GLOBAL PUBLIC INVESTMENT

Five paradigm shifts for a new era of aid

Focus sector: global health
Traditional view of “foreign aid”

- Half of remaining 32 LICs are likely to “graduate” in next ten years, leaving only fragile states

- MICs will graduate from grants towards blended finance and eventually just private flows

- “Aid” becomes history

- Normal (non-generous) trading relations emerge between countries

“There is basically no role for international development cooperation in middle income countries.”

Paul Collier, author of “The Bottom Billion”
The contradiction...

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* Innovative: e.g. advance market commitments, risk financing

Legend: Up arrows indicate the flow of funds or resources.
What do we hope to achieve?

1. Mobilise larger amounts of the right kind of money to achieve development progress.

2. Halt the negative effects of graduation out of aid.

3. Continue the evolution of North-South relationship in global governance (as southern actors assert themselves more powerfully).

4. Reflect the logic of the SDGs i.e. a holistic system of interdependent areas...

5. Stronger and more sustainable support for long term spending and other forms of development cooperation
1. AMBITION
   From reducing poverty to reducing inequality

2. FUNCTION
   From quantity to unique characteristics

3. GEOGRAPHY
   From north-south to universal

4. GOVERNANCE
   From closed to accountable

5. NARRATIVE
   From charity to investment
**Global Public Investment** = concessional international public finance intended to promote sustainable development. Includes ODA and South-South Cooperation.
Conventional analysis: **Foreign aid** has been primarily intended to reduce and eventually end, extreme poverty. The responsibility of the international community is thought to cease when an agreed minimum threshold of development is passed.

Our proposal: **Global Public Investment** should support attempts to increase equality within and between countries and regions (as well as continue to target extreme poverty). It should also promote sustainability and global public goods. These are long-term ambitions.
Turning “development” on its head

“Development only really begins when extreme poverty is eradicated.”

*Adolf Kloke-Lesch, former managing director at GIZ, Germany*
Function: from quantity to character

Conventional analysis: Foreign aid has been considered necessary only in exceptional circumstances to fill a financial gap, coming to an end when other finances (domestic and/or private) are available.

Our proposal: Global Public Investment has a unique set of characteristics and cannot simply be replaced by other types of finance. It will remain useful (and often essential) for the foreseeable future, despite the welcome availability of other sources of development finance.
Six characteristics of *International Public Finance*

1. **Motivation**: IPF is primarily intended to support national or international public objectives, rather than to make a profit.

2. **Concessionality**: IPF is frequently concessional.

3. **Flexibility**: IPF can be more flexible than private finance, depending on context (it can be counter-cyclical for instance).

4. **Expertise**: IPF is often managed by entities with specific knowledge in supporting development.

5. **Accountability**: IPF should be transparent, open and accountable.

6. **Availability**: IPF is often available when other types of finance are not (e.g. in risky contexts). IPF does not follow changing national public opinion or electoral cycles (in recipient countries).
3. Geography: from North/South to universal

Traditional analysis: Wealthy countries have offered foreign aid to poorer ones.

New paradigm: All countries should contribute to Global Public Investment according to ability, and all can benefit from it according to need.
IPF is important in MICs

“The evaluation [of aid to Colombia] found that in certain fields – such as the environment, institutional strengthening, and productive system support, as well as problems related to the struggle against inequality, internal displacement and human rights violations – the selective use of aid financing, expertise and shared experience was ‘a determining factor in achieving better development results.’”

Wood et al, 2011, Evaluation of Paris Agenda
4. Governance: from closed to accountable

Traditional analysis: Contributions to foreign aid have been ad hoc, and key spending decisions have been made by a small group of countries.

New paradigm: Global Public Investment should be overseen more democratically, through governance processes that respond better to today’s geopolitics, and include civil society.
Traditional analysis: **Foreign aid** is commonly considered a charitable gift to foreign countries. It is seen as a loss in accounting terms.

New paradigm: **Global Public Investment** should be an obligation. It expects a return, but not a financial one: social and environmental impact for our global common good.
AN ANALOGY:

National → Regional → Global public investment
National public investment

Everyone contributes.

But poorer communities/regions make a net gain
Regional public investment

Every country contributes, but poorer countries make a net gain

Even very rich countries receive aid (e.g. Liverpool and Cornwall in UK)

Poland (a HIC) received 2.67% of its GDP from the EU budget in 2017 (EUR11.9bn). It contributed 0.68% (EUR3bn)
Global public investment?
Why might entities in the Global South be interested / supportive?

• As *emerging powers*, seize the agenda and help remake global governance

• As *recipients*, maintain and improve international public funds to support peace and development

• As *contributors*, reorganise global cooperation relationships

• As *patrons of the SDGs*, champion an approach to development cooperation more in keeping with the SDG vision
Radical? Or just a description of reality?

- China, One belt one road
- Intra-regional support (Europe, LAC)
- Global support after the Japanese Earthquake
- Nigeria contributes to the Global Fund
- Oceans/forests/climate finance
- IMF (and China) bail out Europe
- Brazilian breastmilk technology helps Spain and Portugal
- New MDBs
- Major donors returning to MICs
There is more to development than finance...

An enabling global context for Sustainable Development

- Peace and security
- Climate justice
- Technology transfer
- Finance

Fair trade rules
Appropriate public policies
Fair IPR regime
There is more to finance than IPF...

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