



EXPERT WORKING GROUP
ON GLOBAL PUBLIC INVESTMENT

Expert Working Group on
Global Public Investment

Report on Progress

July 2021



Equal



Acknowledgements

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Secretariat: Equal International convened the EWG-GPI in October 2020 and serves as the Secretariat to the EWG-GPI. Equal is a specialist consultancy group that provides high quality global development expertise. Equal aims to advance inclusive development through thought leadership, strategy development, implementation support, research, monitoring, evaluation and learning. Equal supports engagement with and between civil society, government ministries, UN agencies, community groups and the corporate sector. For more information on Equal International please visit <https://www.equalinternational.org/>

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Preface

International cooperation has never been needed more crucial as we contemplate how to secure sustainable livelihoods the world over. But the current system of 'aid' is outdated and ineffective – voluntary commitments alone will never provide enough international public financing to address global crises or reduce poverty and tackle growing inequalities.

The Expert Working Group on Global Public Investment (EWG-GPI) was brought together to provide expert guidance and input into the ongoing conceptualizing of GPI to ensure the approach is technically feasible and politically viable. The EWG-GPI includes representatives from across the political spectrum, from all the world's major regions, from national government agencies, non-governmental organisations, policy makers and community activists, and multilateral bodies – including UN agencies and philanthropic foundations. For more information on the EWG-GPI, please visit <https://globalpublicinvestment.org/who-we-are/#team-member>

We are developing the concept of Global Public Investment (GPI) to make the case that, because of its unique characteristics, international public finance has a critical role in financing the Sustainable Development

Goals (SDGs), tackling the climate emergency, and preparing for the next pandemic. We need a concrete system to fulfil these ambitions through long-term, reliable investment in the goods, capital and infrastructure they require. GPI provides a way for all countries to contribute to, benefit from and jointly manage public funding for global objectives. This is not just about transforming the aid debate: it represents a new approach to fiscal policy for the 21st century.

In the last few years, a growing number of experts, organisations and governments have signalled their support for GPI. In recent months alone, a series of international panels and leaders have called for a system like GPI. These include the International Panel on Pandemic Preparedness and Response (whose findings suggest establishing "a long-term model of formula-based financing for global public goods based on ability to pay") and the International Monetary Fund (IMF) Managing Director, Kristalina Georgieva's, call for "a new Bretton Woods moment" in the way we organise international public finance.¹

GPI responds to these and many other calls. However, important technical questions still need to be resolved, and detailed plans that

¹ IPPPR, 'COVID-19: Make it the last pandemic' (May 2021), available at: https://theindependentpanel.org/wp-content/uploads/2021/05/COVID-19-Make-it-the-Last-Pandemic_final.pdf; and Kristalina Georgieva, "A New Bretton Woods Moment" (October, 2020), available at: <https://www.imf.org/en/News/Articles/2020/10/15/sp101520-a-new-bretton-woods-moment>

consider political opportunities and barriers consolidated into a coherent plan of action. While most people recognise that change is required, and while there are plenty of isolated ideas,² there is still no technically sound and politically viable roadmap that governments, multilateral organisations, civil society and other stakeholders can sign up to. The EWG-GPI was formed in autumn 2020 to provide just that.

This Report on Progress outlines the Expert Working Group's advances to date on the road to GPI. It is informed by eight months of analysis and deliberations. It is not intended to be the last word on the matter – in keeping with the philosophy of the GPI approach, the global public must continue to shape the way GPI is developed. For this reason, even as the EWG-GPI continues its discussions, the Secretariat is establishing a global consultation to elicit the views of a broader range of stakeholders on the future of international public finance. The concept of GPI has already been cocreated through many convenings and discussions over the last few years, both virtual and in person, with many different constituencies and types of organisations. Our global consultation is the latest and most comprehensive example of a commitment to a more democratic vision

for international public finance. As we embark on this next phase of our work, we encourage all sectors of the international community to engage. Following the global consultation, and based on its feedback, we will continue to cocreate GPI, along with concerted outreach and advocacy to secure broad and high-level commitment to GPI.

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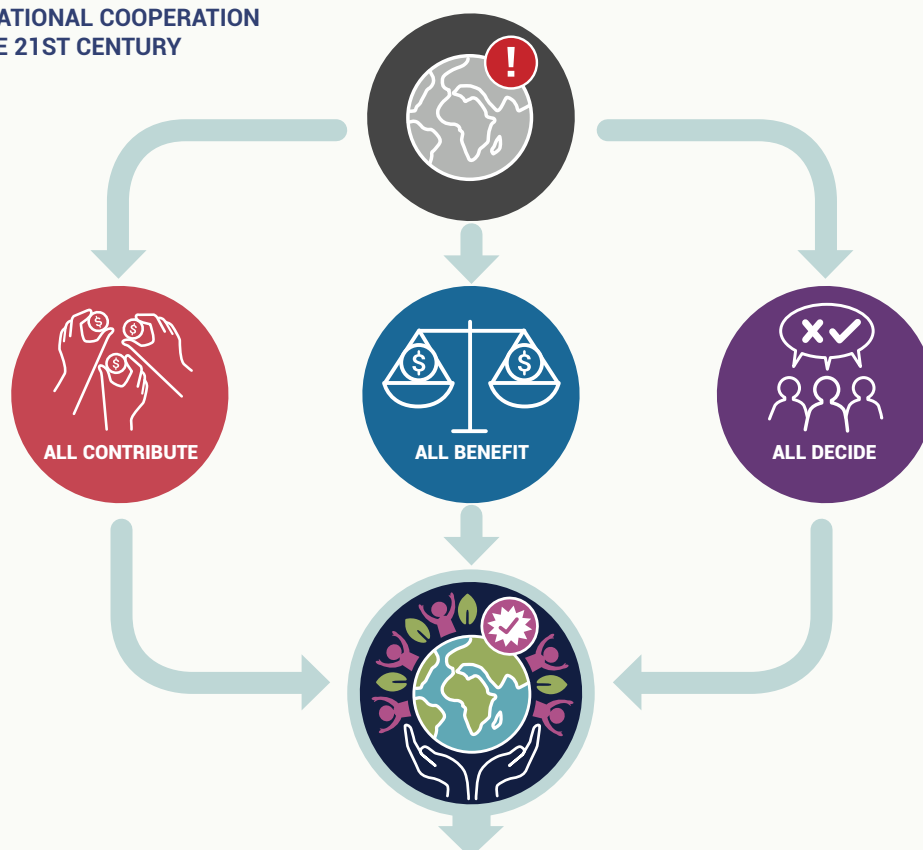
² Homi Kharas and Meagan Dooley, 'Debt Distress and Development Distress: Twin Crises of 2021', Brookings Global Working Paper No.153 (March, 2021), available at: <https://www.brookings.edu/research/debt-distress-and-development-distress-twin-crises-of-2021/>; and M. Manuel and C. Manuel (2018) 'Achieving Equal Access to Justice for All by 2030: lessons from global funds', available at: <https://odi.org/en/publications/achieving-equal-access-to-justice-for-all-by-2030-lessons-from-global-funds/>

1. Why we back Global Public Investment

Global Public Investment (GPI) is intended as a flexible funding vehicle for a range of publicly desired outcomes that are structurally prone to undersupply in the current international financing landscape. There have been moves in this direction in many contexts already.³ What has been lacking is a coherent attempt to synthesise these approaches.

This approach to international public finance for the 21st century represents a new way of collectively financing sustainable development, securing global public goods, services and infrastructure, and protecting the global commons. Finance is only one part of the jigsaw, but it matters. The GPI approach moves us beyond a system where we pay for these things via limited, fragmented, and often bilateral assistance, to a system based on co-responsibility and diffuse reciprocity. All countries would contribute on an ongoing basis via a fair-share arrangement, and all would have a say in how the money is allocated – via grants or low-interest loans. Global Public Investment means that *all* benefit, *all* decide, *all* contribute.

FIGURE 1: A NEW APPROACH TO INTERNATIONAL COOPERATION FOR THE 21ST CENTURY



³ A still-pertinent overview can be found in JM Severino and O. Ray, 'The End of ODA: The Death and Rebirth of Global Public Policy', Center for Global Development, Working Paper No. 167 (March, 2009) Available at: https://www.cgdev.org/sites/default/files/1421419_file_End_of_ODA_FINAL.pdf

Historic opportunity

As the Covid-19 pandemic continues, the world is still struggling to find the necessary financing to ensure all countries can respond effectively. Nobody can say that the status quo is delivering what the world needs. Even before Covid-19, economic marginalisation in almost all countries had led to a resurgence in us-versus-them nationalism and big questions were being asked about the future of multilateralism. At the very moment we need a better way of cooperating internationally, our capacity for doing so may be at its lowest ebb since the end of the Cold War. Global Public Investment is the right idea at the right political moment.

It has historically been hard to have a serious discussion about how a more coherent system of international fiscal cooperation would look. Any such debate has been hindered by:

- a) concerns over the historical undesirability and infeasibility of 'global taxes'.
- b) an uncondusive political discourse, since around the 1970s, on global economic cooperation.
- c) the lack, until relatively recently, of a widely felt sense of urgency about the need for such a conversation.

Today, we must view all three aspects of this reluctance differently. First, the longstanding belief that nations will never share their fiscal sovereignty or pool fiscal resources is increasingly out of date. There are many ways nations share public revenue with others, from membership dues in international organisations, such as NATO, to the long-term commitments of partnerships such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), which includes many poorer countries as contributors.⁴ Now, more serious consideration is being given to a global minimum tax on multinational corporations than in decades, while the US has given its support for text-based negotiations of a possible TRIPS waiver at the World Trade Organisation.⁵

Second, the world is rethinking neoliberal economic discourse. This narrative has long sought to limit the capacity of the state to influence social outcomes by prioritising individual freedoms over social protection and social production networks and has been widespread across liberal democratic societies in recent decades. Since the 1980s, almost any effort to focus economic policy-making on investment and shared benefits, rather than fiscal rectitude and the defence of property and affluence, have struggled

4 See Frankman, M. J. (1996). 'International Taxation: The Trajectory of an Idea from Lorimer to Brandt', *World Development*, 24(5), 807-820 and Bird, R. (2018). 'Are Global Taxes Feasible?', *Int Tax Public Finance*, 25, 1372-1400.

5 New York Times, 'US Backs 15 % Global Minimum Tax to Curb Profit Shifting' (20 May, 2021) and Cody Kallen, 'Effects of Proposed International Tax Changes on U.S. Multinationals', *Tax Foundation Fiscal Fact* no 761 (May, 2021), available at: <https://files.taxfoundation.org/20210427161012/Effects-of-Proposed-International-Tax-Changes-on-U.S.-Multinationals.pdf> ; the TRIPS Waiver proposal can be found here: <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/IP/C/W669R1.pdf&Open=True>

to gain a hearing and have often failed to heed the differential powers of negotiations among participating stakeholders. But today there is a dawning realisation that the multilateral system itself is in danger unless it better delivers for a larger number of people and supports the building of a fairer and more sustainable system, and that means including everyone in establishing the structures and rules of the international order.

Third, ever since the Global Financial Crisis of 2008/9, and especially now in the context of a global pandemic and national economic and social lockdowns, the huge domestic social and economic costs of failing to address common risks and vulnerabilities – a legacy of the dominance of neoliberal policy-making – have finally been laid bare. With a climate emergency waiting in the wings, biodiversity erosion impacting the future of life on earth, and a pandemic further increasing poverty and inequality, the timeframe for learning these lessons is shortening.

Today, for the first time in decades, the world and its leaders are looking for the sort of joined-up approach that GPI proposes: a way of addressing the ‘collective action problems’ that undermine our ability to properly finance things which, on paper, everybody agrees the world needs.⁶ The cost of collective action is much lower than that of collective inaction.

FIGURE 2: WHY WE BACK GPI



⁶ See, inter alia, Anatole Kaletsky, ‘Europe’s Hamiltonian Moment’, Project Syndicate, 21 May 2020, the G20 High Level Independent Panel on financing the Global Commons for Pandemic Preparedness and Response; and the Finance in Common summit of public development banks. All these high-level groups have outlined the need for a new approach to international public finance. As yet, none have identified a clear answer as to what that approach should look like.

Four pillars

GPI has four fundamental pillars: the four 'C's. Together these pillars extend the unique role of public money to the international scale:



1. Universal and Fair-share **Contributions**: From the limited capacity and out-dated language of the current international order where 'donor' countries give to 'recipient' countries, to an *all-contributor* approach to international public finance and a fair-share arrangement to enable it.



2. Ongoing **Commitment**: From the flawed insistence that countries 'graduate' from international support after achieving a relatively low level of income per capita to an *ongoing* commitment to investing in future prosperity and public returns.

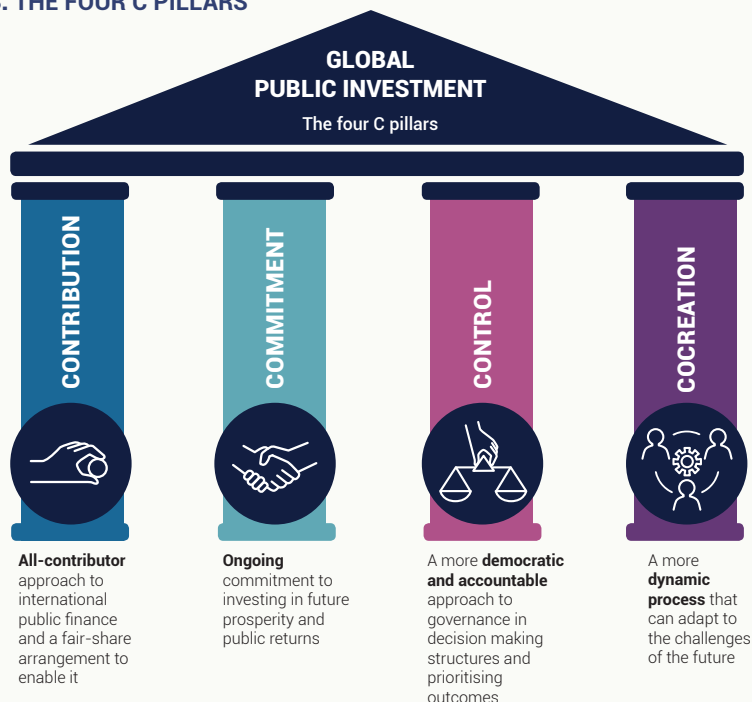


3. Representative **Control**: From the entrenched power relations associated with the current dominant paradigm of international public finance Official Development Assistance (ODA) to a more *democratic and accountable* approach to governance, not just around decision-making structures, but also the type of outcomes prioritised in the first place. Experiences from South-South Cooperation (SSC) could help GPI governance develop.



4. Ensuring **Cocreation**: From a ready-made financing arrangement oriented to yesterday's problems to a more *dynamic* process that can adapt to future challenges, whereby countries co-design impactful solutions relevant to their needs locally and globally.

FIGURE 3: THE FOUR C PILLARS





More money

The most basic reason the GPI option is attractive is its potential to bring additional finance to the table. This is sorely needed at a time when most national governments are taking on more debt. By increasing the overall number of contributors, tied to a fair-share calculation, GPI can raise fresh money, even as it lowers the relative burden on traditional aid donors to cover global common needs. At a nominal level of just one day's Gross Domestic Product (GDP) per year per country, for example (0.28%), GPI could raise \$240bn a year at 2019 prices. A great many countries are already contributing to international public funds: India was a founding member of the Coalition for Epidemic Preparedness (CEPI) and Burkina Faso is a contributor to the Global Fund.

GPI contributions could be tiered according to a nuanced metric of ability-to-pay. A number of accepted burden-sharing approaches already exist to determine the level at which different countries contribute to international schemes. The simplest of these is as a proportion of the Gross National Income (GNI) per capita. But other criteria can be considered too, including more innovative approaches, such as the one deployed by the COVID-19 Tools Facilitator (ACT-A) Facilitation Council, which factors in the openness of a country's economy to globalisation, or approaches that recognise the ability of a country's society to shoulder the contributions required (given institutional quality, for example).



Better money

It is not only about quantity – how much money – but also about quality, ensuring the right sort of money is raised and spent well. During the Great Financial Crisis of 2007/8, governments committed vast sums to the fight to avoid another Great Depression. Not all of it was well spent. As one leading economist puts it, “injecting trillions into the economy will have little effect if the structures they are spent on are weak.”⁷ Governments learned domestic lessons about the need to build back better in the years that followed, but it has taken the coronavirus pandemic for them to recognise that the same lessons apply internationally too. Current estimates suggest Covid-19 has already increased global extreme poverty by about 100 million people,⁸ and this figure will grow unless something is done. Addressing a challenge of this scale requires a well thought through and cooperatively pursued pandemic response architecture, which GPI could provide a platform for.

Increased impact

There is copious evidence that public spending is most effective when intended beneficiaries are fully involved in managing and monitoring it – the basis of the *Paris*

⁷ Mazzucato, Mariana. *Mission Economy* (p. xix). Penguin Books Ltd.

⁸ World Bank; <https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty-turning-corner-pandemic-2021>

*Declaration on Aid Effectiveness.*⁹ The GPI concept has recipient ownership and power-sharing hardwired into it. It cannot be an optional add-on, as it is so often in the aid world. More participative approaches, with power shared between all relevant parties, is not only the way to carry out global interventions if we are to take human dignity and rights seriously; it is by far the most effective as well. The impacts of GPI need to be assessed, not just in value-for-money terms, but in terms of the value generated for society, meaning it would require new assessment frameworks.

Higher risk-envelope

The history of human progress has been based upon taking risks. As a form of public investment, GPI funding would allow investments in risky endeavours, as some ODA has successfully done in the past. Some GPI could be dedicated, by agreement, to 'venture' spending, inspired by the most innovative aspects of private sector investment, especially in research and development (R&D) activities linked to the creation of Global Public Goods (GPGs) and protection of global commons. We will never solve the challenge of climate change or health insecurity unless we are prepared to fund things that are more ambitious and, by their nature, inherently risky from an investment perspective. Indeed, it is a common feature in the history of innovation that while we go about investing with a clear vision of what we think we need as a society, we end up uncovering along the way what we actually need and want but would never have dreamed of looking for.

Longer-term and more robust

GPI financing would allow for greater investment in things requiring ongoing commitments over a longer period, such as infrastructure and public services, both to secure and maintain their operation. The US Biden administration is showing what can be achieved when a government commits to providing a solid public floor for all. But not all countries have the same fiscal space as the US. Too often the reporting requirements and time horizons of existing concessional international public finance, or the need to demonstrate short-term 'results', make these more foundational things – which are essential to the flourishing of all societies – much harder to fund.



Injecting trillions into the economy will have little effect if the structures they are spent on are weak.

⁹ <https://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>



Public money

Structural economic trends combined with a political acceptance of inequality have resulted in a growing concentration of private economic power over the past few decades, in rich and poor countries alike. Today, the value of total consumption available to global publics is limited by the way tax, intellectual property, anti-trust, trade and other laws structure our relationship with each other and the world. These rules have been constructed over the last forty years in ways that foster the concentration of private wealth and privilege. As Oxfam reminds us every year, a handful of people now hold half the world's wealth. These rules also systematically undermine the fiscal capacity of states to allocate resources equitably. But with concerted action we can reconstruct them.

Reprioritising how we spend limited resources also means addressing the institutional arrangements that lock in inequalities (national and international) that arise as a function of past decisions and will persist until we prioritise *public* returns on the investments we make. Global Public Investment provides the blueprint for how we move forward to rebuild the international sphere on behalf of publics everywhere.

Services and infrastructure

Public services are needed because they ensure the provision and maintenance of public goods irrespective of the ability to pay. The public good of global health requires a functioning international health architecture and capable national health systems. Private suppliers may contribute towards this end, but they cannot guarantee it. As one member of the EWG put it: "Public goods, services and infrastructure share similar properties of being (to degrees) non-excludable and non-rivalrous: education may be privately provided, for example, but research suggests that the full social benefits of education are realised only when it is universally accessible and free for all. Over time, some services may themselves even be considered public goods (it is hard to think of the UK's NHS as 'just' a service, for example), and thereby a part of the national social infrastructure. The maintenance of public goods and services creates informal networks of solidarity at all political scales."¹⁰ This combination of public goods, services and infrastructure must be provided at international as well as national levels.

National and international cohesion

Building on 20th century (national) redistribution to 21st century (international) cooperation, GPI offers a way to build social cohesion both within and beyond the nation-state and to reinforce the multilateral system in the process. As the history

¹⁰ Reid-Henry, S. (2019) Global Public Investment: Redesigning International Public Finance for Social Cohesion—A Preliminary Sketch. De Boeck Supérieur | « Revue d'économie du développement » 2019/2 Vol. 27 | pages 169 à 201, p181. <https://www.cairn.info/revue-d-economie-du-developpement-2019-2-page-169.htm>

of the building of welfare states worldwide attests, social cohesion is less a cultural inheritance (the idea that smaller states or societies are naturally more 'harmonious') than it is the product of the quality of institutions and public political relationships. Such institutions and relationships need building. At the international scale, if we can create some form of international fiscal structure in which all participate fairly, we would also be making an important institutional contribution towards greater cohesion between nations. One would not simply be meeting common needs but creating common bonds in doing so. The creation of this added public good of functioning multilateralism provides the basis for economic stability and growth in other areas too. Legal and political certainty make trade and innovation easier to undertake.



Research suggests that the full social benefits of education are realised only when it is universally accessible and free for all.



A response to global ambitions

Our 21st century needs are not always best met at the national level. The past two decades have revealed how national societies are vulnerable to periods of international crisis, especially when infrastructure and public commons are lacking. We also know from the insurance industry that societies – and especially governments – tend to overprice the last crisis and underprice the next one: the one they do not yet see. The pandemic provides a concrete illustration of this point. A more coherent system of international public finance could help avoid this boom-and-bust approach to global crises.

GPI offers a more effective and equitable way of structuring how we prioritise international public needs. By broadening the actors' base and diversifying decision-making structures, GPI makes it less likely we will leave off acting on the next crisis until it is too late. GPI does not in itself seek to solve everything, but it does provide an umbrella for addressing a wide range of issues. Many reform proposals are floating around at present, such as surge funding for climate change, pandemic response financing, global social protection funds and more. Many of these could come under the banner of GPI as a broad narrative for a paradigm shift in how we finance international public needs more generally.

Growing inequality

An analysis carried out in 2019 suggested that an additional US\$400 billion dollars per year will be required to secure the basic needs of the 59 poorest countries in the world in health, education, infrastructure, agriculture, ecosystem services, social protection and access to justice.¹¹ This would not bring countries anywhere close to the kind of living standards expected by people living in wealthier regions. There are also pressing needs in the other 100 or so countries in the Global South, raising this bill a great deal more. Globally, the World Bank estimates that an improbably large figure of US\$2–3 trillion dollars per year is required to achieve the SDGs. The likely failure to achieve this will fall hardest on the world's poorest citizens, who at present also have the poorest access to basic public goods, services and infrastructure out of which resilience is secured.¹²

As these examples suggest, the sheer scale of the challenges confronted by societies today requires the mobilisation of unprecedented levels of finance over the longer-term. That in turn will depend on collective international action and collaborations on a scale never seen before. But the Catch-22 here is that inequality globally and nationally undermines the likelihood of such collective action. That is why we cannot simply tinker with the current system, any more than we can leave this to voluntary commitments, the private sector, or philanthropy alone to each address a piece of the puzzle.¹³ What is needed is even more than a Marshall Plan for the world, because all countries – sooner or later – will need to commit.¹⁴ As the Marshall Plan did, a GPI approach would lead to more public money in the international sphere. But it would also lead to better decision-making and monitoring structures so that money is spent as effectively as possible, covering needs in all corners of the globe.



Inequality globally and nationally undermines the likelihood of such collective action

- 11 Fajans-Turn, V. & Smith, T., 'New Report Estimates SDG Financing Needs for 59 of the World's Lowest-Income Countries', *UN Sustainable Development Solutions Network*, 2019. <https://www.unsdsn.org/new-reportestimates-sdg-financing-needs-for-59-of-the-worlds-lowest-income-countries>, (accessed 1 October 2020)
- 12 World Bank Group, 'The Landscape for Institutional Investing in 2018 – Perspectives of Institutional Investors, an input into the Investor Forum', *World Bank Group*, 2018. <http://documents1.worldbank.org/curated/en/492461543350814564/pdf/132533-WPBackgroundPaperforGIInvestorForumweb.pdf> (accessed 1 October 2020)
- 13 Private sector COVID-19 contributions, for example, represent a small portion of the largely publicly funded response. For a full breakdown, see: <https://www.devex.com/news/interactive-who-s-funding-the-covid-19-response-and-what-are-the-priorities-96833>
- 14 The Marshall Plan heralds lessons, but not uniquely so. Consider, alongside the impact of the US Marshall Plan on post-1945 European recovery and development (see Michael J. Hogan, *The Marshall Plan: America, Britain, and the reconstruction of Western Europe, 1947–1952*) the national planning efforts of Meiji Japan (see K. Shibata, 2008, 'The Origins of National Planning Culture. Building a Nation State, 1868–1945,' Research Papers in Environmental and Spatial Analysis No. 128, Department of Geography and Environmental Science, London School of Economics and Political Science, London, UK).

A global green new deal

The need for sustainable and 'green', rather than dirty growth – longstanding concerns of development policy – have recently become glaring issues of practical and political concern for countries at all income levels. These problems cannot be separated. Suppose industrialised countries are serious about asking poorer countries to keep global CO₂ emissions to a minimum. In that case, they will need to pay for this costly environmental service, a principle established in the Conference of the Parties – COP – meetings on climate change. At present, ongoing discussions are occurring at different levels, from the national (e.g. the US) to the regional (e.g. the EU) to the global, each discussing some variant of a global green 'new deal'. All of them require public investment in green technology and infrastructure that can be shared in an equitable way among all countries. All of them would be easier to achieve with a GPI system in place, since the additional spending could be harnessed more effectively through global concerted action and, in addition, the latter could help address widening inequalities between countries.¹⁵

For example, GPI could help fund the provision of hard and soft infrastructures to support the transition towards a low-carbon economy, redressing energy poverty and the widening inequalities underpinned by the digital, technological, infrastructural and, above all, capability divides across the world. The role of governments in this process will need to be coordinated according to the principle of 'common but differentiated responsibilities', which lies at the core of the United Nations Framework Convention on Climate Change (UNFCCC) and in light of entrenched power asymmetries.

This understanding is reinforced if, for example, the call for a global green new deal is read *in conjunction* with the United Nations Conference on Trade and Development (UNCTAD) critique of the prevailing aid architecture in Least Development Countries (LDCs), and its quest for (i) greater ownership of development strategies and greater representation for LDCs in international fora; (ii) stronger transparency in both traditional ODA and South-South cooperation decision-making and resource allocation; and (iii) greater agency for LDC governments and citizens, including in relation to alignment, additionality and appropriate impact evaluation frameworks.¹⁶

With a climate emergency waiting for us just around the corner, we cannot continue to ignore these lessons. We are entering a new era in history, where our planetary security will hang upon the extent to which we can improve international cooperation to ensure the supply of essential global public goods (such as vaccines in a pandemic), to protect the global commons (such as the ice caps), and to secure the right technology, infrastructure and institutions.

¹⁵ UNCTAD (2017a). Trade and Development Report 2017 – Beyond Austerity: Towards A Global New Deal. United Nations publication. New York and Geneva.

¹⁶ UNCTAD (2019). The Least Developed Countries Report 2019: The Present and Future of External Development Finance – Old Dependence, New Challenges. United Nations publication. New York and Geneva

Funding the Sustainable Development Goals

In September 2015, the world's countries endorsed the SDGs to replace the Millennium Development Goals (MDGs). While the MDGs set goals for poorer countries that richer countries were to help achieve, in the SDGs – for the first time – all countries agreed to work towards a universal set of goals. While extreme poverty is mostly located in the Global South, we find the problems of inequality and unsustainability everywhere. No longer can we talk about one set of countries that is 'developing' versus another that is already 'developed'. All countries are at different stages of their journey towards sustainable development, notwithstanding the huge asymmetries across them. The core SDG principle of 'universality' is embedded in GPI, making it the most appropriate funding vehicle to help achieve the SDGs: with all countries contributing to the public goods and services that underpin global welfare, just as all countries benefit from global prosperity.

Of course, even before Covid-19, the scale of ambition of the 2030 Agenda for Sustainable Development could not plausibly be achieved without the significant contribution of private resources. This point is even more evident in the aftermath of the pandemic. However, efforts to mobilise additional sustainable development finance and shift “from billions to trillions” should not blindly legitimise any form of a public-private deal as a sustainable development partnership. Distinct actors have different interests, power dynamics and accountability frameworks. Accordingly, not all sectors lend themselves equally to public-private partnerships.

Moreover, genuine ownership of development strategies requires a general oversight role for the (publicly accountable) state. The prominence attached to public investment in the global green new deal attests to the pivotal role of the state as 'rule setter' and 'coordinator' as well as 'investor'. The unfolding of Covid-19 responses has again highlighted the significance of this triple role. GPI provides a framework for extending this triple role more meaningfully to the international scale and a definite space for community participation.



While extreme poverty is mostly located in the Global South, we find the problems of inequality and unsustainability everywhere.

Covid-19

The current period of institutional and political rethinking inspired by the Covid-19 pandemic – the World Economic Forum speaks of the need for “a great reset”, for example – provides a unique opportunity to gather momentum behind the paradigm shift in international public finance that GPI proposes. Covid-19 has underscored the profound funding challenges that prevent the international community from securing essential global public goods and realising the ambitions of sustainable development on a global basis. The lack of sufficient pandemic preparedness and current difficulties in ensuring equitable access to limited vaccine supplies have also reminded us that perennial collective action problems undermine the extent to which countries can cooperate to realise global public goods. This further underscores the urgent need for larger and more reliable volumes of international public finance.

In a post-pandemic fiscal squeeze more, not less, multilateral cooperation will be needed. Covid-19 may be uneven in its effects, but it is universal in scope. Disease surveillance and crisis response systems, including WHO, are ‘public goods’ that supersede any one nation’s capacity to secure: they are technically both non-exclusive and non-rivalrous at the international scale. But when such goods are under-funded, they become, in effect, mere club or semi-private goods. Global public requirements in health (for oxygen, protective equipment and vaccines) will only be met by global financing for health that is locally, nationally and internationally sufficient. At present, however, the aspirations and funding shortfall of Covid-19 Vaccines Global Access (COVAX) underscores the limits of our current way of securing that funding. Many (especially poorer) countries will find it hard to secure fiscal resources for public investment in the post-Covid years and may even be forced to cut back on existing public spending plans. International cooperation on GPI might be one of the few ways in which their ongoing progress can be assured in the years to come.



Covid-19 has underscored the profound funding challenges that prevent the international community from securing essential global public goods.



A response to multilateral bottlenecks

GPI has the potential to revitalise multilateralism, revolutionising the outdated, mid-20th century governance arrangements that determine how international public finance is presently managed. It offers a middle path between the complex internationalism of the United Nations (where 'one country – one vote' exists in theory, but often means little in practice because commitments are divorced from the financing needed) and the uneven weighting of voting shares in organisations such as the IMF. It could overcome some of the existing gridlocks in international affairs by creating a forum where all countries find their interests better represented. In reality, there are many different countries, with different interests, developing in different ways. But they are all doing so in the context of a single world economic system, which is why a coherent but adaptable GPI approach is needed.¹⁷

Overcoming fiscal sovereignty

The EWG acknowledges the reality that individual nations are reluctant to cede their fiscal sovereignty (to allow revenue raised at home to be spent abroad in ways determined, or co-determined, by others). However, it does not believe that these barriers, in this age, are insurmountable.¹⁸ The EU is perhaps the best-known regional example of states ceding some of their fiscal sovereignty – some aspects of it work well, while others are contested. But other examples of specific global or regional public good exist too, such as NATO, or the common levies agreed to by members of the African Union and Economic Community of West African States (ECOWAS). Such systems work when there is a recognition of collective benefit, although some countries will probably always carry more weight than others, and this is manageable. Covid-19 has accelerated the recognition of such benefits, but the structures for ensuring them are still absent.

GPI responds to this reality in two ways. First, within a GPI model a nation remains at liberty to decide *how* it meets GPI contributions (whether by adjusting tax rates, levying new wealth taxes, re-allocating sectoral budgets, or through tax credits). In revenue-sharing schemes, the total volume of money/resources provides value-added benefits as well. What matters is power-sharing via fair decision-making structures, which is precisely what GPI would promote.

¹⁷ This was the insight that John Maynard Keynes insisted upon when promoting his idea of an international clearing union: a functioning system must be (near) universal in scope and must adjust to the different needs and capacities of very differently positioned countries. Keynes' idea ultimately lost out to the institutions of what would become an ODA-based economic order of rich countries voluntarily ceding some benefits to others but ultimately benefiting from a system that favoured them most strongly. Today it is clear that this needs to change.

¹⁸ Bird, R. (2018). 'Are Global Taxes Feasible?', *International Tax and Public Finance*, 25, 1372-1400.

Reduced free-riding

A classic problem confronting the provision of public goods internationally is the problem of 'free-riding': the incentive for some not to contribute because such goods are, by their nature, available to all. In theory, this makes it impossible to exclude non-contributors from consuming the goods. In practice, however, many 'global public goods' are not pure public goods. There are grounds for arguing – as demonstrated by Covid-19 – that a (relatively) small 'insurance' contribution to enhance globally-valued goods, services and infrastructure can prove a far better use of money than the trillions required to respond to a global emergency (of which there have been two in the past decade alone: the financial crisis and Covid-19). A GPI approach would also provide 'double benefits' that all countries would benefit from. For example, the realisation of a greater level of international cooperation that can help overcome the incentive to free-ride. The problem of free-riding could be reduced if we consider GPGs and support for development cooperation over a longer time frame than the short-term project cycles emphasised at present.

Fairness in decision-making

One of the key arguments for GPI is its model of universal cooperation and distributional negotiation. Under ODA poorer countries are often required to accept that 'donors' have a larger say than they do in how funds are spent in their territories. The supposed non-negotiable barrier of fiscal sovereignty in fact applies only to the givers, not the receivers, of international aid. While the intention may be laudable, the outcomes are often perverse. Some African countries, for example, have received considerable aid to support HIV programmes, but precious little help in addressing basic health system issues. By ensuring that all nations count as 'contributors', a GPI system would give every nation a meaningful seat at the table to decide how the total pot of GPI funds is spent. This is an approach that has already been shown to work by the Global Fund and the International Solar Alliance, among others.

Giving public representatives a voice is important in a context where the recent trend, has been to move away from national (sovereign) structures towards a less regulated, less accountable system of informal 'partnerships' and governance arrangements that have given the private sector and private foundations an outsized say in how public monies are used. In addition, there would also be systems in place to ensure expertise and legitimacy – be it thematic or geographical. GPI would not simply be a fairer system, it would also be a more effective system, with decisions that are well-informed and well-monitored, with transparency and accountability at its core. This is about equity of voice, regardless of size. Countries and regions should have much more say in how money is spent, and local stakeholders should have greater authority to make decisions about funds coming into their communities.

A global insurance scheme

The pandemic has reminded us that while some countries have social protection schemes that provide their citizens with a measure of insurance against life's ups and downs, no such thing exists at the global level. This means that threats 'at scale' supersede existing institutions' capacity to manage. Committing to a more predictable form of international public finance would save us from the situation that arose in 2020 whereby the UN launched an emergency Covid-19 response fund that some wealthy countries undermined by refusing to pay their fair share.

A new system of global insurance would not replace the need for humanitarianism, poverty reduction or relief work. However, it would allow for the faster and more organised rebuilding of, say, water supplies after an earthquake (a task that presently falls between the cracks of humanitarian emergency response and often much slower-to-respond development aid) or food aid (which has for decades been subject to the whim of commodity prices and rich world economic objectives as much as the actual challenges of poor world agriculture.) It would also mean that when a crisis strikes, there are pre-approved resources in place to address it.



A compelling modern narrative

Global Public Investment is an ambitious and potentially transformative undertaking, but at the same time, it is a simple and intuitive concept. All countries pay in, all receive, and all have a say in how the money is spent. A mechanism that works in the manner outlined in this report would echo many features of fiscal federalism, which most people understand. Take the USA. Just as poorer states, such as Alabama, get more from the federal government, while wealthier states, such as New York, put in more than they get back, country contributions to GPI would be organised in a similar way.

The effort of creating such a framework is long overdue: we have inhabited a globalised world for a long time, but we still lack a globalised system for organising and planning how we spend money on global problems. Imagine a country with no central bank or finance ministry to decide where roads are needed or how to raise and spend the right money on education. The world is not a country, and it has no government – let alone a common fiscal system. Yet as global citizens we are all vulnerable to certain problems that exceed any one nation-state's capacity to address on its own – even the most powerful. We need a more coordinated, fair and effective mechanism for raising and spending public money internationally. This system would support greater equity between regions and countries, no longer accepting a world of haves and have nots, pulling everyone up to an equal standard.

2. All benefit: How could Global Public Investment be spent?



This section outlines the primary considerations in implementing GPI and maps out a pathway to a workable GPI approach. The EWG has considered a number of issues, such as whether GPI funds should be managed through a central fiduciary actor; whether a recipient nation-state could onward grant them to a local public initiative; whether they could be pooled and deployed via multiple regional programmes; how to allocate GPI funds directly to an existing international body, such as the Global Fund; where would GPI sit in relation to the existing international public finance landscape?

As these examples suggest, GPI is not envisaged as an approach to funding purely 'global' scale activity; in fact, it would be quite strongly regional and embedded in national and local spending plans. GPI funds would be channelled towards meeting internationally agreed global public objectives but would be allocated regionally and nationally as well – particularly where the enhancement of national-level public goods, services and infrastructure helped realise wider benefits (through reductions in domestic polluting, for example).

Global Public Goods

In technical terms, GPGs are goods that are both non-excludable and non-rivalrous in consumption: things, such as clean air, that nobody can be denied access to and where one person's use does not, in theory, prevent another's.¹⁹ Already quite large portions of ODA budgets go towards spending on some GPGs.²⁰ In Norway, for example, it is estimated that around one-third of the country's aid budget is already spent on the provision of GPGs, rather than 'development' as traditionally understood. GPGs are an important target area for GPI spending. However, GPI is not exclusively intended to finance GPGs because, technically speaking, GPGs do not include many important areas of sustainable development spending, such as national or regional level progress, or the important category of the 'commons'.

19 See T. Sandler, 'On Financing Global and International Public Goods,' The World Bank, Economic Policy and Prospects Group, Policy Research Working Paper 2638 (July 2001); I. Kaul 'Financing Global Public Goods: What Role for the Multilateral Development Banks,' ODI Report (April 2017). The literature on GPGs and development is vast but until recently has remained largely a theoretical rather than practical discussion.

20 See N. Birdsall (2018) 'On Global Public Goods It's not Big Money but It's a Big Breakthrough', overviewing the World Bank's establishment of a US\$100 million GPG-type window.

Public services, infrastructure and commons

GPI would widen this portion of GPG-related ODA spend to include the protection of global commons – such as fisheries, public services and infrastructure, health, the environment, innovation and knowledge, and social protection. In such ways, GPI would operate as a distinct funding line that can better meet these shared global needs by better defining them, better explaining them to national societies, and better safeguarding public access.

The benefit of this broader approach becomes clear in the context of such life-saving public health innovations as Covid-19 vaccines. Vaccines ought properly to be considered a global public good. But how Covid-19 vaccines are funded at present (including the way they are rendered excludable through intellectual property arrangements) means these ostensibly public goods are in fact rendered as semi-private or club goods at best. This is why we have ended up with a situation whereby countries are hoarding their limited supplies and entering into separate agreements with pharmaceutical companies to secure these vaccines outside of ostensibly 'common' funds such as COVAX. Funding these public goods via GPI would reinforce the public character of the good itself: a GPI scheme would provide both upfront funding, via burden-sharing arrangements and sufficient global buy-in, in exchange for public access guarantees. It would also fund other elements of the vaccine supply chain to ensure that access was equal and that delivery schedules were fairly implemented between and not only within different countries.

The problem is not that public goods go unrecognised within today's complex aid landscape; the majority of earmarked funding channels that already exist (such as the WHO's dedicated fund on polio eradication, the Inter-American Development Bank (IADB) Water and Sanitation Fund, and the Asian Development Bank's Water Financing Facility) usually focus on public good delivery of some sort or another.²¹ The problem is the growing fragmentation of their delivery and the cross-border nature (and scale) of GPG issues themselves. GPI would provide an alternative that could help countries take ownership of their own national policies while also enabling a more coherent approach to meeting larger universal needs.

²¹ S. Burall, S. Maxwell with A. Rocha Menocal (2006), 'Reforming the international aid architecture: Options and ways forward', ODI Working paper 278, p.4

Who is Global Public Investment for?

Most countries in today's world are middle-income countries (MICs) (109 of 195, home to 75% of the world's population and 62% of the world's poor)²² and most still lack sufficient domestic resource mobilisation capability to cover sustainable development requirements. But the gradual transition of recipient countries remains a key objective in the world of 'aid'. As such, when countries move from low-income to middle-income status, the terms of access to concessional finance change.

Given the host of challenges the world will face in the coming years, we need a more appropriate means of allocating international public finance. We should always prioritise the poorest people and countries, so money should not be moved away from low-income countries (LICs) towards MICs. But at the same time, the poverty, inequality and sustainability needs in MICs must be recognised. Under a GPI approach, countries will not graduate. Instead, their receipts would be calculated according to a transparent fair-share arrangement, just as their contributions would. Many factors would be considered in country needs assessments as we move beyond GDP per capita as the main (and sometimes only) measure.

A core funding principle of NATO is that "costs lie where they fall": in other words, beyond basic membership dues, countries that contribute to actual missions cover the cost of those missions. In a not dissimilar way, GPI recognises that needs are met where they arise. In most cases, the most acute need will be located in poorer country settings. But there will also be legitimate reasons for GPI to be used to meet public needs in wealthier countries. Critical to adjudicating which needs are prioritised will be a fair governance arrangement and a clear set of principled objectives to which all contributors agree.



We need a more appropriate means of allocating international public finance.

²² <https://www.worldbank.org/en/country/mic>

The EU offers a useful comparison. Just as all EU members can benefit from the EU's structural and investment funds, according to different levels of need, rich countries could also be beneficiaries of GPI. Take Norway – while Norwegian reliance on oil is a bad thing for the environment, there are policies and institutions in Norway that are helping the world stay within its planetary boundaries, such as the Norwegian Global Seed Vault.

The ability to fund common global benefits, wherever they accrue, and to meet global needs, where they fall most acutely, is one thing that makes GPI more flexible and better adapted to meeting global challenges than ODA. None of this undermines wealthier countries' special obligations to the poor. Nor does it mean that wealthier countries would receive to the detriment of the poor. On the contrary, it would exert greater pressure on existing (and weak) tax regimes that are damaging to the citizens of rich and poor countries alike, and which a growing body of scholarship has shown to be sufficient, in light of contemporary base-shifting practices, to raise the capital that effective public policy requires – even in rich countries.²³ We also know that the rich world's lower-middle classes have been disproportionately exposed to the downsides of globalisation and that this is a significant factor in the political unrest experienced in western liberal democracies in recent years. The solutions to the demands of these citizens do not lie purely within the bounds of domestic public policy any more than those of the citizens of poor nations do.

The devil is of course in the detail of how competing priorities are adjudicated. This is why an appropriately tiered governance arrangement that can incorporate high-level priority setting and more objective, technical delivery is necessary. The critical point is that in every case GPI must conform to the core criteria of being spent on institutions, mechanisms and outcomes that result in public benefits, and that extend to current and future generations.

²³ Zucman and Saez, *The Triumph of Injustice: How the rich dodge taxes and how to make them pay* (W.W. Norton and Company, 2019)

How could Global Public Investment be allocated?

Geographic allocation and distribution

GPI envisages a geographically more *distributed* participant system and a geographically more *representative* power-sharing approach to overseeing that system. This is achieved not only by giving all countries a 'seat' at the table; it also requires enabling stakeholders to be part of decision-making structures at different scales of action. Given the complexity (and sometimes paralysis) of global governance structures, devolving decisions to regional assemblies will be crucial. GPI governance must be inclusive and participatory but also effective and agile; this will require fresh thinking.

In the modern world, it is not always whole countries that need assistance, or that have opportunities for important progress, but particular parts of them. Rather than thinking of the world as 200 countries, it is sometimes useful to think of it more as 2,000 sub-national departments. It may be appropriate to focus a proportion of GPI on some of these sub-national spaces, or on certain regional needs specific to particular areas but that again do not line up within national boundaries, to promote development and secure public benefits at whatever scale they are most needed.

Thematic allocation and priority setting

As with all public spending, GPI would ultimately be spent on fixed capital (new infrastructure), on public services and on transfers, the purpose of which is in accordance with internationally agreed global policy objectives, whether the investments themselves are made at the global, the regional or the national scale, and regardless of which geographical region they are allocated to. The SDGs are the most comprehensive framework of global objectives, but others also exist, such as the Paris Agreement 2015 climate change commitments. Global Public Investment would take these objectives and turn them into concrete programmes of work with measurable outputs in terms of infrastructure, platform technologies, government service provision and more. Where local living standards or infrastructure are below the global mean, countries might rationally agree to help bring those areas up to par with other places. This would be justified since reducing global inequality is firmly in the public interest and more productive economies benefit global trade. Conversely, where global progress on pandemic response requires the development of health and surveillance infrastructure, or distribution of vaccines, it would be rational to prioritise high technology manufacturing in rich and poor countries alike. Organisations such as CEPI are already trying to do this. By laying the foundations for shared and sustainable prosperity, private actors will also see improved and wider opportunities for innovation and growth.

GPI eligibility and compliance

There will be many channels of GPI financing, and GPI funds will be spent in a range of different ways. GPI eligibility will be determined by agreement on issues such as geographical, focus and thematic area, and the prioritisation of public over private returns.

VARIETIES OF FINANCE

As a form of public spending designed to enable cross-border financing of essential public goods, services and infrastructure, GPI represents either concessional (a broad term meaning cheaper than money available on the market) or grant financing. In other words, GPI does not seek a money return on its investment. Exactly as is the case for public spending nationally, the returns on GPI would be social returns, manifested in the realisation of human capabilities and the protection of common resources. In concrete terms these funds would be disbursed via a variety of different spending instruments, including (using climate-related spending in these examples):

- **Categorical Grants.** To be spent on a clearly-defined purpose, for example establishing X% of new construction outfitted with solar panels within 2 years in countries A, B, and C.
- **Block Grants.** Greater discretion in meeting a programme objective, for example, X% reduction in coal energy across a particular economy with discretion over how to achieve this.
- **Formula Grants.** Direct grants at X% for retraining and compensating ALL workers negatively affected by green transition policies.
- **Competitive Grants.** To incentivise certain behaviours, such as research in job-friendly green transition.
- **Subsidies.** Making it cheaper for wind power providers to set up.
- **Pass-through Grants.** Providing direct funding passed through to more local areas on GPI-compliant issues.

Balancing bilateral and multilateral spending

One of the main challenges confronting sovereign donors is that bilateral funding pathways cannot effectively address diffuse *global* problems. But equally, a primary concern for multilateral organisations, which are better positioned than bilateral donors to address those problems, is raising enough money to do their job. GPI brings the best of both worlds together. It would help to provide finance for important objectives that are underfunded because they are neither purely domestic issues nor fall within ODA criteria. Here, GPI would serve to scale up and implement *already* existing international treaties and plans that are not moving due to inadequate political interest and/or funding.

GPI does not mean inventing everything from scratch and would in many cases mean new money flowing into existing arrangements. GPI would provide the means to better coordinate available public finance in pursuit of more concrete international objectives: making possible the sort of 'earth shots' that will be needed if major transnational challenges are going to be solved in a timely and fair manner.



GPI does not mean inventing everything from scratch and would in many cases mean new money flowing into existing arrangements

3. All decide: How could Global Public Investment be governed?



As with any international spending scheme, GPI would mean overseeing limited funds and would require a clear and fair way to set priorities and a considerable degree of international cooperation to coordinate it and foster compliance priority setting. In contrast to ODA, GPI needs to be representatively determined. There exists a wealth of thinking and experience around good governance. This would help ensure that GPI was managed via well-functioning international decision-making fora that can reach decisions, manage disagreements and delegate representatives from all stakeholders, not just national governments. In particular, the GPI model requires a voice for civil society as well as other relevant sector-specific actors. Meaningful citizen voice and participation and social accountability are integral to GPI and not an afterthought. Decisions over funding priorities and oversight could then be relayed to the relevant fiduciary actors for execution. A shift towards GPI is an opportunity to embed greater transparency around what is raised, where it goes and how decisions are made to get it there, as well as the impact it is having. Regional and global independent evaluations of impact must be a core part of governance.

One of the biggest problems with international governance in the economic arena is the lack of effective country and sectoral representation. GPI would involve a more representative decision-making structure, leading to enhanced legitimacy and effectiveness. In the short-term vision for GPI, such principles would be incorporated via tweaks and amendments to existing governance arrangements. In the longer-term vision for a more structured GPI approach, a new institutional arrangement would be needed.

BOX 1: BALANCING TECHNICAL WITH POLITICAL

At the heart of this decision-making structure would be a pairing of political and technical representatives. One idea for discussion that emerged in the EWG is that heads of states/governments/finance ministers would convene to decide which global issues are to be prioritised in any one GPI funding cycle. A redistributive key would then determine which regions of the world this needs to be allocated to, given the particular issues being prioritised. Then a more technical group of experts (from all countries) would take things forward to decide which specific mechanisms and programmes would be needed. The political group would meet less often while technical groups would meet more regularly. Such decision-making processes could operate on a three-year rolling basis. The actual determination of what policies and projects are needed would be devolved to more regular meetings of regional bodies and national governments – all working in a joined-up way. In this way, GPI could make possible, for the first time, long-term planning at the international level with equitable power-sharing mechanisms.

Fiduciary actors

Once funding priorities were settled upon, GPI funds would be remitted via numerous channels and passed through from the global to the local scale. To oversee this, a reputable fiduciary actor (or actors) would be required. In place of a singular or centralised global fund, GPI flows would ultimately be managed at this regional scale and remitted either upwards, to multilateral bodies, or downwards to national governments for onward granting according to agreed priorities. It may be necessary to establish a semi-autonomous entity – an 'International Investments Fund' – into which all countries pay and where GPI principles determine the governance arrangements. A central fund would be essential for the insurance component of GPI.

A key role for the regions

The regional level is increasingly important in multilateralism. With the national too small, and the global often too large, regional level spending can be the best way to match global aspirations to national priorities. The EWG proposes that a substantial proportion of GPI is spent at the regional level in response to agreed priorities and that the practicalities of this be looked into. Doing so would offer a way to further stimulate regional integration, with the possibility that some regions will supplement GPI monies with additional regional monies.

Realising GPI principles in practice will require modifying existing international institutions and perhaps even frameworks. The most flexible arrangement, and the one most likely to ensure country buy-in, is likely to be an agglomeration of regional decision-making entities, at which country representatives can nominate additional representatives to a (new) overarching international board. In this way, the global GPI infrastructure would build on what already exists and add to this only where new governance structures are genuinely required. Either option – building new structures or evolving existing ones – would require culture shifts, and resistance is to be expected, which could hinder the transformational ambitions of GPI, and certainly the pace of change. Political energy will be required.

Monitoring spending and impact

GPI will have to prove that it is more effective than other ways of achieving commonly agreed-upon global ends. That in turn will require consensus on common definitions and ways of measuring progress towards these and a system of surveillance to ensure that monies are managed and spent according to agreed objectives.

At present, international financing for GPGs is not measured and reported in the way that ODA is. It should be and within a GPI framework, it would be. As a recent report puts it, there are good reasons “to count GPG expenditures not least as a tool for celebrating leaders and castigating laggards,” and for this, a “different [new] measure should be developed to capture and celebrate all spending on GPGs including climate mitigation.”²⁴ Funding needs to be radically transparent, including forward-looking commitments, while accountability through independent evaluations will be critical to examine improvements in people's lives – who is benefiting, where and how? Inspiring continued funding means a greater focus on championing stories of impact.

Civil society fully involved

Civil society has played a central role in global development progress over the past 20 years, including advocacy, service delivery, helping people participate in decision-making, protesting, advancing alternatives, scrutinising government decisions and grass-roots organising. Global Public Investment is firmly based on the human rights principle of giving diverse people a voice in the decisions that affect their lives and holding governments accountable for meeting the needs of all people, including marginalised groups. Policies developed with broad participation help institutions provide better services. Advocates detect problems, raise awareness, participate in policy dialogue, contribute to policy solutions, and marshal support (including through litigation) to adopt them.

The GPI approach should recognise explicitly that a vibrant civil society is a vital part of our social fabric, a pillar of our democracies, and a public good to be nurtured rather than repressed. Respect for civic rights, democratic freedoms and an enabling environment for civil society are important preconditions for achieving the goals pursued by GPI. Design processes need to meaningfully engage a diverse range of civil society actors and ensure that some GPI investments are directed towards resourcing civil society infrastructure.

Civil society must be included in decision-making and monitoring processes at all levels of any GPI system from the outset. The Global Fund has spearheaded civil society participation in governance at its Board and Secretariat and the country-level. This has led to greater use of evidence and rights-based approaches to care delivery, increased inclusion of marginalised populations in prevention and health care services, and improved oversight of resource allocation and implementation. On critical matters, GPI could even include carefully designed global citizens assemblies, which experts are beginning to find ways to make work effectively.²⁵

²⁴ Charles Kenny, “Official Development Assistance, Global Public Goods, and Implications for Climate Finance,” CGD Policy Paper 188 October 2020, pp.14–15.

²⁵ See the work by John Dryzek and others on global citizens assemblies: Dryzek (et al), “Global Citizen Deliberation on Genome Editing”, *Science*, 18 September 2020, Vol 367 (6510): 1435–1437.

4. All contribute: How could Global Public Investment be raised?



All of the above assumes that sufficient funds are contributed to the scheme. There are several ways GPI funds can be raised, not all of which are limited to national contributions. In addition, a robust assessment of the potential for drawing upon international taxes or levies and more innovative financing arrangements needs to be undertaken. This section outlines what is at stake in different approaches to funding GPI.

GPI cannot address everything of course; among other things, a fairer international economic system will require new international trade and monetary policies and a new regulatory architecture for managing multinational tax avoidance. But GPI can play a critical role in lubricating these other policy levers and it could also be the first step in shifting an out-of-date economic system that promotes unsustainable growth and inequality of opportunity. There are many contexts where government spending is limited (because poorer countries are unable to borrow in their currencies) or where international spending on widely agreed essential items such as vaccines is prevented by national self-interest (ultimately costing all countries more than if they had been able to cooperate). In these situations, GPI can provide the means to pool such global resources as are needed to overcome these challenges. To do this it must first harness a wider range of ongoing country commitments to the scheme.

Country contributions

The simplest way to source the GPI funds needed to initiate this shift in international economic relations is via country-level contributions, extending the 0.7% commitment²⁶ to all countries, but at a tiered level of contributions. Rather than coming out of existing 'aid' budgets, these funds could be sourced via national treasuries or sectoral ministries with, in theory, each country committing to an annual indexed contribution. Where possible, this could even be written into law as a statutory commitment. However, to avoid some of the challenges with the 0.7% commitment, perhaps percentages should not be fixed, but each country's commitment to a share of the total could be identified in each new spending round. Where countries were reluctant to make such binding commitments, or where international spending needs to be raised via appropriations or other political approval processes, countries could commit to funding each multi-annual cycle contribution in segments (e.g. a 3-year commitment paid in instalments) so that longer-term planning remains possible.

²⁶ In 1970 OECD countries committed to devoting 0.7% of their annual GNI to ODA. More here: <http://devinit.org/wp-content/uploads/2013/08/Factsheet-0-7%25.pdf>

The best chance of securing universal commitments would most likely be to allow countries to find different ways of contributing, as befits their respective national needs and fiscal capacities. There is no reason, theoretically, why countries enjoying monetary sovereignty (rich countries with deep capital markets and their own currency, such as the US, UK, Japan, China) could not simply issue the necessary funds, as G20 nations have done via coordinated stimulus programmes in the past. In theory, Euro member countries, which do not enjoy monetary sovereignty but do share common monetary institutions, could issue such funds as a singular entity via the European Central Bank.



Global Public Investment seeks to solidify the rights and obligations that stem from global shared vulnerabilities and interconnectedness.

For other countries, the standard options of raising funds for public spending would apply with, of course, the usual constraints as well. There are often pressures to cut back on public spending in a downturn, for example, particularly for indebted countries who have borrowed in currencies other than their own. Such measures include raising income, wealth or consumption (VAT) taxes. In each case, countries would decide themselves where the tax burden should fall. For example, increasing attention is being paid to various forms of wealth taxes, some of which involve levying new taxes on currently undertaxed assets – many of which, for being currently undertaxed, entail the recuperation of lost income to the national exchequer. Various proposals on this front have recently been forthcoming within the Organisation for Economic Co-operation and Development (OECD) countries. Piketty (2020), for example, makes the case for a national wealth and inheritance tax that would finance universal national endowments. Much of the wealth from which those taxes would be raised accrues from investments abroad. Therefore, there is also a case to be made that such taxes represent, not just an available, but an *appropriate* source of finance for GPI, since they would be raising money for new global goods by taxing existing global *bads*. Other ways of meeting GPI contributions could include:

- **Allocating money via sectoral/ministry budgets to specific internationally agreed GPI goals** (e.g. that portion of the GPI quota intended for research, development and education can be re-allocated from a domestic education budget. An example of this approach is already being deployed in the way that some countries contribute to CEPI and other global R&D partnerships.
- **Introduction of national tax credit schemes** whereby residents could apply for a tax credit on a portion of their existing income tax that will then be cycled into GPI contributions. Global public investment seeks to solidify the rights and obligations that stem from global shared vulnerabilities and interconnectedness. This could be an appropriate way of demonstrating the individual-level relevance of such a scheme in a way that would generate public support rather than 'donor fatigue'.
- For LICs and MICs with a high debt burden, public revenue for GPI could also be freed up if public and private debtholders were willing – as part of their negotiations on entry – to write down (or abolish) existing debts accumulated in the era of ODA. There is already some experience with such approaches in the form of health for debt swaps.²⁷ Likewise, recent discussions over how to use Special Drawing Rights (SDR) reallocations from the IMF could help free up the fiscal spaces needed for poorer countries to participate in, thereby also gaining from GPI.

From voluntary to statutory

As outlined above, GPI can best be understood as a structured international public finance (IPF) arrangement encompassing – in theory – all nations as contributors as well as recipients to the scheme. Such multi-directional fiscal cooperation is already a concrete reality in various multilateral settings (the regional development banks, mechanisms like the Global Fund, or even fiscal transfers within the EU).

Where GPI differs from some of these schemes is that GPI would fall at the more statutory end of the international public finance spectrum, which includes other forms of fiscal transfer, such as international tax cooperation schemes, the funding of international organisations (UN peacekeeping forces, WHO core contributions), and provisions for IMF SDRs. Parties to the arrangement could be classed as members of the scheme and could be subject to common rights and duties as a result. Sanctions could deal with non-compliance issues, but incentives would be the main driver. It is not only the threat of sanction that brings states to view specific international commitments as compulsory in all but name; the quality and tangibility of benefits accrued from such cooperation are more important.

²⁷ More here: https://www.uhc2030.org/fileadmin/uploads/ihp/Documents/Results_Evidence/HAE_results_lessons/Taskforce%20factsheet_-_global_fund_debt2health_initiative_EN.pdf

International revenue for Global Public Investment

These variously sourced and mostly upfront country contributions would be sufficient to operationalise GPI in the first instance. However, they would be complemented by international sources.

Transnational taxes

Each country's annual contribution can be offset by additional revenue streams derived from, for example, specifically transnational taxes (on international capital flows such as multinational corporation profits, financial and currency transactions, etc). Using the above principle of financing global public goods and other common benefits by taxing associated negative externalities, GPI could also be raised in part via taxes on 'global' private capital movements, with governments using the proceeds to reduce the net value of contributions required. The scale of this offset will vary from nation to nation and depending on which taxes are approved. It would likely cover a more significant portion of a country's total GPI commitment in poorer countries, where such flows are substantial and largely undertaxed. Ultimately, the scale of this revenue stream should be increased year on year. Ideally, it would become more important over time relative to national contributions.

Other sources (such as Special Drawing Rights)

A further additional funding option that might be considered, specifically during the start-up phase of the scheme, would be to further endow a GPI capital base by tapping into a dedicated SDR allocation or other one-off sources of funding (such as philanthropic or foundation contributions). Concerning SDRs, two options exist here (the latter has the virtue of being executable unilaterally):

- A full-fledged SDR allocation specifically for GPI purposes or in which GPI contributions are factored in as part of a general national allocation
- Alternatively, a re-allocation (by leading countries, most likely within G20) of *existing* unused SDRs.

BOX 2: GPI BONDS?

GPI is not 'allocated' bilaterally but rather is collectively overseen in the form of an ongoing series of multilateral flows. Therefore, a proportion of the annual country contributions and other endowments could be held by a common fiduciary actor (such as the World Bank) that could then issue GPI bonds on behalf of this fund, backed by the sovereign payment schedules. In the manner that has been shown to work for social and vaccine bonds (such as the International Finance Facility for Vaccination – IFFIm scheme – for Gavi), this would secure additional and upfront capital from long-term investors (such as pension funds or sovereign wealth funds) as purchasers of those bonds, which could be called SusDevs. Investors would be paid a coupon generated from a portion of each country's annual GPI contributions for their investment.²⁸ The effect of these GPI bonds would be to provide additional upfront capital for GPI financing, ensuring that contributor countries can maximise overall returns from the scheme and provide an additional incentive for participation.

Non-financial contributions

Finally, there are investment elements that are not financial in nature but could potentially be costed and included as part of GPI contributions' overall calculation. For example, various forms of technology transfer (such as that needed for vaccine production) would come under this category if they were made as investments in a country presently lacking such technology, especially where its utilisation would enable broader (global) social returns.

What about private sources of development finance?

Ultimately multiple types of funding need to be maximised if the world is to get anywhere near meeting its current internationally agreed development targets: domestic taxes, private finance, philanthropic funds, remittances, and more. While it needs to work in dialogue with these other sources, GPI is exclusively a *public* financing arrangement. The unique qualities and characteristics of public money at the national scale are thus also respected at the international scale. GPI funds, in that sense, do not seek a financial but a social return; they could be invested over the long term, would be determined via fair and transparent negotiation, and would be publicly accountable. They might well be relatively small compared to national budgets and private sector investments. However, they would have a pump-priming function and help ensure the supply internationally of such public goods, services and infrastructure that private markets are often reluctant to invest in when there is no promise of financial return.

²⁸ Note: It is the *legally binding* commitments of contributors over a long time scale that enables this. The IFFIm facility, to date the only aid-financing entity to secure long-term commitments (20 years) from donors and to garner significant private investment buy-in, was successfully inaugurated with the backing of just 10 sovereign states.

5. Cocreation: A roadmap to Global Public Investment



Since its inception, GPI has been a process of cocreation, from defining the problem that it seeks to address, the principles that it sets out as a solution, and the ongoing deliberations of the EWG to develop concrete proposals for its implementation. Therefore, as highlighted in our first meeting, for the EWG's deliberation to be representative and grounded in reality, a broader segment of stakeholders must be consulted regarding its proposals. To inform the design of the consultation process and the ongoing cocreation of GPI, the EWG conducted a piece of research on best practice in consultation and cocreation that could inform GPI development going forward.²⁹

A commitment to a process of cocreation means a commitment to ensuring *legitimacy* in the policy design process. For this reason, the ongoing development of GPI is intended to encompass iterations of participatory design and validation. This process has already begun with the codesign of the concept and will now move into a phase of consultation with a broader key stakeholder base. The outcomes of this consultation will lead to further coproduction of GPI as a policy regime, especially for the three critical themes identified by the EWG: health, climate change and inequality. As part of this process, there will also be a clear focus on accountability and transparency.³⁰ Ensuring that cocreation for GPI is also grounded in an evidence-based process means that, in addition to legitimacy, the cocreation process can build additional *credibility*. On this basis, a pathway can be plotted to a final report that is both *technically feasible* and *politically viable*.

Processes of cocreation are not without their challenges. Some of these have more of a practical nature, such as knowledge gap, process, technology and remuneration. Others are related more to the political nature of cocreation in terms of gaining trust, power dynamics and government buy-in. At the same time, some of these challenges can be positive for the final outcome, since each of these issues represents barriers which, unless addressed appropriately through practical and power-balancing strategies, will undermine a policy later on. In particular, the cocreation process becomes most robust and effective when a series of relevant principles guide it.

Cocreation is an appealing 'buzzword', but for it to have meaning and legitimacy, it must establish a strong foundation of key principles to guide its implementation. Drawing upon earlier work by organisations such as CIVICUS, the EWG has identified the following as the core principles to inform the cocreation of GPI as an international public policy:

²⁹ The full report this led to can be accessed here: <https://globalpublicinvestment.org/commitment-to-co-creation/>

³⁰ These and other elements of best practice that the EWG-GPI has drawn upon to inform the GPI co-creation process have been derived through outreach interviews with research consulting organisations and experts involved in participatory policy-making.



A consultation process on the GPI report is planned over the next few months, and for it to be successful its scope needs to address the following four cornerstones:

- *Legitimacy*: Be based upon a strategic stakeholder mapping that ensures inclusiveness and representation of allies, opponents and interest groups
- *Credibility*: Grounding its planning and implementation in reality with an evidence-informed process
- *Technically sound proposal*: Strengthen the viability of GPI and its contribution to solving the challenges of people and the planet by seeking inputs from key stakeholders
- *Politically attractive proposal*: Garner support for GPI both through the outreach process of the consultation and through the inclusion of key stakeholder concerns within its design.



Ensuring that cocreation for GPI is also grounded in an evidence-based process means that, in addition to legitimacy, the cocreation process can build additional credibility.

Pathways to change

So how do we achieve a GPI model from here? What do we need to do to facilitate it? What are the next steps, thinking short-, medium- and long-term? There are three main phases on our pathway to GPI.

First, **cocreation**. We need to continue to cocreate the concept such that it becomes, in the words of the EWG Terms of Reference, “a technically feasible and politically attractive proposal”. Of course, even when we have this clear proposal to share, cocreation will continue right up until the final approach is agreed on an international basis, and beyond as it constantly evolves. A global consultation is being outlined at this time where the proposal will be consolidated. Then, a more-detailed GPI co-production process will take place, including dialogue with key stakeholders.

Second, **application**. In addition to the above, there is a need for pathfinder organisations to take a lead. These could be governments, multilateral organisations or other parts of the international cooperation ecosystem, including non-governmental organisations and think tanks. With the concept clear, it needs to be applied. Despite this being a ‘universal’ scheme, GPI offers the flexibility to be adapted in different forms and iteratively. The idea would be for a sufficient number (in practice dozens) of ‘lead’ states to demonstrate the viability and usefulness of cooperation as a first step, and for the laboratory of practice to generate further refinements as the concept spreads.

Third, **agreement**. At some stage national representatives will have to agree to this new framework, having worked out the specific parameters and formulas for themselves. We anticipate that this will take some years, and the effective timeframe is to have a system in place for the post-2030 era. We know that the SDGs will be built upon after 2030 and by then the value of public financing will have become an even more pressing imperative. GPI must be a key component of the financing settlement to fund the post-2030 global goals – whichever precise form they take.

First movers

First movers are likely to come from all sectors of international cooperation. We urge colleagues and organisations throughout the international cooperation ecosystem to be these first movers and encourage the kind of change we need and now have the opportunity to implement. It will be through its gradual incorporation and modification in concrete settings that that we can build a sufficiently robust base for a post-2030 paradigm. The most important steps forward will be changes in structures/governance, and changes in narrative/language.

Language & narrative

First movers will start to use language that reflects the universalism, not just of the goals of international development (as set out already in the SDGs and other international fora), but also in the contributions made to it. This is not a minor issue. Rhetoric and story are usually the first things to change, heralding structural shifts. As long as major players continue to use the old-fashioned and false language of 'aid' progress will be harder, especially relating to public support and political shifts. This new language could go into strategic documents and public communications.

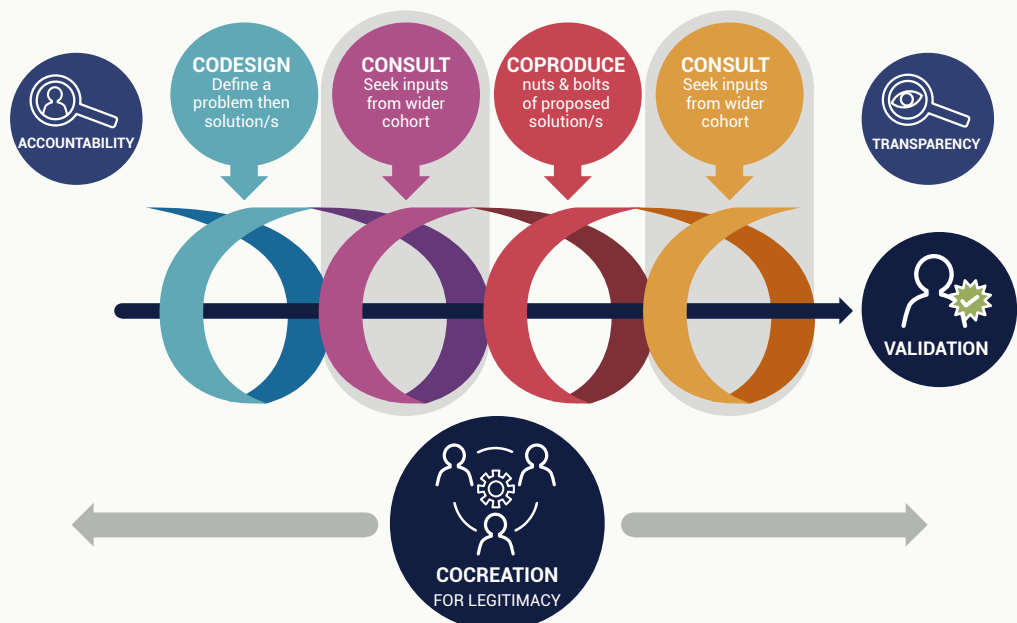
Structures/governance

First movers can change the structures and governance of their own organisation and support the creation of new initiatives and funds that embody the GPI approach. For instance, large aid institutions like the World Bank, regional banks and global funds could begin to reform governance and decision-making processes. And some first movers could also create new funds, such as a clean ocean fund; a biodiversity fund; regional Universal Health Coverage funds; a food security fund.

Public support

As with any new project, public support will be important for its adoption. The history of campaigning suggests that technical or other barriers often fall away when politicians realise that an idea is popular. Organisations with significant interaction with publics worldwide should consider adopting GPI principles to help establish modern approaches to international cooperation and finance.

FIGURE 4: A COMMITMENT TO COCREATION



Annex 1: About the Expert Working Group

The Expert Working Group on Global Public Investment was established in October 2020 to deliberate on GPI's key technical and political questions in order to produce a concrete proposal for its implementation. While the broad outlines of a new framework have been sketched out, the EWG-GPI was tasked with moving beyond principles and envisioning what GPI will look like in practice.

*'The EWG-GPI's overall purpose is: to deliver a **technically sound and politically attractive** action plan for GPI that will garner support across the globe and in various sectors'.*

How was the Expert Working Group convened?

At the core of the EWG-GPI is a concern to ensure that this is not just another 'top down' initiative, devised by powerful interests 'on behalf' of others.

The EWG-GPI includes representatives from across the political spectrum, from all the world's major regions, from national government agencies, non-governmental organisations, and multilateral bodies – including UN agencies and philanthropic foundations. By assembling an Expert Working Group in this way and reporting on its progress here, we open for a democratic and transparent route to international public spending fit for the twentieth century.

Prior to its final publication, a draft of the report will be made available for consultation on www.globalpublicinvestment.org

Plenary meetings

To date, the EWG-GPI has met in plenary sessions four times: October 2020, December 2020, January 2021 and March 2021. In the first meeting, we established the scope and objectives of the group and spent the following weeks honing the areas we were to delve into. In the second meeting, we established several sub-groups to go deeper into key issues – these are described in the next section. In the third plenary meeting, we reviewed progress and agreed on a plan for the consultation phase that would influence the mid-2021 final report. In the fourth, we finalised the consultation materials.

Sub-groups

The EWG delegated a set of sub-groups to delve more deeply into particularly important areas. Some members of these sub-groups are not members of the EWG.

Definitions: This group is elaborating the proposal's definitional components (e.g. what will GPI be spent on, how do we define GPI against other possible approaches (e.g. GPGs, ODA). Among the topics covered were issues of GPI 'compliance' and how to measure it, as well as some of the things that would and would not be counted as GPI. It has also agreed-upon the value of including non-fiscal transfers and the principle of 'Leave No One Behind'.

Governance: This group is discussing core governance arrangements relating to GPI in practice (across regions, countries, organisations, and key sectors like civil society). Discussions have included what should be considered 'core' GPI principles (such as inclusion) versus those that are 'desirable but not necessary'. The group also discussed whether GPI is best described as 'compulsory' or 'voluntary' (recognising that in international politics even compulsory commitments are ultimately voluntary to some degree)

National/regional: This group delves more deeply into what GPI would mean specifically for different country types and regional bodies. What are the benefits of the GPI approach to different kinds of governments/countries? How would a GPI approach enable bilaterals to contribute more and better to global objectives? What steps do bilaterals need to take to further the GPI approach?

Cocreation: To inform the design of its consultation process and the ongoing cocreation of GPI, the EWG conducted research to identify elements of best practice on consultation and cocreation in the international development sector. This rapid research had three components: a desk review of sampled literature; interviews with key informants; a workshop discussion of the initial research findings with the EWG Sub-Group on Cocreation. The key informants included stakeholders who are actively involved with GPI and informants who are not involved in GPI but have expertise in cocreation. Organisations represented in the interviews were: ONE Campaign, International Treatment Preparedness Coalition, UNAIDS, STOPAIDS, CIVICUS, Partners in Health and MASS LBP.

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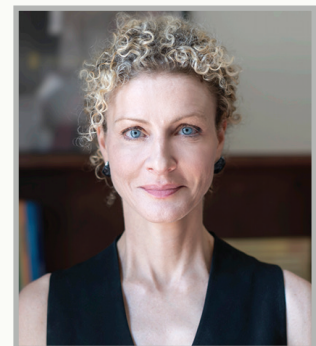
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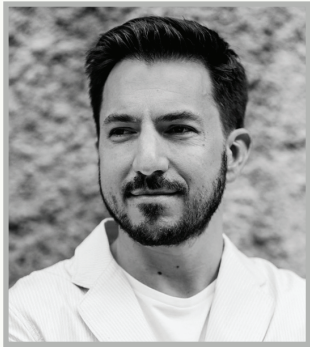
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Annex 2 - Partners and Collaborators

Action for Global Health	Open Societies Foundation
African Centre for Economic Transformation (ACET)	Overseas Development Institute
African Futures Institute	Oxfam IBIS
Agencia Presidencial de Cooperación - Colombia	Partners in Health
BRICS Policy Centre	Queen Mary University of London, Global Policy Institute
CIVICUS	Savannah Accelerated Development Authority
Coalition for Epidemic Preparedness and Innovation (CEPI)	Save the Children
Coalition Plus	Southern Voice
Development Initiatives	STOP AIDS
Development Reimagined	Sustainable Development Solutions Network
Eurodad (European Network on Debt and Development)	The Bill and Melinda Gates Foundation
FORO Nacional Internacional	The Global Fund to Fight AIDS, Tuberculosis and Malaria
Friends of the Global Fight	UNAIDS
German Development Institute (DIE)	United Nation Conference on Trade and Development (UNCTAD)
Global Fund Advocates Network (GFAN)	United Nations Development Programme (UNDP)
Global Innovation Fund	United Nations Economic Commission for Africa (UNECA)
Government of Norway	United Nations University IIGH
Health GAP	Universidad Complutense de Madrid
Health Poverty Action	University of Birmingham
Helen Clark Foundation	WACI Health
International Civil Society Support	Wilton Park
International Treatment Preparedness Coalition (ITPC)	Wellcome Trust
Jindal Global University	
Joep Lange Institute	
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King's College London	
Mexican Embassy in Norway	
National Institute of Public Finance and Policy (NIPFP)	
OECD Development Centre	
ONE Campaign	

