange with other regions, e.g. EU</li><li>• <b>Standard setting</b>, e.g. quality of schools to meet cooperation benchmarks</li></ul>



# The Way Forward

## Our next steps

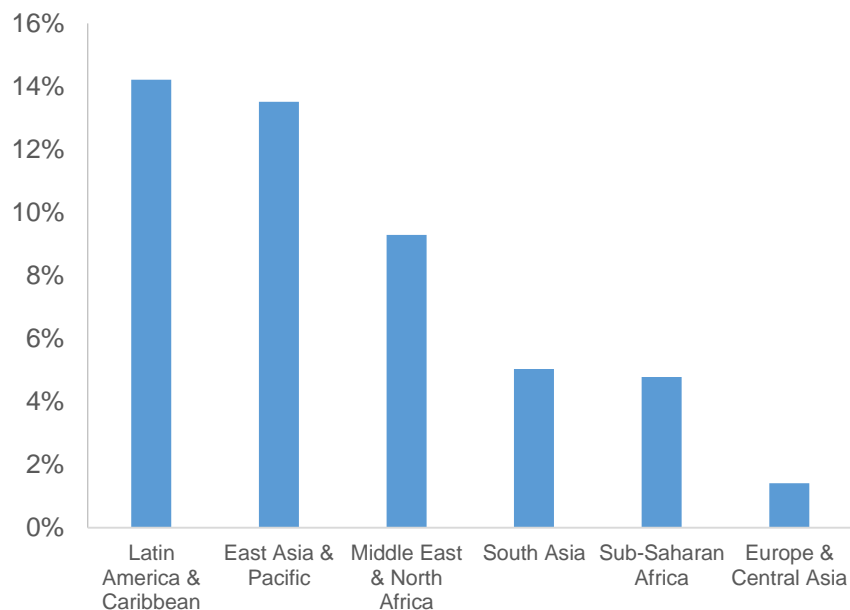
- Continue selection of targets (e.g. with co-benefits)
- Define role of MDBs/RDBs

## 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



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

\*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.