GLOBAL PUBLIC INVESTMENT

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Five paradigm shifts for the future of aid

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Focus sector:
global health

EXECUTIVE SUMMARY

The language and theory of "aid" is outdated. But something like it is still needed as the world faces huge communal challenges, new and old. This report sets out a new approach for the 21st century, which we call **Global Public Investment**. We propose FIVE paradigm shifts for the future of concessional international public finance, as we move on from an old-fashioned "aid" mentality:

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**

Some of these paradigm shifts are already underway; others need concerted effort to prod them in the right direction. Theory needs to catch up with reality and the development cooperation sector needs to offer a new inspiring discourse if we are to rally the world's governments and publics to live up to the bold promise of the UN Sustainable Development Goals and build a fairer, safer, healthier, more prosperous world. It is time to write the next chapter in the history of international cooperation for sustainable development, and **Global Public Investment** must play a pivotal role.

> **Global Public Investment =** concessional international public finance intended to promote sustainable development. Includes ODA and South-South Cooperation.

Issue	Paradigm shift	Conventional analysis (20th century)	Our proposal (21st century)	Why is this paradigm shift needed?	How would this play out in practice?
1 **Ambition**	From **reducing poverty** to **reducing inequality**	**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.	**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.	A focus on extreme poverty, while important, has led to a stingy approach to international solidarity, as if the job is done when minimum (very low) welfare standards are met. Tackling inequality and enabling all countries to converge with relatively high living standards enjoyed is a bolder aim, in line with the SDGs. Furthermore, global and regional public goods are moving centre-stage, and will require vast sums of money to achieve.	• Increased allocation of funds to global/ regional public goods. • Re-engagement with so-called middle-income countries (MICs), similar to targeted investments and redistributive support in e.g. EU, India, USA. • Support for major investment projects. • Focus on human rights (incl. racial, gender and economic disparities).
2 **Function**	From **quantity** to **unique characteristics**	**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.	**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.	According to the conventional logic of "aid", countries eventually "graduate" from ODA as other types of finance become available to fill spending gaps. But concessional international public finance, or **GPI**, has a unique set of characteristics and cannot simply be replaced by private or domestic funds. It is the best type of finance for some interventions, not just **filling gaps**, but **overcoming traps** and **promoting global benefits**.	• GPI to support specific areas, such as catalysing developmental policy and strategy, strengthening local civil society, leveraging private finance, developing capacities. • As the need to mitigate global inequality and deliver global public goods won't go away, **GPI** moves **from temporary stop-gap to permanent fixture** in toolbox. • Aid dependency reduced but international support not eliminated entirely; a sustainable level at around 1% of GNI becomes norm.
3 **Geography**	From **north-south** to **universal**	Wealthy countries have traditionally offered **foreign aid** to poorer ones.	All countries should contribute to **Global Public Investment** according to ability, and all can benefit from it according to need.	The arrival of "emerging" donors is shaking up international development for the better. But traditional aid theory has little to say to countries that both contribute and receive cooperation funds, increasingly the new normal. Meanwhile, binary developed/developing characterisations are unhelpful. Today, all countries need support to develop sustainably (financial and otherwise) and all countries, however small, can contribute. Our global challenges require new types of partnerships between new groups of country – **from donor/beneficiary to partners**.	• Poorer countries gradually increase contributions, especially to regional initiatives. • Wealthier countries maintain their redistributive responsibility (building on the Common But Differentiated Responsibilities CBDR model of the climate sector) and exceed their 0.7% ODA commitments • Flourishing of multilateral organisations and banks with broader membership. • Countries do not **"graduate"** when they pass the arbitrary **"middle income"** threshold; their receipts are **"gradated"** according to context.
4 **Governance**	From **closed** to **accountable**	Contributions to **foreign aid** have been *ad hoc*, and key spending decisions have been made by a small group of countries.	**Global Public Investment** should be overseen more democratically, through governance processes that respond better to today's geopolitics, and include civil society.	Aid governance is stuck in the 20th century, with a handful of countries taking the major decisions, and civil society largely excluded. Contributions fluctuate depending on "donor" circumstances. Recognising a changing geopolitical landscape means allowing governance mechanisms to evolve and improve. A new system would emphasise more democratic decision-making about the size and purpose of contributions.	• Contribution parameters set and managed by UN members, not OECD. • Regular contributions would be **orderly** (like UN membership fees) **rather than *ad hoc***. • Recipient countries lead spending decisions, making it more effective and coherent. • Civil society moves **from peripheral to central** in governance arrangements. • Mitigation of inevitable politicisation of development cooperation.
5 **Narrative**	From **charity** to **investment**	**Foreign aid** has been considered a charitable gift to foreign countries. It is seen as a loss in accounting terms.	**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.	Words matter. The commonly-used language of the aid sector is outdated, misleading the public and patronising recipients. A new vision for concessional international public finance must be accompanied by a more appropriate narrative.	• Words like "donor" and "aid" replaced by words like "contributor" and "investment". • **Global benefit** replaces **foreign support** as main rationale for development spending. • General publics are prepared for continued support for long-term global objectives.

AN ANALOGY:

National → Regional → Global public investment

While the **Global Public Investment** approach would be new, the concepts involved are not particularly radical; the public already understand the main ones from their own domestic economies. In most countries, there is redistributive **national public investment** i.e. support to less well-off parts of the country, or investment in public goods (such as conservation, national parks, policing and defence, infrastructure). But we don't use the language of donors or charity – it is simply an appropriate way of spending tax receipts.

And the same can be true at the regional level. The European Union has been a pioneer in **regional public investment**. and already ticks most of the five paradigms outlined in this report. Its *ambition* is to "narrow the development disparities among regions and member states"; huge sums of money (in grants, not loans) are transferred from richer parts of the continent to be spent on e.g. infrastructure, job creation, innovation, environmental protection. Its *function* is associated with its qualities, not just it's quantity – why else would money be invested in richer countries, like the UK and Germany, net contributors to the EU budget? Because the modalities matter as much as the quantity. It is *universal* – all pay in, all receive. *Governance* is broadly democratic, with every member country at the table, no matter how small its economy (although you can't eliminate power dynamics entirely). And, as at the national level, the *language* is of solidarity and cohesion, not charity or donors. Similar approaches exist in other regions.

Just as citizens accept the concept of taxation to pay for national public goods, and just as European countries invest regionally for the good of all, so we can develop an approach to support such investments at a global level - **Global Public Investment**. The institutions and modalities will be very different, as will the challenges faced, but the fundamental concept is the same.

FROM CONTRADICTION TO COHERENCE

As the international community seeks to build momentum behind the ambitious Sustainable Development Goals, the question of how to fund them all is at the top of everyone's priorities. In the field of health, the reference sector for this paper, the ambitious idea of Universal Health Coverage (UHC) will require significantly more funding than was ever envisaged during the MDG era. But while all the important documents and conferences still namecheck aid and concessional international public finance, and although aid practitioners are responding in creative ways to a new and rapidly changing context, there is no coherent vision to underpin and explain decision-making.

Embracing this more coherent concept – **Global Public Investment** – will help resolve the contradictions that presently dog the world of international development, and ensure sustained investment in things that matter to the world, including global health targets and UHC. It is only one piece of the puzzle – along with policy change, political strategy and other types of finance – but it is critical nonetheless. We hope this paper, and the advocacy associated with it, will help to:

- *Re-energise* **global solidarity and shared responsibility**
- *Respond* **to the higher ambitions set out in Agenda 2030**
- *Reflect* **the emergence of South providers**
- *Lead* **to stable increases in funding globally**
- *Enhance* **impact and effectiveness**
- *Democratise* **governance and accountability**
- **Garner legitimacy from civil society and governments**
- *Emphasise* **global and regional common benefits**
- *Promote* **a language that is modern and non-paternalist**

The international community needs to break out of its comfort zone. Its responsibility does not come to an end when extreme poverty is eliminated, nor when basic health coverage is achieved for all, nor when countries turn "middle income". It persists as long as there is inequality within and between countries, and as long as international public goods need to be delivered at scale. This is not the beginning of the end for concessional international public finance; it is the end of the beginning.

If you would like to know more you can find the full paper on the JLI website, or contact Jonathan Glennie at *jonathanglennie.work@gmail.com*