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STRATEGIC REVIEW OF RESOURCE ALLOCATION PRIORITIES WORKING PAPER

WORK STREAM 3 GLOBAL PUBLIC GOODS:

How much should DFID allocate to global actions and
funding?

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September 2002

This is a working paper, in draft form that has been used as an input to the Strategic Review of Resource Allocation studies (Dyer et al, 2003). It should be regarded as work-in-progress. The contents of this paper represent the views of its authors, and are not necessarily those of the Department for International Development.

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Recommendations

- DFID should not consider allocations to GPGs outcomes in themselves. DFID should consider how much to allocate to *global actions and funding mechanisms* as instruments in achieving development outcomes e.g. in order to achieve a health MDG, how much should be allocated to global actions and funding (many of which will be GPG provision) (see paragraphs 8-10, 20, 22-23)
- Allocation should be determined by (see paragraph 39)
 - Which development priorities require global action and funding (based on technical analysis and agreement between stakeholders)
 - The relative contribution and balance of global action and funding and resource transfer/capacity building in achieving the development outcome
 - What role the international development community and oda funding and (within this) DFID and DFID funding should play in global action and funding
- Analysis of the relative contribution of global funding and action may include analysis of (see paragraphs 41-46)
 - Marginal impact on development outcomes (e.g. MDGs) of global funding and action
 - Multiplier for whether development impacts are increasing or decreasing
- Analysis of the role of the international development community and DFID may include analysis of (see paragraphs 47-48)
 - Role and leverage of international oda on non-oda
 - DFID comparative advantage and leverage on other oda funds
- Analysis and (international dialogue) should be undertaken by Policy (and International and Regional) Divisions and recommendations made to the Management Board via the Steering Groups (for Policy Division) and PARP processes (see paragraph 26).
- Analysis should be presented in summary form to the Management Board during the RAR, including data on
 - Which development outcomes have been identified as needing global action and funding, how, why and how much
 - Allocation and trends between global action and funding and resource transfers/capacity building by identified development outcome
 - Allocation and trends between global action and funding and resource transfers/capacity building in total

Implications for the RAR

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This study has carried out initial identification of key global actions and funding and analysis using the proposed approach. However this was largely with the intention of developing the approach. Limitations in the approach trialled, the short time scale and lack of data mean that these results should be seen only as early indicators (presented here in square brackets). Analysis should be carried out over the next year for the 2003/04 RAR.

Implications of initial analysis:

- [Allocations to global action and funding should rise at least in proportion to DFID funds, remaining at 8.5-9% of DFID's budget (paragraphs 53-64)
- DFID should consider funding greater engagement in international effort to identify important global actions and funding for achieving development outcomes (and ensuring that developing countries and other actors are included in the decision making process)
- Funding for knowledge generation and dissemination should rise, with an upper limit of rising at least in proportion to DFID funds (paragraphs 66-75)
- Increases should be considered to programme and running costs allocated to trade (paragraphs 85-87)
- Funding to health and environment should rise in proportion to DFID funds (paragraphs 76-84)
- Funding to international financial architecture should remain constant (paragraphs 88-90)
- Decreases should be considered in core funding to UNESCO (paragraphs 52, 98)]

Table 1 shows the projected increases in spend if allocations to global action and funding remain at 8.5% of DFID's budget and shares by sector remain constant.

Table 1

	% oda 2002/03	Planned Spend 2002/03	Projection 2003/04	Projection 2004/05	Projection 2005/06
Research	4.4%	116	114	135	166
Health (excluding R&D)	2.5%	67	65	77	95
Environment	1.2%	31	31	36	45
Trade	0.3%	8	8	10	11
International Financial Stability	0.2%	6	6	7	9
Total	8.7%	228	224	265	326

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Introduction

1. The terms of reference for this workstream are to look at the choices between investing in GPGs through research and innovation and resource transfer and capacity development. The Steering Committee agreed to an expansion of these terms to look at other global activities and funding in addition to research.
2. Section I provides the context to the study, including the definition of GPGs and the link to global actions and funding. It looks at the problem with current resource allocation processes, the objectives of allocating funds to global activities and funding, the underlying working principles/assumptions of the study, the study's approach, trends in allocation to GPG in past resource allocation rounds (RARs) and benchmarking against other donors.
3. Section II recommends a process for analysing the relative value of global activities and funding and how much the international development community and DFID should allocate to this. Section III undertakes an initial analysis of the implications of applying this process during this RAR. Section IV concludes.

Section I: Context

Definitions

4. *Public goods* are commodities, services and resources with shared benefits. With a pure public good, one person's consumption of a public good does not reduce the amount of the good available to others (*non-rival*) and it is impossible or prohibitively expensive to exclude those unwilling to pay for a public good from enjoying its benefits (*non-excludable*). In reality many public goods are mixed rather than pure, showing either or some of these characteristics. In addition, some private goods can generate spill-over benefits or costs (*externalities*) that mean that they have public aspects. Some public goods are inter-generational. For something to be a global public good (or bad), the reach of benefits (or costs) must be global¹.
5. Because of their publicness the private sector will underprovide GPGs. Because of their global nature, no one state will provide the GPG alone, because of the problem of free riding. The provision of GPGs therefore tends to need global action and funding.
6. Lack of GPGs can arise from *underprovision* (where the GPG does not exist or is not fully or adequately provided) or *underuse* (where the GPG exists, but some actors, countries, or people are unable to consume it, either in full or in part). Underprovision can arise from:
 - *Undersupply*, when a good is not provided or is provided only partially

¹ This paper does not focus on the difference between regional and global. By the time a good is intra-regional, it is usually also inter-regional, even if the benefits or costs accrue to one region more than another.

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- *Malprovision*, when a good is provided in a distorted way, generating benefits (or costs) that are systematically biased against groups of countries or people
- *Overuse* or destruction, through excessive use of goods such as the global natural commons

7. The different provision problems imply different approaches to producing the GPG. Another factor determining the approach to providing a GPG is the level at which the underprovision or underuse needs to be resolved. The production of a GPG can depend on the largest or best contribution (*best shot goods*), which implies that expertise should be pooled, or the smallest contribution (*weakest link goods*), which implies that assistance should be coordinated and focused. For other GPGs, efforts from partners contribute more or less proportionately to produce the GPG (*summation goods*) or the efforts of some have slightly more influence on the outcome than the others (*weighted sum goods*).

8. The provision of GPGs requires *core* and *complimentary* activities. Core activities include actions and funding which occur at the global level. Actions may include putting in place and coordinating taxes, levies, incentives and subsidies or co-ordination mechanisms and partnerships which bring global actors together in order to achieve synergies or cooperation. Funding will usually be required for these actions but in addition, global pooling of funds may take place in order to fund actions at the international, regional or national level. Pooling of funds may be necessary for summation goods so that funds are available and their use co-ordinated so that all countries can make an equal contribution to achieving the GPG. The Global Environmental Facility (GEF) is an example of this. Pooling of funds may also be necessary for 'best-shot' goods such as research, so that funds can be directed at the efforts most likely to achieve success and so that these efforts can be co-ordinated. The Consultative Group for International Agricultural Research (CGIAR) is an example of this.

9. Complimentary activities are those that take place in-country. They can either be required for the consumption of a GPG (e.g. building a functioning health system is necessary to be able to benefit from vaccine development; education and communication and information technologies are necessary for the consumption of knowledge) or production of the good (e.g. carrying out vaccinations helps in the production of the eradication of communicable diseases). Often complimentary activities also provide national public goods.

10. Problems in discussions of providing GPGs often arise because this distinction between core and complimentary activities does not align itself clearly with the difference between funding and activity at the global and national levels. In addition, discussions tend to focus on the GPGs as the outcomes, rather than global action and funding (often for GPGs) as a way of achieving poverty reduction. For this reason, this paper suggests that DFID focuses on the level of global action and funding necessary to produce development outcomes (rather than considering the level and balance between core and complimentary activities in producing a GPG).

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Problem with current resource allocation processes to GPGs

11. There are problems with undertaking global actions and funding. There is no supranational government to act as a convenor and to put in place funding mechanisms. The current system of global governance is relatively weak and uncoordinated and has varied levels of representation. The traditional system of official development assistance (oda) is built around assistance to individual countries. This is particularly the case for loans, which need a relationship between the World or Regional Banks and a sovereign state. To date global actions and funding have tended to occur on an ad hoc basis, based on history, in response to highly visible emergencies (such as HIV/AIDS) or as a result of catalytic actions by philanthropic organisations.

12. In addition there is a problem in identifying global action and resourcing which is inherent in GPGs. Individuals and therefore usually countries have an incentive not to reveal their preferences for GPGs. Summing up preferences in order to define optimal provision is therefore very hard, described in the recent UNDP study as a 'Holy Grail' (Sandler in Kaul, forthcoming). The process to date has combined some technical analysis with political bargaining. As a consequence UNDP has been calling for a more participatory approach to decision making around GPGs.

13. UNDP has been carrying out work for over 5 years into GPGs and seeking to encourage greater international analysis and coordination. In the last year or so international interest has increased. For many, including developing countries, financing of GPGs was high on the agenda at the Monterrey Financing for Development Conference. The World Bank has been discussing criteria for assessing their allocation of funds to GPGs over the last couple of years and OED is mid-way through a major review of the impact of GPG funding ('The World Bank's Approach to Global Programmes: An Independent Evaluation'). Among bilateral donors Sweden and France have taken a strong interest in GPGs and in July 2002 joined with UNDP in encouraging the EU to coordinate analysis and decision-making.

14. However, to date DFID has not been very engaged in this debate. At the Financing for Development Conference, the UK took quite a strong line against the drafted recommendations that GPG funding should be additional and provided from sector ministries and that priority GPG actions should be identified. The UK argued against significant investment in GPGs, on the basis that it could adversely affect the distribution of concessional flows between low and middle-income countries. It may be that DFID's unwillingness to get closely involved in GPGs is linked to the problem of many discussions to date being about GPGs as the outcomes, rather than global action and funding as one instrument in achieving development outcomes.

15. DFID's decisions and engagement on global action and funding have been made on a case-by-case basis. This is in line with the approach suggested here. However, the approach used has not been systematic and lessons learnt have not been shared across sectors. In some cases, global

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action and funding has been the more the result of political negotiations (e.g. GEF and Montreal Protocol) or historical trends (e.g. DFID's research budget) rather than linked to an assessment of impact on the MDGs. In some cases there has been a disjunction between central and country activity, so that global actions and funding have been seen somewhat in isolation from the range of instruments available in country for achieving a development outcome (as noted in the Research Policy Study).

16. DFID has not engaged in efforts for a wider international discussions about which development outcomes require global actions and funding and how these global activities might themselves be coordinated or rationalised.

What are DFID's objectives regarding GPGs?

17. The Millennium Development Goals (MDGs) provide clear objectives in the area of widely communicable diseases (Goals 6 & Target 17), the global environment (Goal 7) and the international trade system (Target 12), all of which require global action and funding. The objectives are less clear in the case of research (Target 18 is focused on ICTs) and international financial stability.

18. The International Development White Papers set out broad commitments that are based on there being a link between global action and funding and poverty reduction. The first White Paper commits the UK to protect the global environment, ensure that trade policies are consistent with sustainable development, contribute to the prevention of conflict, encourage financial stability, reduce the suffering of the poor from communicable diseases and invest in research and research capacity. The second White Paper concentrates on the UK's objective to strengthen the GPG of the international trade system, particularly the ability of developing countries to participate in this. It discusses the issue of GPGs (box 14), but does not offer any broad policy direction.

19. DFID has made no statement of its policy regarding relative allocation to global action and funding. Unlike the French Government and others DFID does not argue for an increase in spending on GPGs per se on the basis that it can legitimise maintaining/increasing development spending in the eyes of the electorate.

20. This study assumes that the objective of allocating to global actions and funding is the same as the overall objectives of DFID, namely the achievement of the MDGs and the DFID Public Service Agreement targets².

Study approach

² This study focuses on the achievement of the MDGs. Further analysis would be required to examine the impact on PSA targets, particularly the target for 90% of funds going to low-income countries by 2006. The focus on supporting the achievement of development outcomes, rather than providing GPGs as ends in themselves, should mean that global action and funding should not unduly distort spend in favour of middle income countries (as DFID feared prior to Monterrey).

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21. The study started by identifying key development GPGs, on the basis of matching the MDGs with GPGs. This led to the identification of knowledge generation and dissemination, communicable disease eradication, the global commons, a free and open trade system, and international financial stability. A decision making process for allocation to GPGs was developed on the basis of aid effectiveness and GPG theory. This was tested on case studies carried out on the five GPGs identified (see Annex 1 for the Case Studies). Problems identified with the initial approach were fed back into its development.

22. The focus of the study was on developing transparent criteria for *allocation of funds* to GPGs (and later global action and funding) and seeking where possible to make the analysis comparable with other workstreams. This led to an attempt to develop as quantitative an approach as possible. The focus on funding also meant that the study did not pay much attention to issues such as the need for better global decision making and governance structures or the possibility of developing better mechanism for global action and funding. It does not look at the problem of ensuring that a global decision-making and delivery system does not cut across the PRS principles of country-led decision-making and budget management.

23. The study also focuses on how to make decision between global and national action and funding. It does not focus on decisions between global action and funding for different development outcomes, on the basis that this is a different question (of prioritisation between development outcomes). It does consider prioritisation of the role of international oda and DFID funds within global action and funding.

24. Consultation for this study included meetings and sharing of papers with key stakeholders in DFID, counterparts working on GPGs in UNDP, the EC and the World Bank and academics working on GPGs³.

25. The analysis on knowledge creation and dissemination draws on the DFID-wide Research Policy Study⁴, which was subject to wide-ranging consultation with all stakeholders in DFID and over 50 external suppliers of research. Other GPGs were analysed in short case studies (see Annex 1) carried out in the second half of July by or for the relevant departments in DFID dealing with the GPGs⁵. These have been subject to far narrower

³ DFID staff included the Steering Committee (Barrie Ireton, Mark Lowcock, Adrian Wood); Richard Manning; Chief Advisers and heads of relevant DFID departments (HPD, EPD, ITD, PSPD, APD, ARPD). A draft paper was posted on the Review of Resource Allocation Priorities WebBoard for comments. Other donors included UNDP (Inge Kaul and colleagues), the EC (Andreas Mogni, DG Relex), the World Bank. Academics contacted were Ravi Kanbur, Cornell; Oliver Morrissey, Adrian Hewitt and Dirk van de Velde, ODI.

⁴ The Research Policy Study was carried out April-Sept 2002 and will go to the Development Committee on 24 October 2002. The study was led by Martin Surr and consisted of internal (Melanie Speight) and external (Andrew Barnett, Alex Duncan, David Bradley, Alan Rew, John Toyne) team members.

⁵ The following people undertook the studies: Health - Health Systems Resource Centre, in collaboration with HPD; Environment - EPD (Paul Steele); Trade - Consultant from DFID's trade panel (Tom Pengelly), in cooperation with ITD; International financial stability - PSPD (Stahan Spencer)

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consultation, given the short time scale, but have been discussed within relevant departments and, in the case of the trade case study has included consultation with other DFID stakeholders and other donors.

Institutional assumptions

26. The following assumptions are made:

- Policy (and International and Regional) Divisions will be able to coordinate with the international community and undertake analysis into the appropriate balance between global/regional and national action and funding.
- The results of this analysis will be considered by Policy Division's Steering Groups and within the PARP processes for International and Regional Divisions, before being presented to the Management Board during the RAR
- Policy, International and Regional Divisions will work closely with each other in sharing analysis and methodologies, particularly in the case of Policy and Regional Divisions, when decisions on the appropriate level of action and funding are being made.
- Policy Division structure will allow for greater operational links between country offices and Policy Division. This link will also be strengthened in the case of International Division.
- The decision to fund a multilateral institution to undertake global action or for global funding should be taken by the department/column/team with responsibility for the relevant development outcome, in consultation with the department responsible for the Institutional Strategy for the multilateral.
- There will not be a ring-fenced research budget (as recommended by the Office for Science and Technology) but research spend will at least remain constant in real terms (as agreed with the Treasury in the 2002 Spending Review).

Trends in allocation to GPG in past resource allocation rounds (RARs)

27. Aid Framework data shows that DFID's core funding to global actions and funding from programme costs has been increasing since 1997, from around 6-7% in 1997-2000 to 8-9% from 2000⁶. The highest proportion of this spend comes from knowledge generation and dissemination, which represents about 4% of DFID's budget. This proportion has remained relatively constant, with spend in the largest research area (natural resources) staying constant, spend in health research increasing quite rapidly (though projected to decrease in 2003/04) and spend in the other areas (infrastructure and urban development, social science research and education) rising steadily.

28. Some of the growth in proportional spend on global action and funding has come from non-research areas of health (rising from 1.3% of DFID's

⁶ This data is taken from Aid Framework lines and includes policy and regional department and international division spend. It does not include some spending through core funding to multilaterals, since it is not possible to identify the proportion going to global actions and funding.

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budget in 1997 to an estimated 2.6% by 2003/04). In particular spending on communicable diseases has doubled over the period. Rapid increases have also been experienced in trade spending, which has increased 20 fold since 1997 (though it is still a small proportion of programme costs, rising from 0.01% of DFID spend in 1997 to 0.3% estimated for 2003/04).

29. If the 2002/03 proportion of the budget allocation to global actions and funding remains constant, the allocation to global actions and funding under the spending round settlement, would fall from an expected spend of £228m in 2002/03 to an allocation of £224m, before rising to £265m in 2004/05 and £326m in 2005/06.

30. If the percentage increase in allocation to GPGs continues at the same rate in the period 2002/03 to 2005/06 as it did in the four years previous to 2002/03, the total allocation to GPGs by 2005/06 should be £406m. Given the increases over the last four years in health (excluding R&D) spending (an increase of 249%), maintaining this rate of increase would bring health spend up to £165m by 2005/06, bringing it level with research spend. Spending on trade and financial stability would also increase rapidly, given the record over the last four years of more than doubling (see 3rd column, Table 2).

Table 2

£m	2002/03 estimated expenditure	Projection 2005/06 (if current shares by GPG remain constant)	Projection 2005/06 (if percentage increase in shares by GPG from 1999/2000 to 2002/03 continues)
Research	116	166	163
Health (excluding R&D)	66	95	165
Environment	31	45	45
Trade	8	11	18
International Financial Stability	6	9	14
Total GPGs	228	326	406

1. Morrissey et al (2002) have undertaken analysis into the level of complimentary funding to GPGs by the main bilaterals and multilaterals, over time (1980-1998) and by GPG⁷. Their analysis shows that DFID's programme cost commitments to complimentary activities have increased from 0.65% of aid in 1980-82 to 9.32% in 1990-92 and 9.78% in 1996-98.

⁷ Morrissey, te Velde's and Hewitt (2002) in Mody and Ferroni. The study includes international environment, health, peacekeeping and research as GPGs. The analysis is based on the Creditor Reporting System of the DAC. There are major weaknesses with this data. It shows commitments rather than spend, there is a time lag in reporting and donors (including DFID) tend to report poorly.

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Benchmarking

2. There is no benchmarking data available for core activities (global action and funding), since the DAC does not collect this information. Morrissey et al's analysis of the CRS data suggests that between 1982 and 1992 DFID has consistently allocated an average amount of funds compared to other donors and average proportion of oda to complimentary GPG activities, growing at the same pace as other donors.
3. The World Bank (Global Development Finance, 2000) has carried out analysis into the allocation of funds to the GPGs of health, environment, knowledge and peace and security from the 1970s to 1999, which combines staff estimates for core activities with CRS data for complimentary activities. This shows that until recently health made up the greatest proportion of total GPG spending, followed by knowledge. There has been a significant increase in spending on peace and security and a slight increase of spending on environmental GPGs. Health GPG spending increased rapidly from 1990-94 to 1995-98 and then dropped off and knowledge spending has remained about constant. The analysis does not indicate how much of this is driven by changes in core or complimentary funding.
4. DFID's allocation between GPGs on core activities is broadly in line with this overall picture. Spending data from the early 1990s to present shows that funding to knowledge generation and dissemination has stagnated. DFID's allocation of funds to health GPGs rose in the late 1990s, in line with global expenditure, but it has not dropped off in the way that global expenditure has. The World Bank analysis does not look at spending on trade, so there is no way to benchmark DFID's rapid increase (1180% between 1997/8 and 2003/4).
5. There is no benchmarking data for allocation within GPGs. For questions of allocation between activities, benchmarking would reveal little in any case, since comparative advantage at undertaking different activities within multi-donor mechanisms should be of key importance.
6. The above benchmarking data should be treated with caution since not only is the available data weak but it is only useful if we believe that all donors are making allocations to GPGs based on assessments of impact on the MDGs. Benchmarking information also needs to be considered alongside an understanding of the comparative advantages of different agencies, which should lead to different levels of funding.

Links to Running Cost work

7. This paper looks only at programme costs. It will be important to combine this with the work stream on running costs. It is likely that there will be a low running to programme cost ratio in the case of global partnership funds and pure research (in the latter, total-operating costs over the last three years

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have remained fairly constant at around 5% of programme costs)⁸. By contrast the ratio is likely to be high in the case of trade (where running costs have rising from almost nothing pre-1997 to a cost this year of around £1.5m pa) and other co-ordination intensive activities.

8. Analysis of this in the running cost work would allow a more accurate assessment of the marginal impact on the MDGs of DFID allocating to global action and funding and should indicate areas where DFID can spend increased funds without a significant impact on (constrained) running costs.

⁸ Based on returns from research managers for the Research Policy Study.

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Section II: Proposed criteria for RAR decision making

9. This paper proposes that the Management Board assesses bids to maintain or increase allocations to global actions and funding on the basis of quantitative or qualitative analysis based on the following criteria:

Does the development outcome require global action and funding?	1. Technical analysis of requirements for achieving development outcome 2. Level of international agreement between stakeholders
What is the marginal impact on the development outcome of global action and funding?	3. Average impact on the development outcome of \$1 allocated to global action and funding 4. Multiplier for whether impact on development outcome of extra \$ is higher or lower than average (and increasing or decreasing)
Role of international oda and (within this) DFID funding	5. Role of international oda and leverage on non-oda 6. DFID's comparative advantage and leverage of DFID funds on oda funds

Does the development outcome require global action and funding?

1. Technical analysis should include using the definition of GPGs to analyse whether the achievement of the development outcome requires actions and funding at the global level. Almost more important is the political process of identifying and agreeing on areas for global action and funding and mechanisms to be used.

What is the marginal impact on the development outcome of global action and funding?

2. Once a development outcome has been identified as requiring global action and funding, the analysis should look at the relative value and balance of global/regional and national activity. This study suggests an approach for considering the potential impact of global action and funding.

3. Average impact on the development outcome of \$1 allocated to global action and funding: For some existing or planned global actions and funding, assessments have been made of the impact on development outcomes of certain levels of funding. An approximation of the average impact of allocating \$1 can be made on this basis.

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4. Multiplier for whether the impact of an extra \$ would be higher or lower than average and increasing or decreasing: Some global action and funding requires a high level of funding which may achieve no impact on the development outcome for a while then bring high impacts all at once (e.g. funding to build a free and open trade system would only bring benefits when all countries have signed and implementation has begun; high levels of funding may be required before an HIV/AIDS vaccine is found, with no benefits until it is). With other global action and funding, funding may produce high and increasing impacts on the development outcome at first (as quick gains are made and investments build on each other), may slow down and level off so that each extra \$ brings a lower and consistent impact and then may tail off when countries do not have the capacity to absorb any more funding or the quickest gains have already been made (an example of this may be funding for environmental protection).

5. Therefore, at a given level of funding, the impact of an extra \$ may lead to less or more than average impact on development outcomes and this may be increasing or decreasing. Combining this with the assessment of the average impact on the development outcome of each \$ should give an indication of the impact of an extra \$ allocated to the global action and funding, at the current level of funding. A comparison of marginal impacts compared to resource transfer/capacity building could indicate where the greatest 'bang for the buck' could be achieved. Efficient resource allocation between global action and funding would be where the impact on the development outcome of allocating an extra \$ to global action and funding would be the same as allocating that \$ to resource transfers or capacity building. The effect of different levels of increases to global action and funding can be tested by looking at different scenarios (for example doubling global funding or increasing it ten-fold).

6. The appropriate balance between global and national funding would need to be considered, based on an understanding of the *relationship* of the marginal returns of each (e.g. what level of national level funding for building health systems would be necessary to gain greater benefits from funding of vaccine development and what level of R&D of vaccines would be necessary to bring greater returns to funding for health systems?).

7. This analysis could be carried out for development outcomes as a whole. However, this may require or be facilitated by focusing on key countries and disaggregating the effect on development outcomes of global and national action and funding.

What should be the role of international oda and DFID funding?

8. GPGs can be provided through a range of funding mechanisms and bodies including market-creation, taxes/fees/levies, corporations (for profit and not for profit), individuals, national governments (developed and developing) or international institutions (IFIs or international organisations and institutions). In order to determine the role of finite international oda in global action and funding, decisions have to be made about the extent to which market-creation, taxes, fees and levies can be used, the extent to which

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public funds should be involved and what part of these should be oda. Bezanson and Segasti (2001) have started to develop a decision tree for this process. However, this needs to be built on and used on a case-by-case basis at first. For example, the extent of leverage by oda of non-oda cannot be applied similarly in each case. In some cases high leverage may argue for high levels of oda because there will be strong multiplier effect. In other cases, it is precisely because the options of market-creation and leverage of private sources is weak that public funds are most important.

9. The decision on the role of DFID funding should be based on an assessment of DFID's comparative advantage and of DFID's ability to leverage in other oda funding (and to some extent non-oda funding, though this should usually be leveraged by the total oda effort, not just DFID).

Use in the Resource Allocation Round

10. Analysis by GPG should be presented to the Management Board in a summary table, as illustrated below, with explaining narrative.

Develop-ment outcome	Global action/ funding required/ agreed	Average impact of \$ on dev't outcome	Multiplier incr/decr returns	Leverage of oda on non-oda	Leverage DFID on other oda	DFID Compar . Adv.?

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Section III: Analysis and Implications

Which development outcomes require global action and funding?

1. An analysis of the MDGs, GPG literature and consultation within and outside DFID suggested knowledge generation and dissemination, communicable disease eradication, protection of the global commons, building a free and open trade system and increasing international financial stability as key development GPGs⁹.

2. Each of the areas identified need global action of some sort because of their GPGs characteristics (meaning that there are benefits either in pooling or co-ordinating efforts or that global cooperation is required to make anything happen at all).

- Knowledge is a pure GPG (though private elements have been introduced through intellectual property rights) and a best shot good. It is undersupplied. The undersupply is far worse in developing countries and around issues which impact on poverty because developing country governments and particularly poor people have so little purchasing power that demand is not strong enough for private sector investment and governments have fewer resources to invest in research. This leads to malprovision, since the majority of knowledge generation is around issues of greater interest to developed countries. Knowledge is also underused due to lack of access, particularly in developing countries.
- Eradication of communicable diseases is a pure GPG. The research element is best-shot and use of vaccines for eradication is weakest-link. Research and development is undersupplied, particularly for drugs which are important in developing countries (the emphasis on R&D for drugs of interest to the developed countries is malprovision). Existing drugs are undersupplied and underused (due to access problems, linked to weak health systems in developing countries).
- Protection of the environmental commons is a pure, summation, intergenerational GPG that is underprovided due to overuse.
- A free and open trading system is a summation good (which is why international co-ordination is so crucial). It is currently malprovided.
- International financial stability has characteristics of a weakest link good (the prevention of financial crises) and characteristics of a weighted summation good (actions by all countries are necessary to prevent crisis being contagious, particularly action by 'systemic' countries). It is undersupplied.

⁹ A separate exercise by the World Bank identified the same five priority areas.

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3. There may be other development outcomes that require global action and funding. For example, it has been argued that the outcome of peace in developing countries requires global action and funding¹⁰. Decision making on which development outcomes need global action and funding should be subject to greater international, participatory decision making¹¹. At the moment this is disorganised and often does not include key stakeholders, such as developing country representatives. It is recommended that DFID invests further in this process, particularly in supporting UNDP in seeing that the process is fully participatory.

How should funds be allocated between global action and funding and resource transfer to/capacity building in developing countries?

4. This section takes a 'top-down' look at global activities and funding on the basis of literature and drawing from some of the evidence in the case studies. However, DFID's total allocation to global actions and funding should be the total of the amount produced by the identification of development outcomes needing global actions and funding and analysis of relative weighting at the global level.

Marginal impact on development outcomes of global actions and funding vs. resource transfers/capacity building

5. Studies on GPGs emphasise that the need for global action and funding is rising rapidly with globalisation. Public goods are becoming increasingly global, as goods, services, people and information move across borders. This suggests that in order to deal with increasing global public bads and the opportunity to achieve global benefits, the international community should increasingly think and act globally concerning the provision of public goods and elimination of bads.

6. Global actions and funding are not keeping up with this increasing need. For those GPGs that need a high investment in order to produce (often very large) development impacts, such as research and building a free and open trade system, global investment is far too low to get near achieve these large impacts. For example, the Commission on Macroeconomics of Health has estimated that the disease specific need for HIV/AIDS, TB and malaria is around \$36 billion. Currently available international resources for the three diseases are estimated at around \$1.5 billion. For GPGs that experience increasing then diminishing returns (such as many environmental funds), funding is at such a low level that returns would continue to increase even with considerable increases in funding.

¹⁰ However, a case study was not carried out for this workstream because most of the activities are regional and these are being considered in workstream 4.

¹¹ The approach of starting from development outcomes and seeing where global actions and funding is required should prevent the idea of GPGs being used to gather global funding for areas which do not have significant development (as opposed to global) outcomes (such as culture) or for areas which do not necessarily require global action or funding but are sometimes described as GPGs (such as education, governance, multilateral agencies or even poverty reduction itself).

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7. Information provided in the case studies on the potential impacts on the development outcomes of global activities and funding show some very high returns in some cases. Studies on research at the sectoral level, whilst complex and depending on some disputed assumptions, show significant impacts of research on growth and poverty reduction. A recent analysis (Thirtle et al, 2002) finds that the cost of lifting one person out of poverty through agricultural research is some \$200 per head (whereas Collier and Dollar's estimates for resource transfers and capacity building suggest a cost of ten times this amount to achieve the same result). The analysis in the trade case study builds on the work of the World Bank to roughly estimate that expenditure of [\$20.5] billion between now and 2015 would reduce the risk of not building a free and open trade system from 90% to 45%. It estimates that if a free and open trading system was built, this would mean that it could cost as little as [\$186] spent on negotiation and implementation of the lifting of tariffs and subsidies to lift one person out of poverty¹². The international financial stability case study estimates that the prevention of financial crises could prevent a 3.4% increase in poverty by 2015. The health case study cites examples such as the basic vaccine programme which already prevents an estimated 3 million deaths worldwide annually and control of communicable diseases which would save 330m DALYs a year by 2010. The environment case study illustrates the importance of maintaining functioning ecosystems by estimating that in some countries 20-30% of the incomes of the poor come from natural inputs other than agriculture (with Tanzania's PRSP estimating this level at around 50%).

8. Whilst the varied nature of the indicators means that it is difficult to compare these figures directly with the impact of resource transfers and capacity building, it is clear that many of these global actions and funding of these GPGs are very important for achieving the MDGs. The Research Policy Study argues that dissemination of existing knowledge is incredibly important for raising productivity and empowering developing countries with the knowledge required to achieve the MDGs. The health case study makes the point that it is highly unlikely that the MDGs 4, 6 and 8 (target 17) can be achieved without new products to prevent and treat the major communicable diseases. The trade study suggests that Goal 8 ('Develop further an open, rule-based, predictable, non-discriminatory trading and financial system') cannot be achieved without increased global funding and co-ordination. The environment study cites research conducted by DFID showing that climate change may affect the achievement of the MDGs and will certainly affect sustaining their achievement in the medium term¹³. It therefore seems likely that in order to achieve the MDGs in the context of increasing globalisation, aid modalities need to move increasingly into global actions and funding.

¹² This is an estimate of oda costs and does not take account of adjustment costs in developed countries, which would be borne by their Treasuries and the private sector. It should also be noted that the World Bank analysis models only a limited global package of trade liberalisation, including tariffs and subsidies but not liberalisation of service trade for example.

¹³ ERM (2002) 'Predicting impact of global climate change on poverty and the sustainable achievement of the MDGs'

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Role of international oda and DFID funding within this

9. The role of international development organisations and DFID will vary according to the type of global action and funding required to achieve the development outcome. Different mixes of actors will be necessary depending on the extent to which putting in place or co-ordinating taxes, levies, incentives and subsidies is required, or there is a need for large public funding. In many cases the public action may not involve development agencies or oda. However, GPGs which are important for achieving the MDGs is likely to involve development agencies and oda¹⁴.

10. The possibility within many GPGs for correcting market failures, creating market mechanisms and entering partnerships with the private sector and non-oda public funding bodies means that there tend to be high opportunities for leverage at the global level. This suggests that there are often important gains to be made by investing at the global level.

11. The high leverage on non-oda funds, combined with the high marginal impact on MDGs outlined above suggests that increasing levels of international oda should be allocated to global action and funding¹⁵.

12. Certain characteristics of DFID suggest that it should have a role in global actions and funding. On the one hand, high leverage on other oda funds should be possible. DFID has good links and credibility with the multilaterals, which are likely to be key convenors (and possibility later, sources) of global funding. This is illustrated by the influence DFID has had on the World Bank in leveraging funding for providing a free and open trade system. DFID has the flexibility to make swift decisions about allocation, so can 'lead by example', persuading other donors to provide funds, as in the case of some of the health global partnerships. In addition, DFID's increasing experience with public-private partnerships may mean that DFID's presence as a funder would increase the leverage of oda funds on private funds¹⁶.

13. Table 3 below shows the attributes that may give an organisation an absolute advantage in global action and funding (starting from the most important)¹⁷. Whilst DFID scores well on many of the criteria, this needs to be taken alongside an assessment of absolute advantage in resource transfers and capacity building. Foundations clearly have a comparative advantage in global action and funding, given their lack of presence in country, relatively large and flexible sums and desire for global visibility. The comparative

¹⁴ There has been much debate about whether oda funding for GPGs is 'additional' to existing oda funding. It was suggested at Monterrey that, unless GPG funding was additional to existing oda, non-oda budgets should be used. However, it is assumed here that oda should be used where global action and funding is important for achieving the MDGs and that this should be combined with non-oda funding to the extent that there are also benefits to Northern countries.

¹⁵ However, this does not address the issue of balance between global and national action and funding, discussed at para 45 above.

¹⁶ At the same time, as a bilateral DFID has a small budget and could not expect to have such leverage, for example in encouraging matching funds, as a larger donor.

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advantages for aid agencies is more complex. IFIs' lack of grant funds suggests that their comparative advantage lies in resource transfers to developing countries (though the importance of grants may change if IFIs re-examine the pricing of loans where there are multicountry spillovers, as the World Bank is already doing). However, the strength of bilaterals in capacity building also suggests that they should focus at the country level¹⁸. DFID has for a while been stressing the importance of participation by developing countries and other actors (including private sector) in decision making. This may suggest that DFID has an advantage in this area, which is important for ensuring fair and effective governance of global action and funding. However, it is clear from this analysis that no agencies in the international development system are well set up for global funding and action. This may suggest the need for institutional restructuring in order to meet this need.

Table 3: Performance against positive characteristics for global action and funding

Positive characteristics	DFID	Other bilaterals	IFIs	UN agencies	Philanthropic Organisations
Grant-making	High	High	Low	Medium	High
Large budget	Low (but rising)	Low (several rising)	High	Medium	Medium
Untied aid	High	Low	High	High	High
Long term, predictable	Medium	Low	High	High	Very High
Flexibility on channels	High	Low	Medium	Medium	High
Multilateral engagement	Medium	Low	High	High	Medium
Facilitate developing country participation	High	Medium	Low	High	Low
Developing country engagement	High	High	Low	High	Low

1. Sagasti and Bezanson (2001) have examined which areas of the GPG delivery system are most effectively provided by which organisations (i.e. which organisations should be involved in which parts of global action and funding and which in national). They suggest that bilaterals should focus on providing the core component of the GPG delivery system (global action and funding), since they have an incentive (through international solidarity and enlightened self-interest), the ability to pay and are more efficient than the UN and regional organisations. They argue that the UN and regional

¹⁸ In addition, some of the factors listed in Table 3, such as long term, predictable untied funding, are also increasingly important in the country context.

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organisations should take the lead in defining and arranging for delivery of the GPG, since they have the political legitimacy, are representative of the diversity of interests that must be reconciled and have experience of consulting with civil society and business. They see supporting the national (complimentary) regional, national and local activities such as capacity building, institutional development, knowledge brokering as mainly the role of developing countries (since they are at the point of delivery) and IFIs (since they are experienced at providing financing to assist this).

2. When this analysis is compared with Table 3 above, current division of funding and the recommendations in the case studies, there are some considerable differences. At the moment the UN and sometimes IFIs acts as convenors and sometimes holders of funds, in the case of health philanthropic organisations have been important catalysts and large funders with bilaterals providing smaller amounts of funds for core activities. The case studies suggest that the IFIs should seek to contribute increasingly to global actions and funding and that bilaterals such as DFID should focus more on working in developing countries. However, this does not match with the current inability of multilaterals to function in this way.

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How should funds be allocated to global action and funding?

3. This section summarises the case studies, showing how the framework developed in Section II above could be used for certain development outcomes.

Knowledge

4. The DFID wide Research Policy Study identifies knowledge generation and dissemination as potentially important for a wide range of development outcomes including:

- Eradicating extreme poverty and hunger: Technology research into improving the ability to produce e.g. agricultural and engineering research; social and economic research into poverty reduction policy
- Reduce child mortality: Research into vaccines for child diseases
- Improve maternal health: Research into vaccines
- Combat HIV/malaria and other diseases: Research into vaccines
- Ensure environmental sustainability: Lack of knowledge (and agreement) about how to achieve this is one of key constraints

5. There are limits to private sector research activities that benefit poor people. The market alone is unlikely to produce the required level of investment in research. Knowledge generation and dissemination requires global action and funding because of its GPG characteristics, described at paragraph 51.

6. Based on a number of assumptions, Thirtle et al (Feb 2002 paper, page 63) estimate that one person is lifted out of poverty by \$180-90 spent on agricultural research. This compares with one person lifted out of poverty by \$2304 spent on IDA funds (based on Collier and Dollar estimates). These numbers suggest that the poverty-reducing payoff to more agricultural research is one order of magnitude larger than to more aid in general.

7. Funding for knowledge dissemination and uptake is chronically undersupplied. The marginal impact of extra funding is impacted most strongly by the level of dissemination and the absorptive capacity of developing countries. The Research Policy Study stresses that increased global funding to knowledge generation should be combined with greater user engagement, building of knowledge and innovation systems in developing countries and investments in dissemination and uptake.

8. Global funding of research should be a combination of public and private investment. The Research Policy Study argues that more could be done to create markets and provide incentives for the private sector to invest in generating and disseminating knowledge of importance to development.

9. In terms of who should provide the public funds, criteria for a good provider might include: has sufficient funds, has capacity to manage research (including being an intelligent customer), understands demand for

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development research and is able to promote uptake of the research so that it can have an impact on poverty.

10. Some of the larger developing country governments fulfil to a greater or lesser extent the second two criteria but often not the first two (though this could be achieved with resource transfers to developing country governments for research). Some bilaterals have a better ability to understand demand for development research and ensure uptake than multilaterals, because they are closer to issues on the ground. However, some multilaterals, particularly UN agencies, have greater ability to aggregate developing country demands to regional and global levels and decide where priorities lie. They also have an ability to carry out long-term research (due to lack of short term political horizons) and the advantage of potential coherence of a more centralized research effort (as can be seen in the example of the CGIAR).

11. This suggests that in some cases multilaterals are the most suitable source of research funding. However, much of the funding for this would have to come from bilaterals. There is also a danger that research would become too homogenised if one group managed it. This is an argument for multilaterals leading on certain research efforts but bilaterals having their own research programmes, but the whole being co-ordinated and brought together as part of a single global international effort. Contributions to these efforts from multilaterals and bilaterals would depend on respective comparative advantages.

12. Against the criteria of effective funders, DFID comes out quite well in comparison to other donors. DFID is one of the larger bilaterals in terms of amount of funds in relation to total programme spend (although like for like comparisons are hard to make as a result of the way data on research spend is collected internationally). DFID is recognised as having a good professional staff, which should imply a comparative advantage in terms of being an intelligent funder and customer for research. DFID has a large enough programme at the moment to have experience in managing research (although the Research Policy Study has made a number of recommendations about the way DFID research and the management of that strategy can be improved). The Research Policy Study also notes that at the moment, although some evidence of positive impacts exists, there is insufficient verifiable information on the overall impact of DFID's research programmes. It argues that DFID should increase funding to and improve its efforts in in-country activities of user engagement, dissemination and uptake and developing country capacity strengthening, which in the past has been underfunded and often bolted on to research generation activities in an ad hoc and unsatisfactory way. Overall, it recommends that DFID increase funding to research, with current levels providing the floor and maintaining a constant proportion of oda representing the upper limit of increases¹⁹.

¹⁹ The Research Policy Study Steering Group considered that a 43% increase in research funding over the next 3 years may be too much, in terms of managing research and maintaining the quality produced.

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13. DFID's leverage on other oda sources is in many cases currently weak, given DFID's focus on bilateral funding of research. The Research Policy Study argues that in some cases (e.g. agricultural research) DFID's leverage could be increased by increasing the proportion of funds directed through multilateral channels and by building on experience in partnerships with the private sector.

Health

14. This case study outlines the degree of under financing and supply for health global public goods. It quantifies the high poverty impact of investing in these GPGs and the relationship between this investment and progress towards the MDGs. It discusses why innovative mechanisms are needed to deliver GPGs in this area and the comparative advantage of DFID in financing and influencing these agendas.

15. Health GPGs have been categorised according to 1) Pure global public goods such as knowledge generation, disease *eradication* and R&D into new technologies and medicines that related to poverty reduction, 2) control of major communicable diseases of poverty that have high cross boarder externalities, and 3) international normative standards and guidance carried out by international health organisation such as WHO and UNAIDs.

16. Evidence from the commission on macroeconomics demonstrates that the high burden of disease in developing countries is slowing economic growth and worsening poverty levels. Some examples of impact include investment in control of communicable disease of poverty that directly relates to MDGs 4,6 and 8. Examples of under-financing and undersupply are the estimated need in this area of \$36 billion between 2002-2005 to meet the MDGs while currently available resources for the three diseases are estimated at \$6 billion for this period. Lack of investment into R&D into new medicines and technologies is estimated to need \$1.5 billion annually. Current investment is about \$150 million. Without this investment drug resistance and emerging strains will result in very few effective treatments for HIV, TB and Malaria in the near future with direct impact on the attainment of MDGs.

17. The mechanisms developed have varied according to the nature of GPG. The case study argues that public-private partnerships for R&D are bearing fruit where traditionally the private sector could only be expected to contribute to the costs of GPGs in relation to expected commercial returns from the R&D product. It notes that direct multilateral investment, although more traditional, has been most effective in GPGs of normative standards and guidance for health. Communicable diseases partnerships have been instrumental in controlling conditions exacerbated by cross border spread and globalisation. Innovative funds have been established and international systems for differential pricing of medicines proposed to address issues of commodity security that could not be addressed adequately by individual national governments.

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Environment

18. The case study on environmental outcomes identifies four areas of global action and funding as necessary for achieving environmental development outcomes: climate change mitigation, maintaining a functioning ecosystem, maintaining acceptable levels of environmental hazards and having an effective environmental system for dealing with global environmental issues.

19. Impacts on poverty are illustrated by increases in malaria and people affected by flood and decreases in agricultural yields in the tropics and subtropics as a result of climate change. Allocations to global environmental actions and funding have an accumulative impact on poverty. The case study does not comment on the absorptive capacity of developing countries to implement environmental change or the necessary balance between global and national action.

20. The study concludes that the greatest impact on poverty reduction can be achieved through funding to climate change mitigation and maintaining a functioning ecosystem. It also suggests that DFID's role should be greatest in these two areas. In the case of climate change it argues that bilaterals and DFID have a comparative advantage in working closely with developing countries and balancing the costs and benefits for them of moving to a low carbon future. In the case of maintaining a functioning ecosystem it is argued that DFID has a role, given its close engagement with developing country governments, in ensuring that issues of ecosystem degradation are taken into account in their poverty reduction strategies.

21. The study suggests that maintaining acceptable levels of environmental hazards has a lower poverty impact and that no additional support should be provided other than that through the GEF, in which this lower priority is reflected. Having an effective environmental system for dealing with global environmental issues is also seen as relatively less important for poverty reduction, but DFID should keep its low cost engagement with this because of its role in ensuring that national processes are not undermined (ensuring that there is not 'malprovision' of the GPG).

22. The study recommends that there should be no significant shifts in DFID's allocation to environmental GPGs, since the priorities identified by the analysis are largely in line with the priorities reflected in current spending. Any increases in spending should be to the Global Environment Facility, because it has strong leverage (every £1 from DFID leverages an additional £2 of resources - largely oda, with some private sectors) and is prioritised according to poverty impact.

Trade

23. In order to reduce the risk of not achieving a free and open trading system from 90% to 45% this case study argues that funding would be needed at the global level for the operation of the WTO (largely non-oda), policy research, advocacy and co-ordination and at the national level for

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building capacity in and support for developing countries to engage in negotiations and financial costs to developing countries of implementing WTO agreements. It argues that all actions are necessary for reducing the risk of not achieving a free and open trading system and therefore prioritisation cannot take place between national and global actions and funding.

24. The study argues that there is a need for oda funding to ensure that the system is open and fair and that there is not malprovision. Increases in funding for the production of a free and open trade system are recommended since reasonably high levels of funding are required to get a positive impact on the MDGs, this is very time sensitive given the launch of the Doha Round (the case study suggests that significant investments are required in the next three years) and low levels of funding could lead to malprovision, with potential consequence of large increases in poverty.

25. The study argues that DFID has a comparative advantage in financing certain global activities, such as support to developing countries in WTO negotiations (because some other larger donors do not have the freedom to engage in this activity, where it would be inconsistent with commercial objectives). Another example would be research and advocacy designed to influence the EU position in multilateral trade negotiations. DFID already has some leverage, for example in the expansion of the IF trust fund following DFID's leadership role and DFID's co-financing of \$1 in the \$55m World Bank export diversification project in Bangladesh. Increased leverage of this sort may be possible for example through increased co-financing activities in country with the Bank. The study also suggests the possibility of increased allocation of running costs to staffing and training to provide trade expertise, particularly in-country.

Financial Stability

26. This case study argues that global action is required to coordinate standards. It suggests that the greatest contribution to increasing financial stability would be the global funding of national level action of implementation of financial sector strengthening reforms. This is based on the assumption that the lack of capacity to implement reforms is a major bottleneck. The next most important priorities for achieving financial stability are the global level activities ensuring compliance with the Basel Accord (related to good risk management practices by financial institutions in investing countries) and funding to Standard & Codes (S&C) standard setting bodies.

27. The case study suggests that the global level activities of the development of S&Cs, crisis lending and data dissemination should be financed by the IFIs and the standard setting bodies. It argues that the national level activity of financial sector strengthening reforms in systemic countries should involve a mix of developing countries, bilaterals and multilaterals.

28. DFID's funds are currently concentrated in the priority area (through the FIRST Initiative contribution) of financial sector strengthening reforms. It is

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recommended that the impact of this funding is monitored and further decisions made on the basis of this.

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IV: Conclusions

Early conclusions from case study analysis

29. Early indications from the case study work suggest that the international development community, including DFID, should invest more in agreeing on development actions which require global action and funding, identifying appropriate mechanisms for global action and funding (including aligning mechanisms with in-country development processes) and ensuring participation of stakeholders at all stages of decision making.

30. There is a case for increased allocation of international oda to global action and funding in each of the areas examined by the case studies. This conclusion is particularly strongly in the case of knowledge generation and dissemination, given the extremely high returns cited, and in trade, where time pressure is particularly important.

31. There is a role for DFID in each case in global action and funding, though often this should be alongside maintaining a strong role in national action.

Limitations of and lessons from applying approach

32. The case studies started by identifying GPGs and then linking development outcomes to them. Further analysis should start by identifying global actions and funding required for development outcomes.

33. The lack of data and low level of confidence in and comparability of existing data suggests that the process should be seen as more qualitative than quantitative.

34. In many cases the international community and DFID already allocate to global actions and funding. In these cases is it useful to go back over decision-making processes, assess them against the approach suggested here and consider future action in the light of this.

Impact on resource allocation in short and medium term

35. Because of the long term nature of some of DFID's commitments at the global level there is not much flexibility to reduce commitments in the short term. In the case of the Global Environment Facility (GEF) and the Financial Sector Reform and Strengthening Initiative (FIRST), DFID has recently agreed its contribution.

36. The above analysis does suggest some increases in the short term, including in allocation of funds for engaging with the international community on global action and funding and ensuring the participation of developing country and other actors in decision making. It also suggests increases in programme and running costs allocated to trade over the next three years and an increase in research budgets, at a maximum in line with overall budget

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increases. Core funding to UNESCO is queried in this study and it is recommended that further funding is subjected to the suggested analysis.

37. This paper argues that in the short term the proportion of DFID's budget allocated to GPGs should remain at least at 8.5-9%.

38. In the medium term the continued application of the suggested analysis and increased comparability with data on resource transfer and capacity building may lead to increased allocations to global actions and funding, especially as mechanisms become more effective particularly around leveraging in private sector finance. The impact of global actions and funding may also increase as absorptive capacity in developing countries increases as a result of continued resource transfer and capacity building.

Further work

39. The case study analysis carried out for this study was short and exploratory in nature. Over the next year further work would be required in applying the suggested approach to priority development outcomes.

40. This paper also recommends that there is increased engagement with the international community, particularly developing countries, on this issue. This should include considerable further work identifying appropriate global governance and financing mechanisms as instruments in achieving development outcomes.

41. If the proposed criteria were to be used to accurately determine resource allocation, much better data and more in depth analysis into key global actions and funding would be needed. In the short term, the approach is still useful as a qualitative analysis but consideration should be given to whether the international community wants to collect more accurate and comparable data on global actions and funding.