GLOBAL PUBLIC INVESTMENT

Five paradigm shifts for a new era of aid

Focus sector:
global health

Jonathan Glennie, Principal Associate,
Joep Lange Institute
September 2019

Foreword by
Rt Hon Helen Clark

joep lange institute

GLOBAL PUBLIC INVESTMENT

Five paradigm shifts for a new era of aid

Focus sector:
global health

Jonathan Glennie[1], Principal Associate,
Joep Lange Institute
September 2019

Foreword by
Rt Hon Helen Clark

1. Thanks are due in particular to Gail Hurley who is working closely with the author on developing this new approach. Also to Francisco Sagasti, Jose Antonio Alonso and Andy Sumner whose work is drawn on substantially. Special thanks to Peter van Rooijen and Anton Ofield-Kerr who backed this idea. Thanks to Richard Manning, Nilima Gulrajani, Rathin Roy, Alioune Sall, Julia Greenburg, Harpinder Collacott, Thomas Pogge, Guido Schmidt-Traub, Joanne Carter, Mike Podmore, Jamila Headley, Simon Reid-Henry, Gorik Ooms, Lilianne Ploumen, Myles Wickstead, Christoph Benn, David Barr, David McNair, Midnight Poonkasetwattana, Ellen Croes, Khalil Elouardighi, Jamie Drummond, Rita da Costa, Rachel Ong, Pablo Yanguas, Homi Kharas, Ben Phillips, Juan Carlos Lozano for their comments on earlier iterations, and all those present at numerous consultations and presentations. The process of developing the paper has been supported financially and otherwise by ICSS/GFAN, PITCH and JLI. Any errors are the author's own. Contact: jonathanglennie.work@gmail.com

CONTENTS

FOREWORD

While there is much to applaud about development progress, there is also much of concern, not least with regard to widening inequality and threats to our environment. With the advent of the Sustainable Development Goals, however, there is a bold global framework through which to address common challenges and build a coherent response.

An area where thinking and practice in the international development sector will need to evolve is in its approach to "aid". With worrying signs of growing nationalism in many countries, we need to strengthen our discourse of solidarity and shared responsibility. The changing nature of geopolitics is conducive to doing that as the voices of the Global South continue to strengthen in the international arena.

This is the context in which this report proposes a new vision for development co-operation. Building on the best of "aid", it suggests a series of paradigm shifts to modernise our approach. Those shifts include raising ambitions from the level of the MDGs to that of the more comprehensive SDGs; emphasising the unique value of concessional international public finance as a complement to other sources of development finance; recognising the shifting geography of development co-operation to which all the world's countries now contribute one way or another, and suggesting governance arrangements to reflect that. We should also insist on a new narrative to replace the old-fashioned and misleading language of "donors" and "aid".

Many of these changes are already underway, thanks to the hard work and vision of many working in governments, civil society, and international organisations around the world. This report pushes us to go further in redesigning this crucial sector for a new era. Never was internationalism more needed than today. Never have the opportunities been so great, nor the price of failure so devastating. I hope the ideas in this paper will provoke new ways of thinking and contributing which will help us navigate through our present challenges and build a fairer and more sustainable world.

Rt Hon Helen Clark

Patron, Helen Clark Foundation (former New Zealand Prime Minister and former UNDP Administrator)

EXECUTIVE SUMMARY

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

1. **AMBITION**
From **reducing poverty** to **reducing inequality**

2. **FUNCTION**
From **quantity** to **unique characteristics**

3. **GEOGRAPHY**
From **north-south** to **universal**

4. **GOVERNANCE**
From **closed** to **accountable**

5. **NARRATIVE**
From **charity** to **investment**

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

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

AN ANALOGY

National → Regional → Global public investment

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

And the same can be true at the regional level. The European Union has been a pioneer in **regional public investment**. and already ticks most of the five paradigms outlined in this report. Its *ambition* is to "narrow the development disparities among regions and member states"; huge sums of money (in grants, not loans) are transferred from richer parts of the continent to be spent on e.g. infrastructure, job creation, innovation, environmental protection.

Its *function* is associated with its qualities, not just it's quantity – why else would money be invested in richer countries, like the UK and Germany, net contributors to the EU budget? Because the modalities matter as much as the quantity. It is *universal* – all pay in, all receive. *Governance* is broadly democratic, with every member country at the table, no matter how small its economy (although you can't eliminate power dynamics entirely). And, as at the national level, the *language* is of solidarity and cohesion, not charity or donors. Similar approaches exist in other regions.

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

FROM CONTRADICTION TO COHERENCE

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

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

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

Issue	Paradigm shift	Conventional analysis (20th century)	Our proposal (21st century)
1 Ambition	From **reducing poverty** to **reducing inequality**	**Foreign aid** has been primarily intended to reduce and eventually end, extreme poverty. The responsibility of the international community is thought to cease when an agreed minimum threshold of development is passed.	**Global Public Investment** should support attempts to increase equality within and between countries and regions (as well as continue to target extreme poverty). It should also promote sustainability and global public goods. These are long-term ambitions.
2 Function	From **quantity** to **unique characteristics**	**Foreign aid** has been considered necessary only in exceptional circumstances to fill a financial gap, coming to an end when other finances (domestic and/or private) are available.	**Global Public Investment** has a unique set of characteristics and cannot simply be replaced by other types of finance. It will remain useful (and often essential) for the foreseeable future, despite the welcome availability of other sources of development finance.
3 Geography	From **north-south** to **universal**	Wealthy countries have traditionally offered **foreign aid** to poorer ones.	All countries should contribute to **Global Public Investment** according to ability, and all can benefit from it according to need.
4 Governance	From **closed** to **accountable**	Contributions to **foreign aid** have been *ad hoc*, and key spending decisions have been made by a small group of countries.	**Global Public Investment** should be overseen more democratically, through governance processes that respond better to today's geopolitics, and include civil society.
5 Narrative	From **charity** to **investment**	**Foreign aid** has been considered a charitable gift to foreign countries. It is seen as a loss in accounting terms.	**Global Public Investment** should be an obligation. It expects a return, but not a financial one: social and environmental impact for our global common good.

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

INTRODUCTION:
Time for a new approach

As the international community seeks to build momentum behind the ambitious Sustainable Development Goals (SDGs), the question of how to fund them all is a top priorities. In the field of health, the sector this paper will use as a reference point, the bold vision of Universal Health Coverage (UHC) will require significantly more funding than was ever envisaged during the MDG era. It is widely agreed that all appropriate sources of finance must be mobilised.

But there is one important type of finance whose future is uncertain: concessional international public finance (IPF). Its continued mention in all the major development finance documents, masks a real confusion, even among experts, about what happens next. The development finance community is talking about a world "beyond aid", without being exactly sure what that means.

This is, in part, because of a confusing and fluctuating context. On the one hand, development progress is taking place across the world, and this progress appears to bereducing some of the urgency around development cooperation; a resurgent global South gives the impression of dynamism rather than need. But development progress is only half the story. The challenges facing the world have never been greater, as concerns over equality and sustainability take centre stage. And all this is taking place at a time of great political and economic uncertainty in traditionally wealthy countries. Questions are increasingly being asked in major donor countries about sending scarce public money abroad, as their own economies continue to face problems.

But, alongside these contextual factors, there is an even more fundamental constraint threatening the future of concessional international public finance: the **limited theory, vision and language of "aid"**. While lip service is paid to the idea that Official Development Assistance (ODA) remains important, and although many still call for the 0.7% ODA target to be met, a recurrent undercurrent pervades most of today's development finance discussions: the belief that ODA needs to be gradually drawn down and, eventually, eliminated altogether. As countries reach middle income status, an arbitrary denomination defined by the World Bank, so they "graduate" from ODA. According to this conventional logic, all countries will eventually graduate and there will be no more need for ODA at all. In the words of one influential economist, Paul Collier, *"There is basically no role for international development cooperation in middle income countries."*[2] This theory is today being played out in practice. In the past 20 years, around 30 countries have reached and are, as a consequence, facing the threat of reduced ODA receipts. Talk to any finance minister in a country passing or about to reach the "middle income" threshold, and pride about economic progress will be tinged with worry about what it means for the country's access to concessional finance (and, indeed, generous trading relationships).

According to this way of thinking we are now entering the endgame for this seven-decades long experiment. **But this is a mistake**. While it is, of course, only one of the financial interventions required to make the SDGs a reality and not usually the most important, it is nevertheless essential. Concessional IPF remains a crucial component to help achieve the SDGs, not just in the poorest countries, but in middle-income countries (MICs) as well, and as part of a push to ramp up the provision of Global Public Goods. While many argue that the importance of concessional IPF is falling in the world, as it declines in size relative to other financial flows, the opposite is true; a scarce resource can be more important than a plentiful one. As economies grow, the role and relative importance of concessional IPF evolves, but does not end.

This report will question long-standing but now outdated beliefs about the role of aid and concessional IPF. That it is a temporary stop gap, a voluntary act of charity, a last resort. In fact, we will challenge the very language of aid itself. In several important respects the conventional understanding of "foreign aid" is misleading and no longer inspires confidence in a range of stakeholders who question whether "aid" as it is can answer the problems of the 21st century.

- It fails to rise to the new ambitions set out in the SDG agenda.
- It ignores the special characteristics of concessional IPF that make it such a crucial development finance option.
- It no longer fits with a rapidly changing reality, in which new actors continue to emerge.
- It acts as a barrier to important policy shifts, such as increasing finance for global public goods and continued investments in so-called "middle income" countries.

2. Conversation with Andy Sumner on IDS website http://www.mixcloud.com/ids/paul-collier-and-andy-sumner-in-discussion-on-the-ids-paper-the-new-bottom-billion/

- Its cultural and historic implications can be patronising and harmful, especially to people and governments of the South who resent being seen as recipients of charity rather than partners in change.

While concessional IPF is only one part of the financing picture, it is an essential one. This report will argue that the "aid" mentality is now outdated, and is contributing to contradiction and confusion in the development cooperation sector. It will explain why concessional IPF is so important and set out a new approach for the 21st century, an approach we call Global Public Investment.

We hope this paper, and the advocacy associated with it, will help to:

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

This paper is the culmination of at least two years organising, listening, researching and writing. It emerges from concerns expressed by activists, practitioners and officials about the future of aid and concessional IPF. This paper is not written for aid sceptics i.e. those who simply do not agree with aid or similar types of development cooperation. We don't have space to take on that particular set of arguments. Rather it is written for those who recognise the value of aid but may be unsure about its future direction.

Our **Global Public Investment** proposal is for all sectors of international and national development, but we have chosen to use global health as a focus sector, a reference point, for this report. This is partly because the work has been backed by the *Joep Lange Institute*, a health thinktank, which has facilitated substantial interaction with health experts across the world, and partly because it is useful to bring big picture proposals back down to earth by linking them to sectoral realities.

FROM BILLIONS TO TRILLIONS?

As delegates gathered in Addis Ababa in April 2015 to discuss how to finance the SDGs, which were to be acclaimed in New York some months later, the World Bank (along with the IMF and the regional development banks) circulated a short discussion paper called *"From Billions to Trillions: Transforming Development Finance."*[3] The paper turned out to be hugely influential. Its catchy title has since become part of the development lexicon, with most people agreeing that the scale of ambition implied is more or less correct i.e. that to achieve the SDGs the international community needs to shift its thinking from the need to find billions of dollars, to trillions. But the language of *"billions to trillions"* was not just an assessment of the scale of the problem. It was also an oblique reference to the need to move on from what was perceived as an over-emphasis of the role of Official Development Assistance (ODA) in the MDG era; ODA is in the billions (around $150bn in 2017).

This is self-evident. It is neither possible nor desirable for ODA, or concessional international public finance more broadly, to cover even the MDGs, let alone the SDGs. It has been an important step forward that other elements of the financing jigsaw are now commonly recognised as important to achieving global development goals. In the health sector those include mobilising domestic resources (through progressive taxation policies) and building risk pools. All sources of funds, and all appropriate policies, need to be maximised if the world is going to get anywhere near meeting the SDG targets, including tax (the need to raise domestic resources in a more effective manner), the private sector, and philanthropy. Moreover, we are going to need much more than finance – policy change and political strategy are equally if not more crucial. See Annex A for more on the enabling context required to deliver the SDGs and UHC.

3. Development Committee (2015)

But there is a danger with the *"billions to trillions"* rhetoric. If it is important not to over-claim for the impact concessional IPF has made on development progress, it is important not to under-claim either. The fact that other policies and sources of finance may be more important does not mean that concessional IPF is *un*important. This report will explain how a **fundamental error** is being made at the heart of development finance policy. Not all types of development finance are the same; they have different characteristics. And the unique characteristics of concessional IPF are as important today as they ever were, if not more so, even if the quantity may be small compared to other sources of finance (this is the focus of the *second paradigm shift*, from quantity to unique characteristics).

DEFINITIONS

There are many overlapping and confusing terms in development finance, which is why we hesitate to introduce a new one. But currently there is no single, simple, term to describe a crucial subset of the development finance mix i.e. concessional international public finance intended for the promotion of sustainable development. For that reason, we propose a new term in this report: **Global Public Investment**, or **GPI**. But to understand what we mean by **GPI** we must first go through some of the other terms as well.

Why can't we just say "foreign aid"? While this term is familiar, it is actually quite hard to pin down. It is sometimes used synonymously with Official Development Assistance (ODA), but at other times it is a far larger concept covering moneys raised and spent by charities (like Christian Aid) and major foundations (like the Gates Foundation). We also use the word "aid" to describe support to other countries that doesn't focus on poverty reduction and economic growth – such as "military aid".

So let's turn to more technically rigorous terminology. International public finance (IPF) is a precise term which refers to finance raised publicly, either from national public revenue (e.g. income tax) or international-level resource mobilization (e.g. a financial transaction tax or airline levy), which is spent internationally, either in another country or on some kind of international project.[4] Much IPF is non-concessional, and indeed seeks a market rate of return on investments. Many sovereign wealth funds and export credits fall into that category. Some of these elements, those that do seek to further global development, would typically count as 'Other Official Flows', and would be included under the OECD's proposed new metric of Total Official Support for Sustainable Development (TOSSD).[5] But some IPF is not intended to promote development, as conventionally understood. Military aid to other governments, support for cultural activities and space exploration are examples of that.

So, in this report, we are talking about a certain subset of IPF: that which is a) concessional (i.e. grants or cheap loans, cheaper than finance available at market rates) and b) intended to promote global development. While this is similar to ODA, it is broader. ODA has a tightly defined level of concessionality and a specific set of donors and recipients. But we want to include money that falls outside an OECD-managed definition and embraces other contributions as well. Furthermore, terms like ODA and aid come with unhelpful historical baggage and connotations. So we need a term to

4. Inge Kaul, one of the few scholars that has written extensively on this subject, discusses IPF as follows: "The term 'international public finance' is frequently employed in different contexts and with different meanings. Sometimes, it denotes the transfer abroad of national public revenue for purposes like official development assistance (ODA). Other times, it may refer to international-level resource mobilization that requires a multilateral, intergovernmental approach as, for example, is necessitated by the levying of a financial transaction tax. And yet other times, it may refer to the financing of transnational – regional and global – public policy purposes, i.e. policy purposes that affect a huge range of actors, like the mitigation of global climate change, or pertain to widely shared equity concerns such as poverty reduction." https://www.ingekaul.net/wp-content/uploads/2014/01/International_Public_Financ_Fin.pdf
5. Given economic pressures in OECD countries, some OECD member states are pressuring to expand the ODA definition (e.g. to include security-related expenditures) and to count non-ODA development related expenditure (which has led to the TOSSD initiative – Total Official Support for Sustainable Development). See https://www.oecd.org/dac/financing-sustainable-development/tossd.htm

include ODA, but also other types of concessional international public finance intended to promote sustainable development. We could have just said, “concessional international public finance for sustainable development” or CIPF4SD (and indeed we have used that term in the past), but that felt very long-winded. That’s why we are suggesting a new term: **Global Public Investment**. Figure A sets out how concessional IPF for development, which we call **Global Public Investment** – in **blue** – is a subset of IPF directed at sustainable development objectives – in **green** – which is itself a subset of overall IPF – in **dark blue**. ODA – in **red** – is a part of **Global Public Investment**.

FIGURE A: SITUATING GLOBAL PUBLIC INVESTMENT WITHIN BROADER IPF

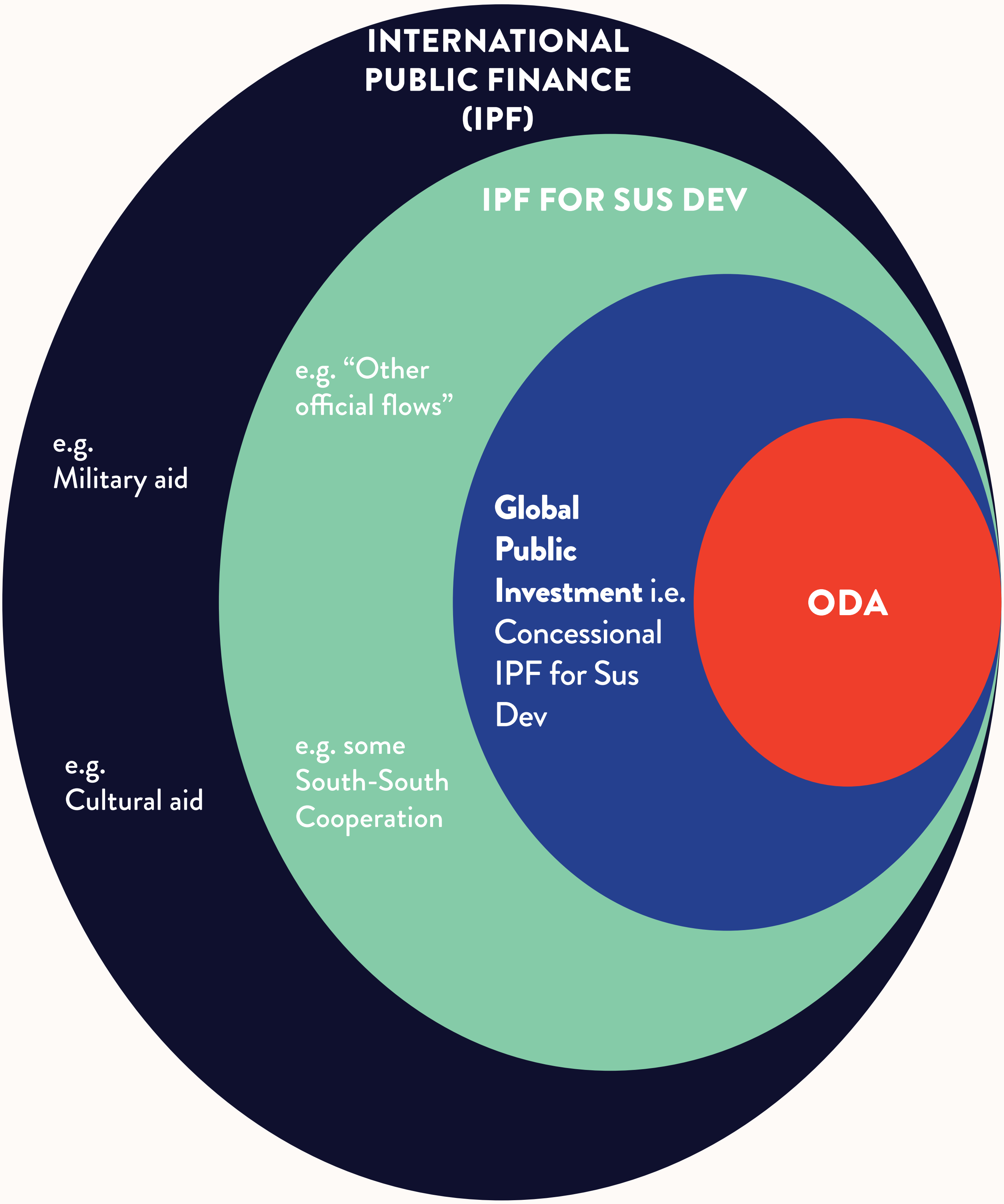


Table 1 sets out the key terms we will be using in this report:

TABLE 1: KEY DEFINITIONS

Term	Acronym	Definition
Foreign Aid		A broad and imprecise concept, often (wrongly) used synonymously with ODA. It refers to the transfer of resources from one country to another, usually under concessional terms.
Official development assistance	ODA	A technical term referring to the contribution of OECD member countries to "developing" countries and to multilateral institutions. There is a strict definition regarding the concessionality of these flows (at least 25% grant element), and their purpose (must have economic development and welfare of developing countries as main objective).
South-south cooperation	SSC	Support offered by countries of the global south to other countries in the global south. This support is often, but by no means always, financial.
International public finance	IPF	A term used to cover all types of publicly sourced money transferred internationally.
Global Public Investment	GPI	A new term proposed in this report to describe concessional IPF but with a defined purpose: to support internationally agreed developmental objectives (e.g. the SDGs).
Development cooperation	DC	Development cooperation is that part of international cooperation which is specifically for development purposes. In some languages, namely Spanish, the word "cooperation" is used to mean financial assistance, i.e. aid.
Financing for Development / Development Finance	FFD	Financing for Development includes all financial sources that can help finance development (official and private, concessional or under market conditions, international and domestic). This can include remittances and foreign direct investment (FDI) and domestic resources such as taxes and local private sector investment.

BUILDING THE NEXT PHASE, TOGETHER

The modern era of development cooperation began in the 1940s following a devastating world war. It was perhaps best articulated by the US president Harry Truman in his famous Point Four address in 1949 which called for "a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas". The main part of this programme was concessional international public finance, and in general terms, this vision of "foreign aid" has endured since the 1940s, through the "big push" rhetoric of the 1960s (rekindled in the early 2000s), the setting of the 0.7% target in 1970, structural adjustment in the 1980s and 1990s, and, most recently, the era of the MDGs, with its focus on extreme poverty. And as we have seen, the aid era has achieved some impressive progress and the aid narrative contains important elements that must be preserved, including a call for global solidarity with the world's vulnerable and poorest people.

But the traditional "aid mentality" is now out-dated. The aid narrative remains hemmed in by a number of conceptual constraints and assumptions which prevent it from fulfilling its potential and responding to the real needs of the modern world. Building on the trust of the general public in the national-level public sector, this report proposes five fundamental evolutions – paradigm shifts – to build a new international public finance model fit for the 21st century: on **Ambition**, **Function**, **Geography**, **Governance** and **Narrative**. Theory needs to catch up with reality and the sector needs to offer a new inspiring discourse for what concessional IPF can do, and how it should be managed to prod decision makers in the right direction. That is why, as part of this new vision, we propose a new name for the concessional international public finance needed to help meet the SDGs: **Global Public Investment**.

1. AMBITION
From reducing poverty to reducing inequality

Conventional analysis: Foreign aid has been primarily intended to reduce and eventually end, extreme poverty. The responsibility of the international community is thought to cease when an agreed minimum threshold of development is passed.

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

The past fifty years, and particularly the last two or three decades (the era of the MDGs), have seen remarkable progress in global development on a range of measures.[6] To take just three of many possible examples from the field of global health: infant mortality has fallen across the world, the proportion of children immunised against diseases like measles has increased, and the adolescent fertility rate has fallen.[7] This progress is to be celebrated. But the job of the MDG era is far from done, with most targets still unmet. We are going backwards on some indicators (the number of chronically undernourished has risen in recent years)[8] and even where progress has been made, it is often not consolidated, and regression remains possible. So just to reach and maintain the objectives of the MDG era remains a significant global challenge.

But the adoption of the SDGs encourages the international community to go much further. One of the unhelpful consequences of the MDG-era focus on extreme poverty has been the perception that when the worst forms of deprivation are dealt with, the job of the international community is largely done. But the SDG approach counters the idea that ending extreme poverty is the only real goal of international cooperation. On the contrary, when the worst forms of poverty are ended (and we are still some way from that), the job of sustainable development has still **only just started**.[9]

6. For the World Health Organisation's assessment of progress see: https://www.who.int/topics/millennium_development_goals/post2015/en/
7. All data from the World Bank's World Development Indicators: http://datatopics.worldbank.org/world-development-indicators/
8. See www.fao.org/state-of-food-security-nutrition/en/. Other research suggests this is an undercount. See Pogge T. (2015)
9. Adolf Kloke-Lesch, a former Managing Director at GIZ, the German development agency, came up with a memorable quote at a meeting of the UN Development Cooperation Forum: "*Development only really begins when extreme poverty is eradicated*."

EQUALITY, A RADICAL NEW AMBITION

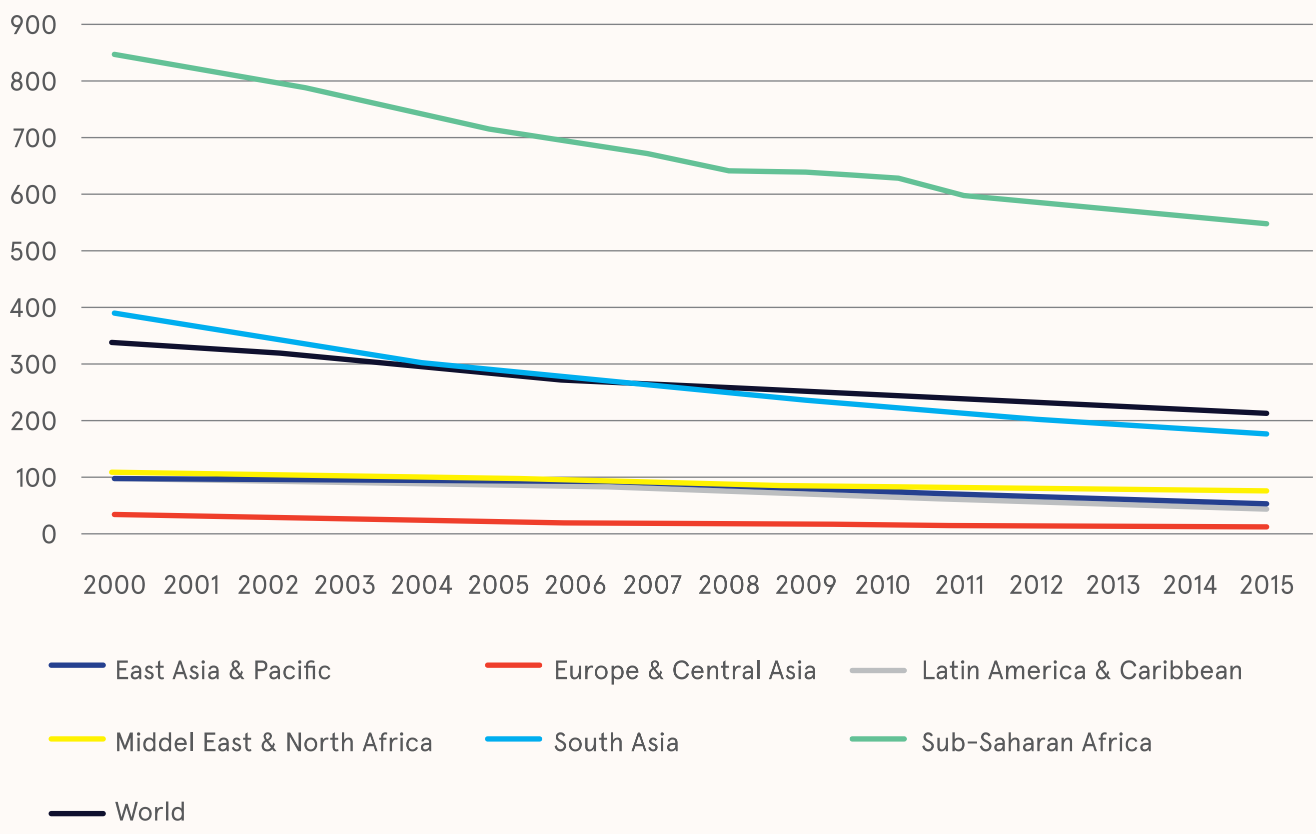
After bubbling under the surface at conferences for decades, the concept of "Sustainable Development" has now been adopted as the major framework for international development thinking and practice, replacing or rebalancing the tight poverty eradication focus of recent years under the Millennium Development Goal (MDG) framework.[10] This time round, it was agreed, progress needed to be even, with the worst-off targeted first – a promise encapsulated in the now-pervasive phrase, 'No-one Left Behind'.

The SDGs widen the scope of international cooperation almost exponentially. One way of understanding this shift is as a move from concern with absolute poverty to a concern for relative poverty, for equality, both inter-nationally (between countries) and intra-nationally (within countries). In the health sector, where the MDGs focused on selective primary healthcare, SDG3 sets out ambitions for all levels of healthcare – primary, secondary and tertiary. This is well beyond what the drafters of the MDGs had in mind, and it opens the door to a radically more ambitious vision for global health for the 21st century: universal health coverage. The fact that some Southern countries are now able to provide many basic health services without international assistance emphatically does not mean that the job is done. People across the world rightly expect much more than containment of the direst health problems. In fact, they increasingly expect convergence with the standards of healthcare enjoyed by citizens of wealthier countries.

Graph 1 shows maternal mortality declining. But there are two way to view the graph. Yes, on the one hand it shows development progress as maternal mortality rates decline. But it also shows continued deep inequality, particularly between Sub-Saharan Africa and South Asia with the rest of the world, but also looking at regions like Latin America and Middle East/North Africa, which are still some way off European standards.

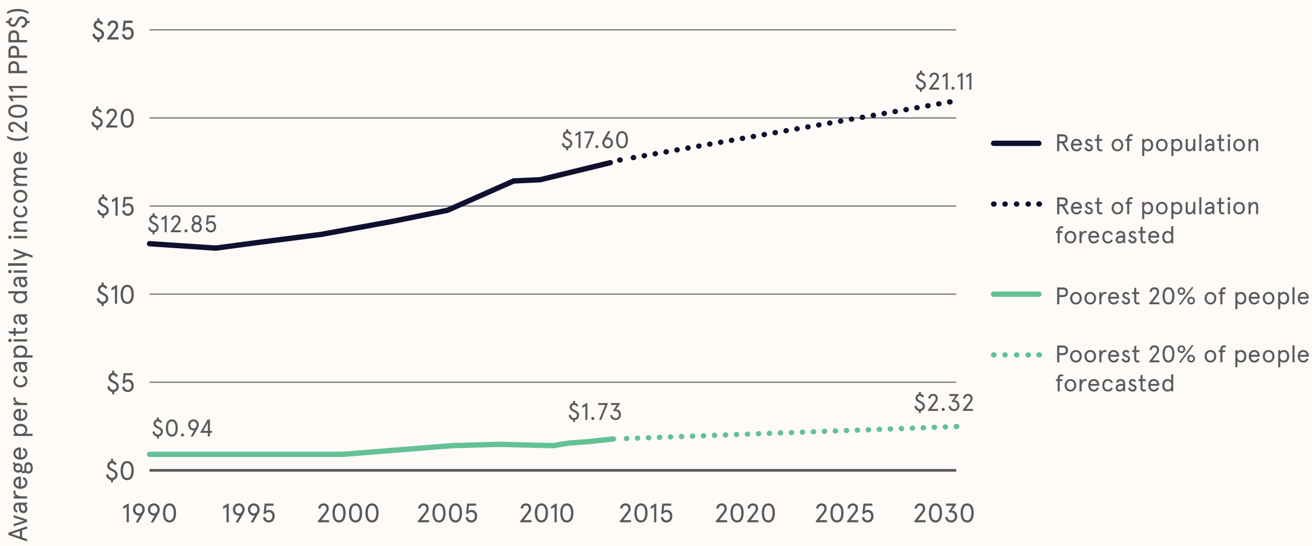
10. The concept of sustainable development emerged in the 1970s but has taken four decades to become the overarching theme directing development plans and cooperation.
11. Source: Development Initiatives (2018)

GRAPH 1: MATERNAL MORTALITY IS DECLINING[11]



One of the most important lessons of the MDG era was that while progress has generally been made at a global level, and in many countries, it has been uneven and unequal. Particular groups have been left behind, be it for reasons of gender, race, geography or socio-economic class. The poorest and most marginalised groups are still being left behind on most development targets, in so-called middle-income countries as well as in low-income countries and fragile states. Intra-national inequality is not only rising in many of the world's poorest countries, but across the Global South, and also in the North.[12] The drivers of inequality are similar across the world, namely the coalescing of wealth in the hands of the few because of the nature of modern wealth creation, and the inadequacy of governments to put policies in place that ensure fairer distribution. Graph 2 shows how the divide between the world's richest and poorest is increasing, even as income poverty gradually reduces. Economic inequality contributes to inequalities in access to health information and services, in health and other sectors. It is also associated with the recent rise in nationalism, nativism and populism in many countries.

GRAPH 2: INCOME INEQUALITY IS WIDENING[13]



Although most poor people now live in so-called middle-income countries, it is too simplistic to assume that as countries grow richer, they will provide social and financial protection to their citizens. Development is not a simple function of economic growth. In the health sector it is now accepted that 'pockets of health poverty' are found in all countries at all income levels including:

- Pockets of **disease burden** (hot spots in concentrated as well as generalized epidemics)
- Pockets of **vulnerability** (key populations, young women, refugees, etc.)
- Pockets of **gender inequality** (structural violence against women, education of young girls, girl-brides, etc.)
- Pockets of **injustice or criminalisation** (discrimination, promotion and protection of human rights)

While the limited MDG-level ambition – finally ensuring that everyone everywhere has access to basic health care – is in itself a huge and complex task, the idea of health equality for all is vastly more ambitious and has serious implications for the way we view international development cooperation. In other words, what if we set out a vision of health equality, whereby the place you happen to be born does not dictate the quality of your healthcare? The call for Universal Health Coverage is now accepted by many of the major development players and governments, even if there are still definitional discussions. While UHC does not mean full equality of health access, an ideal that is not met in any country, it is a step down that road. Crucially, a focus on system strengthening has finally risen to the top of the global health agenda; systems and institutions need to be in place to ensure long term and sustained health provision.

The universality of the SDGs, breaking that patronizing separation between developed and

12. OECD (2011)
13. Source: Development Initiatives (2018)

developing countries, implies a new era of equal treatment, whereby standards of living enjoyed by the wealthiest countries should now be in the purview of historically poorer ones. In fact, the very concept of sustainable development has global equality indelibly associated with it. In a world of limited resources and a growing population, sharing things out more fairly in the 21st century may be the only way humanity can survive into the 22nd. The SDG manifesto means reducing inequality within as well as between countries. Failing to do so would mean a widening gap between rich and poor.

Reducing inequality, not just poverty, should be the central aim of **Global Public Investment**. In the last 25 years or so, poverty reduction has been the unquestioned focus of international development cooperation – the MDGs were a manifestation of this. The World Bank adopted poverty reduction as its leading purpose in the 1990s, and major bilateral donors have done the same (perhaps most notably DFID, which is proscribed by law from spending aid on anything that is not intended to reduce poverty). But despite this important focus of the international community on the poorest and most marginalised communities, there is more to development than poverty reduction. Continued economic growth and indeed structural transformation (i.e. moving beyond agriculture and resource extraction towards manufacturing and technological innovation) will be required for countries to maintain spending on infrastructure, social investments and other public goods, as well as climate mitigation, adaptation and restoration. This is the profound paradigm shift now required to respond to the world as we find it today. The sooner academics and practitioners understand that, the sooner the global development will emerge from the limbo in which it currently finds itself.

FROM GROWTH TO SUSTAINABILITY

The Sustainable Development Goals (SDGs) represent a profound paradigm shift which many in the international community, especially those concerned with aid and finance, are still some way from properly comprehending. Perhaps the most obvious change is the one impalied by their name i.e. a focus on environmental sustainability. Central to Agenda 2030, and now commonly accepted by most analysts, is the realisation that there are natural limits within which the global economy operates and that our development model is jeopardising the well-being of future generations without even meeting the needs of the present. Threats to oceans and forests, unsustainable approaches to land use and food production and, of course, climate change, are among the most urgent issues we face. The international community has formally recognized the need to live within the natural boundaries of the planet (even if that recognition is not yet represented in sufficient public policy shifts).

The MDGs had one goal for environmental sustainability (7) with four targets: integrating the concept of sustainable development into country plans; reducing biodiversity loss; access to water; and improving the lives of slum dwellers. And even this goal was something of an afterthought.[14] By contrast, seven of the proposed SDGs focus on environmental sustainability, including the need for clean energy, protection of marine and land ecosystems, and a stronger focus on cities and climate change.

The need for continued support for structural transformation is even greater in a world in which sustainable development is becoming vital for global survival, with a heavier burden of responsibility on already industrialised countries. In fact, the need for "green" rather than dirty growth has changed the game on the need for international public funds. If industrialised countries are serious about asking poorer countries to keep global CO2 emissions to a minimum, in a context where they are struggling to reduce their own emissions, they will need to pay other countries for this costly environmental service, a principle established in the COP meetings on climate change.

The point here is that need is **increasing** rather than reducing. This will require very high upfront costs for developing countries, including major middle income countries, especially in building and greening infrastructure that they should not be required to meet themselves, as climate negotiations have made clear.[15]

14. This is according to an anecdote told by Mark Malloch-Brown, the former UNDP administrator, who claims to have added MDG7 at the last minute when reminded by a colleague from UNEP "on the way to the printer".
15. See Stern et al (2013)

The SDG vision is transformative. The international development community has placed too much emphasis on a stingy definition of extreme poverty. The international poverty line of $1.25 a day was intended to identify the most destitute people on the planet, not to stipulate an acceptable standard of living.[16] Going beyond direct social spending, estimates for infrastructure needs in developing countries are huge, with one study suggesting that "the incremental investment spending across emerging markets and developing countries is estimated at around $1 trillion a year more than what is currently spent", with electricity, water and transport accounting for the bulk of this.[17] The SDGs work together. Progress on health (SDG3) will only be made if there is also progress on complementary issues such as poverty (SDG1), water (SDG6), infrastructure (SDG9), education (SDG4) and women's rights (SDG5). Development interventions, and the resources required to deliver them, need to be viewed more holistically than ever before. Most of this spending will, inevitably, take place in MICs and while much of this money will be raised domestically or from the private markets, **Global Public Investment** will continue to have an important role to play.

16. Thresholds nearer $5 or $10/day would better imply resilience against the possibility of falling back into extreme destitution. Edward & Sumner (2013)
17. Bhattacharya, Romani & Stern (2012)

GLOBAL PUBLIC GOODS

The MDG period was characterized by a major drive to improve key social indicators at the national level. A large share of concessional international public finance – and especially ODA – was geared towards supporting this aim. Since then, the international community's collective awareness of the need to address major regional and global issues has increased, such as the need to tackle climate change, preserve the 'global commons' and address drug resistance and other cross-border health risks. Global challenges will make increasing demands on international public finance over the coming decades. The share of ODA described as having a 'climate-related' purpose is already increasing year on year.

Profound structural political and economic changes are required if we are to live fairly and within planetary limits, and the concept of global public goods (GPGs) has once again come to the fore. The international community needs to address challenges that respect no national boundaries, such as climate change mitigation, biodiversity, migration, crime and security. We are in a transition period from one which focused almost exclusively on 'national development' to one which increasingly focuses on cross-border challenges and especially on the need to increase the supply of GPGs. In the health sector this includes a renewed focus on the importance of collective international action in the control of communicable diseases, non-communicable diseases and neglected tropical diseases (CDs, NCDs and NTDs).

Components that are more clearly related to public goods (national, regional and global) form part of the environmental goals, linked with obtaining a sustainable management of water, ensuring a sustainable use of the oceans, seas and marine resources, protecting the sustainable use of territorial ecosystems, building resilient infrastructure, making cities and human settlements resilient and sustainable and taking actions against climate change.

If **national** public finance is intended, broadly, to support **national** public goods, it seems natural that a clear objective of **regional**/**global** public finance is to support **regional/global** public goods, and this is, indeed, a fast-growing area of debate and action. As with national public goods, support for regional/global public goods can come from a realization of the collective efficiency gains they bring. Whether fighting multi-drug resistant TB or global warming, the international community can make more cost-effective progress if it works together.

Although GPGs are a key feature of the new international policy landscape there is no single blueprint for supplying them. A growing number of contributions to the literature on development finance are focusing specifically on the question of how to generate sufficient public resources for the provision of GPGs. **Global Public Investment** for global public goods is the most obvious option.

INVESTING IN KNOWLEDGE AND RESEARCH[18]

SDG3 talks of "supporting research and the development of vaccines and medicines" and indeed a ramping up of concessional IPF spent on research could solve two problems with current global knowledge on key health and other development issues, namely that there is still not enough of it and that much of what exists is privately owned. Spending much more public money on research into key public interest issues, such as diseases and clean technology, is likely to result in cheaper, better technology, appropriate to specific contexts. The current intellectual property regime militates against sharing tech advances – investing far more public money in research would help overcome this.[19]

The magnitude of the knowledge divide between countries, and the need to focus on structural economic transformation, indicates that increasing scientific and technological capacities is an urgent task; initiatives launched during the last decades fall short of meeting the challenge of mobilizing knowledge and innovation for global health. Concessional IPF could play a crucial role in three ways:

1. Promoting knowledge exchange

2. Investing in publicly available research for sustainable development

3. Expanding the level of resources allocated to help Southern countries build endogenous science and technology capabilities

Sagasti and others have suggested a new "Global Knowledge Facility" tasked with bridging the knowledge divide between rich and poor nations. Such a facility would take in contributions from different partners, commensurate with their relative financial strengths. Those responsible for the management of such a facility should be free from interference by political or commercial interests, but with clearly defined lines of accountability to all stakeholders participating in the scheme. CGIAR (formerly the *Consultative Group on International Agricultural Research*) is an example of the kind of organisation the world could see much more of in the years ahead.[20]

---

18. This box draws heavily on the ideas of Francisco Sagasti and his team. In particular Sagasti et al (2004)
19. See Glennie J. (2011)
20. See https://www.cgiar.org/

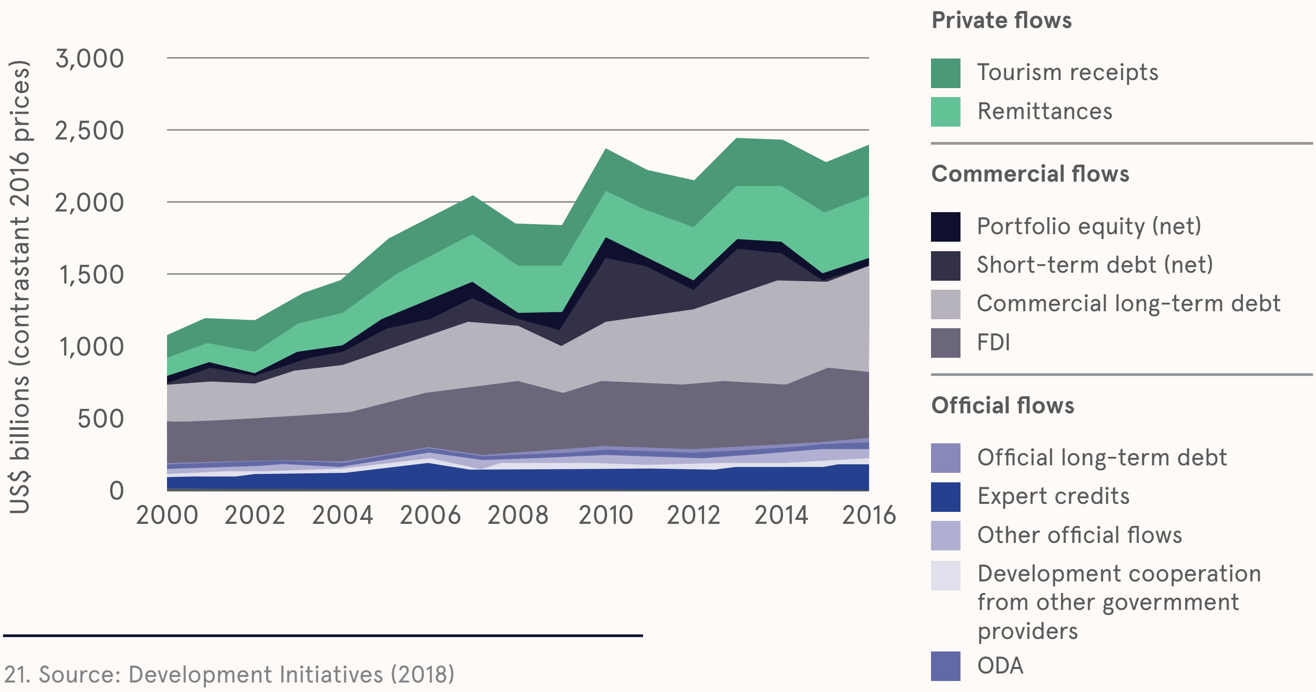
2. FUNCTION
From quantity to unique characteristics

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

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

We have established that the international community's ambition for global development, including global health, is now much higher, and that this implies far greater amounts of funding. Given the scale of the challenge the world faces today, it is understandable that many in the development sector have turned their focus away from concessional IPF in order to access and direct far bigger pots of money, whether they be domestic or private (Graph 3 shows how much other sources of finance have grown in recent decades). But this section will argue that a fundamental error is being made. Just because the quantities are relatively small, does not mean that the contribution is unimportant. On the contrary, precisely because concessional IPF is scarce, all the more should it be cared for and defended. Why? Because size isn't everything. Different sources of finance are not interchangeable. They are effective in meeting different needs and cannot simply replace each other. It is not just the **quantity** of concessional IPF that matters, **its unique characteristics matter too**, even at low levels relative to the size of a country's economy. These qualities mean **Global Public Investment** should be a critical component of the development finance landscape for all country types, and for many years to come.

GRAPH 3: OTHER SOURCES OF FINANCE GREATLY OUTWEIGH ODA[21]



21. Source: Development Initiatives (2018)

THE 'FINANCING GAP' FALLACY

The current confusion about the future of concessional international public finance is based on a fundamental misunderstanding about its function. "Aid" has generally been considered a "last resort" to be turned to in circumstances where no other money is available. According to this way of thinking, different types of money are essentially interchangeable. If one type is unavailable, another is sought. If there is not enough domestic or private finance, then international public finance must step in. But as endless calculations are carried out to estimate the SDG-financing gap, one key issue is too often overlooked: it is not just the quantity of money that is important in reaching the SDGs. **The type of money matters too.**

In Table 2 we set out eight categories of development finance i.e. monies that are available to be spent on development. First, development finance can be split into domestic (national) and international. Then each of these categories can be divided again into public, private (for-profit), philanthropic and household. The table gives non-exhaustive examples of each type of finance. The type of finance we are concerned with in this paper is concessional international public finance, in the bottom left corner.[22]

TABLE 2: EIGHT POTENTIAL SOURCES OF DEVELOPMENT FINANCE[23]

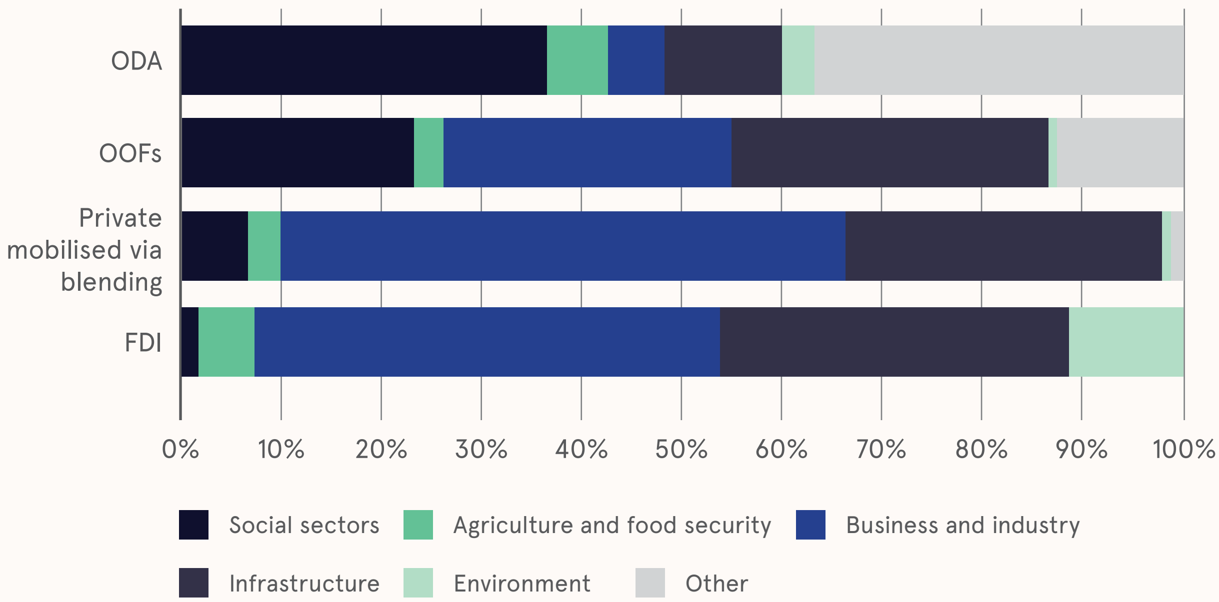
	Public	Private (for-profit)	Philanthropic	Household
Domestic	• Government budget • Natural resource revenue streams • Sovereign wealth funds (domestic investment) • Specific sovereign bonds • Conditional cash transfers • National savings	• Illicit capital flight (including transfer pricing) • Licit capital flight • Domestic bank equity • Domestic investment • Public-private partnerships (PPPs) • Social impact bonds	• National/local charities • National/local foundations • Corporate philanthropy • Individual giving • Community philanthropy	• Household spending • User fees
International	• ODA (grants and concessional loans, debt cancellation/ swaps etc) • Non-concessional official loans (OOF) • South-south cooperation • International taxes, carbon levies etc • Export credits • Sovereign wealth funds (foreign investment) • Climate finance (public)	• Portfolio investment • Foreign market loans • Foreign bank equity • FDI (incl. mergers and acquisitions) • Innovative' e.g. advance market commitments, risk financing • Social impact bonds • Climate finance (private)	• International NGOs • International foundations • Corporate philanthropy (multinational) • Individual giving	• Remittances

22. In this table non-concessional IPF is also included in this box. Note also that there are also many examples of overlapping "blended" finance, such as private public partnerships, co-financed aid projects. Few things in development finance are easily categorizable.
23. Source: Author's own elaboration

Each of the many types of development finance has a unique combination of characteristics that make them important for different tasks. The differences between, for instance, public and private money are well understood by the general public when it comes to the national or sub-national level (i.e. local governments). While private spending is primarily interested in benefitting the spender (be that a household or an investment firm), public spending is supposed to benefit society as a whole. In other words, its primary purpose is not profit, although often it has to make some kind of return in order to be viable. Just as at the national level you can't just substitute private or philanthropic money for public money and expect the same health results, the same is true internationally.

But this fundamental distinction between 'private' and 'public' funding is often overlooked in discussions at the international level. Private finance is frequently touted as a substitute for insufficient public resources to fill the financing gap, despite the fact that several areas crucial for development attract insufficient private financing by their nature. These include financing for social services, long-term investments (in particular in infrastructure, including health facilities and systems), high-risk investments (such as building (insurance) risk pools, research, science and new technologies and financing for small and medium-sized enterprises) and financing for global public goods (such as preserving the global commons and dealing with communicable diseases). Graph 4 shows how ODA, a crucial component of **Global Public Investment**, tends to focus on particular sectors generally ignored by commercial finance.

GRAPH 4: ODA FAVOURS THE SOCIAL SECTORS[24]



Private finance does a poor job at financing public goods (national, regional and global). Private finance does not a priori focus on delivering government priorities and certainly doesn't link strongly to human rights. Different sources of finance are effective in meeting different needs. They cannot simply replace the other. Importantly, And, while concessional IPF shares a number of characteristics with domestic public finance, there are also key differences, which means that domestic taxation cannot remove the need for concessional IPF either.

So, far from being a last resort, **Global Public Investment** has particular characteristics which mean that it is sometimes the single most important or desirable source of finance available to meet a specific need, in all country types, not just the poorest countries. The non-profit motive of **Global Public Investment** is not the only characteristic that makes it an attractive option, even when other sources of finance are available. We identify **six** critical positive characteristics that mark it as a necessary complement to the other types of finance in achieving sustainable development.

- **Motivation:** concessional IPF is primarily intended to support national or international public objectives, rather than to make a profit.
- **Concessionality:** concessional IPF is cheap, and often free. While private capital may sometimes be available, it is often unaffordable.

- **Expertise:** concessional IPF is often associated with important technical expertise from the provider agency which can be shared as part of the intervention.

- **Accountability:** concessional IPF should be transparent, open and accountable, and is making progress in this direction. It responds to international prerogatives, rather than national-level political incentives and changing public opinion.

- **Availability:** concessional IPF is often available when other types of finance (private or domestic) are not e.g. in risky contexts, in economic downturns (countercyclical).[24]

- **Flexibility:** concessional IPF can often be more flexible than other options, making it useful for innovative activities that otherwise might not take place. Recipient countries might not be able to use their own funds, for which they have to answer to their own people, but can use concessional IPF, whose accountability trail is different, although no less specific.

24. International capital flows are highly mobile and have become shorter-term in orientation. In the United States, for example, the average holding period for stocks fell from eight years in the 1960s to six months in 2010.

FROM FILLING GAPS TO OVERCOMING TRAPS

While the well-known **gap**-filling role of concessional IPF depends on quantity, less well understood is its role in overcoming what we can call development **traps**. It can do this not because of the **quantity** of money available – which is often small compared to other sources – but the **qualities** of that money i.e. its unique set of characteristics. Concessional IPF and the policies and expertise that accompany it can underpin a coherent and effective sustainable financing strategy complementing other types of finance, rather than substituting for them. Concessional IPF has a pivotal role in helping to correct market failures. It can also help to drive forward innovation through its support for research, science and new technologies and can, of course, be blended with other types of finance to incentivize greater private sector investment in global development through measures to reduce risk, share risk and/or increase investment reward. It can be critical for emergency interventions from humanitarian emergencies to financial crises.

In 2014, Alonso et al identified five particular ways that concessional IPF can help overcome common development traps in all country types.[25] (All are applicable to the health sector.)

1. **Encouraging improvements in policies/politics.** Whether the quantity is large or small, the incentivising, catalysing, effect of concessional IPF is well-recognised.

2. **Supporting non-government actors.** As the development problem gradually shifts from absolute lack of resources to their poor distribution, the advocacy and accountability roles of civil society become even more important. But funding for these activities is often scarce.[26]

3. **Leveraging and adding value to private finance.** Just as it can at the national level, international public money can play a crucial role in bringing private funds forward to invest in public-interest projects.

25. Alonso, J. A., Glennie, J., & Sumner, A. (2014)
26. Funding for advocacy and community-based approaches to service delivery, particularly for marginalized populations, fits squarely within the definition proposed here for use of GPI. First, advocacy is a central component toward reaching global development goals and addressing inequity. Second, the work seeks to address a `common good' and must be continuously supported to sustain progress and address emerging challenges. Third, advocacy work, by its nature, cannot be financed by national governments that are often the target of that advocacy. Funding must be independent in order for it to be used effectively. Civil society is often best placed to gain access to, represent, and prioritize the most marginalized key populations, and advocacy is needed to support resource mobilization, reducing out of pocket expenses and achieving the aims of the SDGs.

4. **Capacity development (individual and institutional).** There is not a reduced need for technical capacity building in MICs, just an evolving one.

5. **Risk coverage, including environmental disasters and financial shocks.** Some MICs are among the countries most exposed to natural disasters, and they are more likely to be at risk of financial shocks than LICs, as they are generally more integrated into global financial markets.

The fact that more and more countries are now both contributors and recipients of concessional IPF, in health and in other sectors, further gives the lie to the idea that it is just about filling financing gaps. Why are countries making contributions to e.g. global health funds rather than using that money domestically on their own programmes? Because of the special characteristics of international public money, and because they want to be a part of a bigger project. Other countries should do the same, leading to a situation in which most countries are both contributors and recipients (just as at a national level even the poorest regions pay tax but are effectively reimbursed – see Paradigm Shift 3).

FROM TEMPORARY TO PERMANENT

Conventional analysis tells us that aid should be temporary, and that we are entering its endgame. Pockets of poverty persist, so care must be taken as aid is reduced, but this symbol of global collective action will now, according to most analyses, be wound up. Whatever side of the political spectrum you sit on, and whatever your views on the effectiveness or otherwise of aid, you are unlikely to disagree with the notion that aid should be decreased as recipient countries' incomes rise, bringing to an end an experiment intended to kick-start growth in sluggish contexts, but not to last in perpetuity. The job of aid, according to this analysis, is to do itself out of a job. Thus, in 2013, the UK's then International Development minister, Justine Greening, gave a talk entitled "Global trade can help us end the need for aid."[27] Having boosted DFID's budget, the UK government was softening the blow to UK taxpayers by arguing that it is a short term boost which will, in time, no longer be needed.

But considering the heightened ambition we propose, and the realisation that concessional IPF is (at a minimum) useful and (more often) essential to deliver it, it is logical to conclude that **Global Public Investment** should no longer be conceived as a temporary exercise. Instead, we should think of it as a **fixed and permanent** component of the global financing ecosystem, to be honed and appropriately re-allocated as the world evolves, not to be reduced, much less eliminated.

Concessional IPF is not simply a stop-gap. It is a unique source of funding whose qualities make it well-qualified to play a significant pro-development role in countries of all income levels. It is also important for global cross-border priorities, both regional and global. **Global Public Investment** will remain crucial not because it rivals private or domestic public finance for quantity, but because of its inherent characteristics, furthering mutually agreed international goals, flexible and available counter-cyclically and in regions of the world where there is little profit to be made, bringing with it principles of social and environmental integrity and the expertise of public servants. No longer a **last resort**, **Global Public Investment** should be a **first thought** depending on the specific context and need.

27. Find this speech on the UK government website here: https://www.gov.uk/government/speeches/justine-greening-global-trade-can-help-us-end-the-need-for-aid

3. GEOGRAPHY
From north/south to universal

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

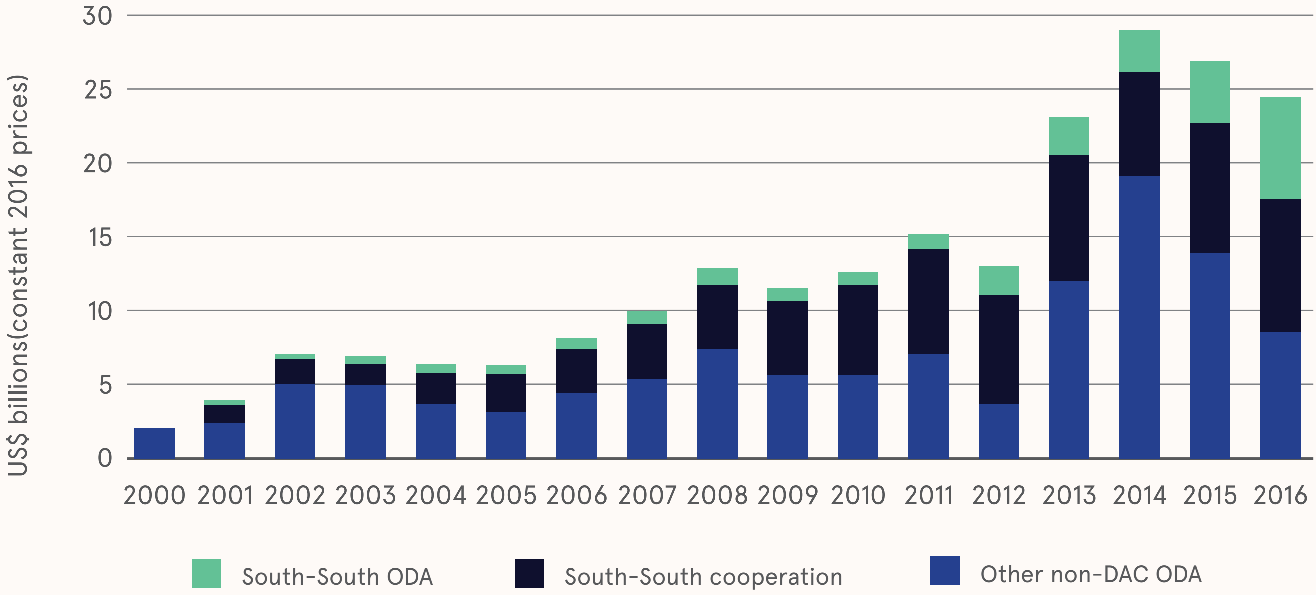
New paradigm: All countries should contribute to **Global Public Investment** according to ability, and all can benefit from it according to need.

The bolder ambition for health and other aspects of human progress encapsulated in Agenda 2030 coincides with, and is in part a consequence of, profound shifts in the global political and economic situation. The BRICs already have a combined output matching that of the Euro Area and hold close to $1 trillion cumulatively in foreign direct investment abroad, and they are being joined by a second tier of countries as the new motors of the global economy.[29] Many of the world's poorest countries are also growing fast, expanding their domestic tax bases and accessing money from the private markets in record numbers.

One of the results of these seismic geopolitical shifts is that many more countries are now engaged in the provision of development assistance, variously defined. So-called "South-South" cooperation (SSC) has existed for over sixty years in various forms but has increased in prominence over the last decade or so. The number of non-DAC providers doubled in size in the first decade of this century, while the amount of their contributions more than tripled. the largest providers today being Brazil, China, India, Saudi Arabia, Turkey and, until recently, Venezuela.[30] Having an aid programme increasingly looks like a symbol of having emerged as a strong nation in the 21st century. Mexico founded AMEXCID, the Mexican Agency for International Development Cooperation in 2011.[31] In 2014, even Kazakhstan announced its intention to do the same with KazAid.[32] While ODA has begun to stagnate in recent years, if you add in all the concessional finance and non-monetised co-operation from non-OECD countries, **Global Public Investment** is at an all-time high. Graph 5 shows how South-sourced cooperation has increased over the last ten years, estimated now at around $25bn in 2016 (almost certainly a low-end estimate).[33]

29. According to an analysis by HSBC, Peru and the Philippines are among those predicted to be the world's richest countries in the coming decades: https://www.reuters.com/article/emerging-economies-2050-idAFL6E8CB55620120111
30. UNCTAD (2015)
31. See www.amexcid.gob.mx for more information
32. UNDP (2014)
33. SSC tends to involve a heterogeneous mix of ODA-like and non-ODA-like interventions. Many governments offer partnerships that bundle investment, trade, technology, concessional finance and technical assistance. The mix of financial assistance varies from country to country, but loans (concessional and non-concessional) are a predominant form.

GRAPH 5: SOUTH-SOUTH "ODA" IS ON THE RISE[34]



The landscape of contributions has, then, changed dramatically but the traditional conceptualisation of "aid" does not allow for this evolution. Under a traditional aid understanding, it makes no sense for countries to be both recipients and contributors of international public finance – aid is to fill a financing gap, so how why would countries with such a gap be contributing to other countries? But many emerging economies are doing just that,[35] and it does begin to make sense when we remember that concessional IPF is not just about gap-filling – it is also about the unique characteristics of a unique type of money.

34. Source: Development Initiatives (2018)
35. There are a number of good books on this, including Emma Mawdsley's From Recipients to Donors (2012)

FROM DONOR-RECIPIENT TO PARTNERS

"Universality" is a key concept of the SDG era, undermining the traditional division between "developed" and "developing" countries. All countries are developing now, according to an SDG way of thinking. The aspiration is not only for convergence (i.e. poorer countries come up to the standard of richer countries) but for progress in all countries, including wealthier ones.

In the MDG world, low and middle income ("developing") countries faced targets, and high income ("developed") countries were expected to assist others to reach them. But now, for the first time, high-income countries face SDG targets that are just as important as those of poorer countries. What if we apply this vision of universality not just to which countries have to reach the SDG targets, but also to who contributes support to make them a global reality? What if, in the SDG era, all countries contribute to global welfare, just as all countries benefit from global progress towards the SDGs? Targets for all; financed by all.

Radically, we propose that this universalist principle should extend not only to the upper middle or even lower middle-income countries, but to *all* countries, including the very poorest.

There are four main reason for proposing this apparently radical change.

First, it is symbolic. The aid industry often fails to understand that, as well as being a developmental financial transfer, aid-giving is a symbolic, political act.[36] It enables donors to translate their material dominance into social and moral dominance – not to mention pushing through their economic and political objectives. This is one of the reasons its supposed beneficiaries so often rail against it.

Second, it could increase the amount of money in the global public pot. According to one recent paper, that considers the impact of extending the 0.7% target to all nations, the financial impact of middle-income countries contributing 0.7% of their GNI to global causes would be significant: about $150bn more in concessional IPF would become available.[37]

Third, as rich countries quibble about how much they can spare to safeguard the planet and help people leave extreme poverty, far poorer countries would begin to shame richer countries into doing the right thing by allocating a proportion of their severely limited resources for the common good. If a low-income country set out gradually to increase its contribution over a period of years to, say, $20m per annum – the world's poorest countries would surpass the proportion of GNI currently provided as ODA by the US, the world's richest country.

Fourth, and perhaps most importantly, the power relations of the aid industry would be shifted. Obviously, the biggest players would still exercise their power – power politics won't just disappear. But the countries that most need development cooperation to work would have their feet more firmly under the table, arguing for their rights and interests from a position of fellow contributor, not just recipient. Countries that have long felt alienated from the foreign aid system, excluded from major decision-making, would be able to engage fully in a new way of working – **Global Public Investment**. The next section on *Governance* develops this idea.

An obvious objection to this proposal is that poor countries should spend their limited resources on their own people. Indeed, in economically challenging times, this protestation is even heard regularly in wealthy countries. But poor countries would still receive **far** more than they contribute, and they wouldn't be expected to ramp up contributions overnight. Obviously, the richer countries would continue to shoulder most of the burden, and poorer countries would receive far more than they contribute, reflecting their economic circumstances and historic responsibilities.

While this might sound radical to some, it is the basis of regional funding mechanism already, most obviously in the EU (see the *Analogy* section), and examples of poorer countries making development contributions are already impressively common:

- A number of major global programmes receive contributions from middle and even low-income countries. For instance, 12 African countries give financial support to the Global Fund, with cumulative contributions ranging from over USD28m from Nigeria to just USD75k from Burkina Faso.[38]

- China has pledged to provide Africa with over USD 1 trillion in financing by 2025 through direct investment, concessional and commercial loans.[39] China has bought or invested in European assets worth over $300bn over the last decade, despite European living standards being far higher.[40] Not to mention the huge "One Belt One Road" initiative.[41]

- It is sometimes forgotten that India is very close to the low-income threshold, at about $1800 per capita GNI, just below Djibouti and Nigeria. And yet India's international public finance (not necessarily concessional – it is hard to tell) is now more than double the ODA it receives (USD 1.3 billion in "foreign aid" expenditures versus USD 655 million in ODA receipts in 2014-2015).[42] Bhutan, Ghana, Sri Lanka and Sudan were among India's top ten IPF recipients between 2005-2010; all have higher per capita incomes.

- In Latin America, where a particular brand of SSC is developing fast, countries do not check to see which is richer in per capita terms before engaging in mutually beneficial cooperation.[43] Colombia's cooperation agency, to take one example, has a directorate for receipts and a directorate for contributions, embodying a modern approach to development cooperation, beyond the binary donor/recipient division.

---

36. See Hattori, T. (2001)
37. Figures from Glennie, Gulrajani, Sumner & Wickstead (2019)
38. The African governments listed as donors on the Global Fund government donor website are Benin, Burkina Faso, Cote d'Ivoire, Kenya, Namibia, Nigeria, Senegal, South Africa, Togo, Uganda, Zambia, Zimbabwe. See https://www.theglobalfund.org/en/government
39. Sun Yun (2014)
40. See Bloomberg figures: https://www.bloomberg.com/graphics/2018-china-business-in-europe/
41. See this article in the Guardian: https://www.theguardian.com/cities/ng-interactive/2018/jul/30/what-china-belt-road-initiative-silk-road-explainer
42. See this article in Devex: www.devex.com/news/in-latest-indian-budget-aid-spending-dwarfs-aid-receipts-82915

- Several emerging economies have founded or proposed new institutions for financial and technical collaboration amongst themselves, such as the Asian Infrastructure Investment Bank (AIIB) which supports infrastructure construction in Asia and the Pacific.[44]

- In an example of South-North contributions, Brazilian technology to use donated human breast milk to help premature babies has not only been shared via government programmes with Mozambique and Ghana – Spain and Portugal have also benefited.

The shifting sands of international development should be an opportunity to remake the basis of international financial cooperation. Poorer countries are increasingly keen to capitalise on global power shifts to rejig their place in the world, and are tired of being singled out by development efforts.[45] Encouraging all countries to contribute to efforts to meet global development goals would help cement a paradigm shift in the way we conceive of development, away from charity given by the rich and towards everyone playing their part, no matter how small, towards the collective good. It is politically correct to talk of "partnership" in development circles, but the reality on the ground has too often stuck in the old donor-recipient relationship. In a meaningful partnership, all partners contribute something important. This proposal seeks to make partnership a reality.

43. See the website of the Ibero-American General Secretariat for more information https://www.segib.org/en/ibero-american-cooperation/south-south-cooperation/
44. See www.aiib.org/ 45. Africa was the only continent specifically mentioned in the Millennium Declaration, an indignity it did not suffer in the SDG preamble.

FROM GRADUATION TO GRADATION

The number of countries classified as "low-income" has declined sharply in recent years – from 61 in 2000 to just 31 today – due to a range of factors including better policies, technological advance, economic growth and demographic change.[46] The international development community is now working out the implications of supporting progress in a world in which the majority of countries are now described as "middle income". While only a few critics argue that aid should be ended to the world's very poorest countries, it is fairly common, and indeed conventional wisdom, that such finance should begin to be reduced, and eventually ended, when countries become "middle-income". MICs should now be able to "pay their own way" and no longer need financial support from other countries, or so the argument goes.

It is certainly true that as economies grow the role and relative importance of concessional IPF evolves. If growth is relatively balanced, household incomes will improve, and domestic revenue collection will likely increase. Meanwhile private investment from abroad will be attracted by better opportunities and improving infrastructure. Crucially, the deleterious effects of aid dependency will diminish as the economy grows and aid receipts reduce in relative terms. But, as we have seen in the previous sections, this is no reason to assume that concessional IPF should end entirely when countries pass a certain (arbitrarily set) income/capita threshold. While **aid dependency** should decline, and while the **aid mentality** needs to evolve, the role of concessional IPF remains important as countries pass the middle-income threshold.

Most poor people have for some decades lived in countries which rely very little on concessional IPF, well under 1% of their GNI.[47] As we have seen, concessional IPF is not just valuable when it is large-scale, filling budgetary gaps; it can be an important pro-development intervention even in these "low aid" countries, as a small proportion of GNI, catalysing change and overcoming blockages and traps. The European Union is perhaps the best-known example of this, where large amounts of concessional IPF have been redistributed to upper-middle and high income countries for the last few decades (first in the south, then in the east, see the *Analogy* section for more on the EU).[48]

46. See the World Bank's useful summary: https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups
47. Glennie & Prizzon (2012)
48. Glennie and Hurley (2014b)

An evaluation characterised ODA spent in Colombia in the first years of this century as follows: "The evaluation found that in certain fields – such as the environment, institutional strengthening, and productive system support, as well as problems related to the struggle against inequality, internal displacement and human rights violations – the selective use of aid financing, expertise and shared experience was a 'determining factor in achieving better development results'."[49]

In the health sector, there is evidence that vulnerable populations in MICs transitioning out of ODA are falling between the cracks, that health systems require strengthening and that civil society (gender and human rights work) needs to be supported. With relatively little money, such efforts could be sustained, and countries given more time to adjust and build appropriate responses that might take some decades. Similarly, despite the UHC rhetoric, minimal packages are being delivered because of lack of money, and "difficult" diseases such as HIV and TB are left out of UHC plans because there is still vertical funding for them (often from the Global Fund). In the above examples, continued concessional IPF, if targeted well, could make a difference. In the UHC context, concessional IPF could focus on building both better taxation mechanisms and truly inclusive risk pools to reduce out-of-pocket payments (OOP).

Under our proposal, countries will not **graduate** from **Global Public Investment**, rather their receipts will be **gradated** according to their specific needs.[50] Many factors would be considered in assessments of country need. Alonso et al (2014) suggest, by way of example, three possible criteria: access to credit constraints, space for redistributive policies (and the taxable population, and environmental vulnerability. This idea is increasingly recognised in mainstream publications[51] and is in line with approaches which seek to erode the distinction between LICs and MICs and move beyond GNI as the main (and sometimes only) measure of a countries need for support.[52] We propose that the requirements for **Global Public Investment** may be far greater than assumed by many experts up to this point, given the huge ambitions of the SDGs and the implications of the new general drive for equality and convergence.

---

49. Wood et al (2011)50. See Sagasti et al referenced in Glennie & Hurley (2014a)
51. For instance, Kharas and Rogerson (2018)
52. Gaspar et al. (2019)

4. GOVERNANCE
From closed to accountable

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

New paradigm: **Global Public Investment** should be overseen more democratically, through governance processes that respond better to today's geopolitics, and include civil society.

There are many examples of the successful use of concessional IPF. Most often cited by aid enthusiasts are successful large-scale vaccination programmes, emergency relief and less tangible outcomes such as the impact over time on women's rights. However, there is also a large body of work critiquing ODA and other types of concessional IPF for ineffectiveness and, at times, actually causing negative impacts, whether immediately or cumulatively over time: Observed negative impacts of aid are often associated with:

- ***Aid dependency.*** The cumulative effects of aid are increasingly considered to be harmful, skewing accountability towards external funders rather than a country's own citizens. Some have described a "culture of dependency" in which state institutions and civil society fail to build their own capacity.
- ***Conditions.*** Criticism of the policy conditionalities attached to aid is now nearly universal. As well as undermining national institutions, the policies insisted on by external funders have often (though not always) proven to be the wrong ones.
- ***Transaction costs.*** It is time-consuming for recipient country institutions to manage, coordinate and report on high quantities of aid, especially when they come from multiple providers. Problems related to aid coordination and alignment with national development priorities are well-documented.
- ***Macroeconomic effects.*** Some research has suggested that large aid inflows can have adverse effects on a country's competitiveness through appreciation of the real exchange rate.[53] Dutch disease-style effects on economic activity are also a concern.

The motivations behind concessional IPF contributions are also important to understand. While altruistic rhetoric tends to predominate among OECD donors, in reality it can be hard to disconnect political and economic benefit from allocation decisions; most concessional IPF is motivated by a combination of humane concern and strategic benefit.[54] Where multilateral brokers are used, donor interest reduces as a motivating factor, but is not entirely eliminated.

We are under no illusions about the complex and sometimes negative impacts of concessional IPF, especially in a context of dependency – indeed the author has written about them extensively.[55] Major donor countries have revised their practices in order to improve the effectiveness of aid. Spearheaded by the OECD, the Paris-Accra-Busan aid effectiveness principles aim to increase aid's positive impact on development through, for example, improved alignment with local development priorities, better coordination between donors and a focus on development results.[56] In recognition of the growing contribution to development of a much broader range of actors, public and private, the Global Partnership for Effective Development Cooperation (GPEDC) was established in 2011 aiming to provide an inclusive forum for governments, businesses and organizations to share resources, knowledge and information in order to make development cooperation more effective.[57] These efforts have been complemented by the UN's

53. Rajan & Subramanian (2009)
54. A worthy exception is the decision by the UK in 1997 to make it illegal to link aid to national economic or strategic benefit.
55. Glennie, J. (2008)
56. For further information on the OECD led initiative on aid effectiveness, see: http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm
57. For more information on the Global Partnership for Effective Development Cooperation (GPEDC), see: http://effectivecooperation.org/

Development Cooperation Forum (DCF) which serves as a space to review trends, coherence and effectiveness in international development cooperation.[58] The International Aid Transparency Initiative (IATI) meanwhile seeks to make more information available about aid spending so that it can be better scrutinized and its contribution to development increased.[59]

But it is salutary to remember that these attempts to iron out problems with aid have had only partial success (at best). It seems that political and bureaucratic incentives within donor organizations are only marginally influenced by statements of intent at an international level. The instincts of both politicians and accountants to achieve short term results and avoid risky investments have undermined attempts to improve aid effectiveness in the long term. Uncoordinated supply-driven aid remains a major problem and donors remain reluctant to channel resources through recipient countries' national systems despite promises to do so. Governance reform at the Bretton Woods institutions, which manage large quantities of concessional (and non-concessional) IPF has also stalled and, in any case, despite a recent proliferation in multilateral funds specialized in areas such as health and climate, donors continue to display a preference for bilateral aid channels.

These ongoing problems demonstrate the limitations of `technical' fixes to issues which are complex and political in nature. We need to recognise where concessional IPF has gone wrong in the past, in order to build a better governance structure for its future, to promote best practice and mitigate poor practice. While the perennial problems associated with aid and other types of international public money are not going to disappear, the evolution proposed in this paper presents a perfect opportunity to update and improve the structures and institutions that have governed aid for the past 50 years, with varying success. The problems associated with aid and the factors that contribute to its success (or otherwise) in one context versus another are much better understood. The challenges associated with replicating and/or scaling-up success stories are also better known.

At the heart of the governance conundrum are the issues of accountability and ownership. A long-standing concern of developing countries and of advocacy groups has been asymmetry of representation and voice in decisions regarding the financial and development policies and practices of the World Bank, the IMF, bilateral agencies and the Paris Club of official creditors. Such concern extends to the DAC, which generally does not include developing countries officially in the formulation of key policies. An effective **GPI** architecture should give **voice** to all relevant stakeholders. In addition to being accountable to their main shareholders, contributors should also be accountable to their borrowers/grantees.

The need to build more inclusive partnerships is the critical element of governance reform – between contributors and recipients as well as between contributors. While the detail of improved governance structures will be the subject of much future research and political engagement, we are able to set out other proposed attributes of a new improved governance system spurred by the new **Global Public Investment** approach:[60]

- **Adequacy.** This refers both to the total amount of development financing and to the match between instruments and countries.
- **Predictability.** The lack of predictability in concessional IPF flows creates significant problems for macro-economic management, public expenditure planning, and institutional development, and may also undermine the confidence of private investors.
- **Responsiveness.** An effective **GPI** architecture would adequately balance allocation criteria based on country need and performance, tailoring institutional arrangements to specific conditions and in particular to absorption capacities.
- **Diversity and choice.** Recognising the vast diversity that exists between countries, an effective **GPI** should allow a reasonable degree of choice regarding financial institutions, instruments, and policies. This implies both a willingness to accept divergence from preconceived ideas on the part of financing institutions, and a greater degree of responsibility on the part of recipient countries that must exercise choice and live with the consequences.
- **Capacity to absorb shocks.** Financing architecture must anticipate and respond effectively to external shocks —financial crisis, violent conflicts, natural disasters, sudden surges and collapses of commodity prices. To reduce the pernicious effects of such shocks, financial instruments should be capable of anti-cyclical responses.

---

58. For further information on the UN's Development Cooperation Forum (DCF), see: http://www.un.org/en/ecosoc/newfunct/develop.shtml
59. For further information on the International Aid Transparency Initiative (IATI), see: http://www.aidtransparency.net/
60. Drawing on work by Sagasti, Bezanson & Prada (2005)

- **Complementarity to domestic resource mobilisation.** While countries differ widely in their resource mobilisation capacities, external sources of finance should generally be seen as a complement to domestic resource mobilisation i.e. they should support the institutional framework, the policy environment and the habits that promote domestic savings and investment.
- **Flexibility, efficiency and learning.** An effective **GPI** architecture needs to respond to changing needs, contexts, and emerging issues. Management procedures and incentives should be structured to foster innovation and judicious risk taking, and to learn from past mistakes. Institutions should be able to grow, shrink and even disappear as a function of changing priorities and demands.

FROM VOLUNTARY TO CONTRIBUTORY

ODA is usually considered a voluntary act offered on an ad hoc basis as per the autonomy of the northern donor, but over time, **Global Public Investment** could evolve from being voluntary gifts to stable contributions according to an agreed formula, so that key multilateral funds can be replenished, and major crises responded to in an orderly way. It is absurd that when disaster strikes a country, for instance, it should have to wait in hope that other countries are feeling generous in their response – there should be permanent funds available, just as there are at the national level, and in some regions e.g. the European Union. And the same goes for other development priorities. An agreed formula could also replace the triennial begging-bowl rounds in which multilateral banks and international financial institutions (including PPPs) seek voluntary contributions from their members. While it will be hard to enforce such a system, peer pressure could help it work sufficiently well to be useful – the Central Emergency Response Fund (CERF) and UN membership contributions are examples of where it has already been tried (with mixed results).[61] Countries would direct their contribution to the objectives and organisations that most tallied with their priorities.

Global Public Investment contributions would either be bilateral, including to nearby countries – thus building regional ties and supporting regional development – or, more straightforwardly, multilateral, to major UN funds and the Global Fund to fight poverty and disease. Poor countries could buy small shares in the development banks, wielding disproportionate shareholder power as campaigners have done recently in major businesses.

61. See https://cerf.un.org/

CIVIL SOCIETY – FROM PERIPHERAL TO CENTRAL

Civil society has played a central role in global development progress over the past 20 years, through advocacy and service delivery, including in global health (especially HIV, TB, malaria, sexual and reproductive health, disability rights, mental health needs, cervical cancer, drug policy, and child health). Human rights advocacy remains crucial to promote global equality and to achieve SDG targets, giving people a voice in the decisions that affect their lives and holding governments accountable for meeting the needs of all people, including marginalized groups. Policies developed with broad participation help institutions provide better services. Advocates detect problems and raise awareness, participate in policy dialogue, contribute to designing policy solutions, and marshal support to adopt them. Their work doesn't end with the passage of policy measures; they help ensure equitable and effective implementation of policies, monitor the impact of those policies, and identify gaps and challenges. The role of civil society in service delivery is equally important. Community- and peer-based services enhance service delivery and provide safe spaces for marginalized populations that are often wary of utilizing state-based facilities for fear of abuse or discrimination.

Civil society must therefore be included in decision-making and monitoring processes at all levels. The Global Fund has spearheaded civil society participation in governance at its Board and Secretariat and at country-level. This has led to greater use of evidence and rights-based approaches to care delivery, increased inclusion of marginalized populations in prevention and health care services, and improved oversight of resource allocation and implementation.

TECHNOLOGY TO POWER ACCOUNTABILITY

There is a growing recognition of the role that new technologies can play in achieving the goal. There is however substantial hesitation in embracing new technologies, including in global health, due to legitimate concerns regarding privacy and the lack of appropriate public regulation. The huge opportunities of enhanced use of new technologies, especially in the global south, should be proactively explored and publicly debated, as well as the risks. Digital health, for example, has the potential to revolutionize the way health care services are provided and financed. It can help run services more efficiently, transparently and inclusively, empowering people to be agents of services as opposed to merely recipients of care.

The potential impact on service delivery has gained considerable interest from development investors. Equally important however is the potential for revolutionizing how service delivery is financed: new technologies – such as private mobile wallets – can help build large risk pools, manage financial transactions from multiple funding sources (personal, public, private), monitor actual payments and use of services and manage quality control against marginal costs.

The fundamental change offered by mobile technology, and the reason it could revolutionise a new generation of **Global Public Investment**, is the potential to provide an infrastructure for demand-driven, transparent and direct exchange, with low transaction costs, transforming governance and accountability. Mobile technology makes inclusion and exchange easier and cheaper; it can empower people and it deliver abundant data that can be used in the public interest. At the same time, there are substantial risks of fraud, data and privacy abuse by both governments, corporations and others. These risks need to be anticipated and addressed in the design, regulatory frameworks and roll-out of beneficial digital technologies. The major effort required to achieve the potential benefits of new technologies will only be possible when countries work in partnership.

5. NARRATIVE
From charity to investment

> **Traditional analysis: Foreign aid** is commonly considered a charitable gift to foreign countries. It is seen as a loss in accounting terms.
>
> **New paradigm: Global Public Investment** should be an obligation. It expects a return, but not a financial one: social and environmental impact for our global common good.

As the South rises, so the traditionally powerful North is facing economic and political challenges it has not seen for almost a century. The financial crash of the late 2000s ended a long period of growth and austere economic circumstances have led to a resurgence of populism and nationalism in many western countries, with a consequent undermining of internationalist rhetoric that dominated for some years. This political reality is somewhat in tension with the bold global ambitions signed up to by world leaders in September 2015 and it means the rapid increases in ODA that accompanied the first decade of this century and the MDG era have not been matched at the onset of the SDG era. In this context, the concept of sending money to far-flung places without even the assurance that it will achieve its objectives is proving a hard one for many politicians and their constituents to fathom. Surely, they argue, their limited resources should be focused on their own people rather than spent on **foreign aid**.

Meanwhile, as Southern countries discover a bolder voice on the global stage, the traditional language of aid, of donor-recipient, and of charity is being questioned more than ever. Criticisms that have been made for many decades are rising to the fore, as countries demand more respectful dialogue, less patronising language, and more power over how international public finance is spent in their jurisdictions and globally.

There is a place for charity, of course, but for too long we have been caught up in a misnomer, describing as **foreign aid** something that would be better conceived as **global public investment**, similar to the investment made in individual countries, but on a global scale. The term "investment" conveys a much stronger sense that there is a return for the investor and reflects the way health, education and other public investments are described domestically. Some organisations, including the Global Fund, already use the concept of "investment" very widely.[62] There are four main reasons for shifting to the language of investment:[63]

First, the language of investment better reflects the reality of modern aid. The charity paradigm has long been considered patronising by most poor countries and is increasingly considered old-fashioned even in many "donor" agencies. The reality that strategic and economic interests have always been at play in "aid-giving" is recognised by most traditional donors somewhat cautiously, but is openly acknowledged by the "emerging" contributors of development cooperation in the global south who eschew the term aid because of its simplistic connotations, preferring the language of "mutual benefit". They want to imply "horizontal" relationships between equals, similar to business transactions between partners. The origins of ODA as reconstruction began in the aftermath of the second world war would align with this understanding of global public investment for mutual benefit.

Second, "aid" is seen as a cost which implies that it is used for consumption, but that is only a part of concessional IPF; the point is to invest in sustainable infrastructure and institutions as well. Even spending on social sectors (health, education) is an investment as well as a cost.

Third, reframing aid as a form of investment could be beneficial if it helps make resource transfer more accountable, shifting from charitable donations to contracts with accountability, transparency,

---

62. The UN Millennium Project's 2005 report on financing the MDGs was called "Investing in Development" – one of many examples. https://www.who.int/hdp/publications/4b.pdf
63. This section draws on an article by Glennie & Sumner in The Guardian (2015)

recognition of possible failure and evaluation as key elements of a longer-term relationship.

Fourth, the copious literature on foreign private investment in developing countries (particularly foreign direct investment, FDI) is instructive for many aspects of the debate on the effectiveness of aid. Both **Global Public Investment** and private investment can support growth and development, but when and where is a matter of context and specific decisions. This literature should mutually inform debates, rather than being siloed off as separate research topics.

The investment analogy has its limits, naturally. Most private investment is made for profit, while interventions in the field of international cooperation seek primarily to further internationally agreed development objectives. Therefore, using the language of foreign investment should not be seen as denying the element of solidarity inherent in development cooperation. Instead, it could add a further layer to our conceptualisation of IPF, and encourage us to move beyond the "recipient of charity" mentality, towards mutuality and working together for agreed outcomes.

FROM FOREIGN TO GLOBAL

There are plenty of elements of the "aid" narrative that we need to hold on to (including the encouraging notion of generosity to the less fortunate) but there are aspects that need to evolve. Indeed, the very word "aid" may be one of the things we need to ditch in the 21st century, as many have already observed.[64]

The conventional understanding of **foreign aid**, which has held firm since the 1940s, is that it is a transfer of resources from rich to poor, couched very much in terms of charity, although sometimes also recognising mutual benefit in the long term. It would be absurd, according to this understanding, for poor countries to contribute to global development spending, and even more absurd for a country to be engaging in international development activities in another country with a higher per capita income. But, as we have seen, this is precisely what is happening. No wonder people are confused.

A shift in rhetoric is required away from the idea that countries are paying for other people's development, and towards an understanding of our shared destiny. The language of "aid" and "donors" needs to become a thing of the past. **Global Public Investment** is not charity, it is a demonstration of responsibility for global welfare.

Concessional IPF should no longer be seen as support to other, **foreign**, countries, but to the **global** commons. It has long been recognized that poverty and conflict anywhere in the world can be a threat to stability and prosperity in places thousands of miles away; this is ever truer in the era of climate change and planetary resource limits. Expanding our horizons to include foreign countries as part of our responsibility is a significant conceptual frontier, but it is logical as global communication improves and our world shrinks.

In public communications, cooperation on global health is generally seen as country-focused i.e. wealthier countries help poorer ones solve national health challenges, and this remains the core of the work. But in the SDG era we are encouraged to see health as a global challenge affecting everyone in the world. Action will lead to benefits for all countries, just as inaction will lead to problems for all.

There is mixed evidence on public support for international cooperation in traditional donor countries, but some evidence suggests that western publics respond positively to the idea that aid might help prevent a pandemic reaching their shores, for example. It is possible that reframing the debate – understanding that these issues are global concerns that matter to everyone, rather than foreign concerns that matter to people far away – could also help move the debate on in other crucial areas of national and international policymaking, such as trade rules, climate policy and illicit financial flows.

64. In 2011, the Busan Declaration relegated the word "aid" to only occasional use, while the then Chair of the OECD-DAC explicitly suggesting ditching the word. See my article in the Guardian: https://www.theguardian.com/global-development/poverty-matters/2011/jul/27/aid-and-development-coordination

ANALOGY

National → Regional → Global public investment

In this paper we have made some bold proposals for a rethinking of the aid sector. From poverty to inequality. From quantity to unique characteristics. From north/south to universal. From closed to accountable. From charity to investment. Usefully, these five paradigm shifts are already norms well-known to experts and non-experts alike in the form of national public investment and, in some cases, regional public finance. These analogies make it easier to imagine what **Global Public Investment** could look like.

NATIONAL PUBLIC INVESTMENT

At the national level public finance i.e. public sector expenditures under the formal control of the state, covers areas where private financing is either insufficient, impossible or undesirable. A significant amount of public spending is needed in any well-functioning state to provide public goods, things that wouldn't be available if we were all just left to our own devices. Public spending is especially important for those on lower incomes, who may not have the capacity to pay for everything they need with their own money – it thus plays an important role in making societies more equal, which benefits both rich and poor alike. For instance, while wealthy people may have private gardens in which to spend leisure time, and private cars to travel in, poorer families might go to a public park on public transport, both of which require public money to maintain. The public sector also has an important role to play to incentivise greater private sector investment in sustainable national development through measures to reduce risk and increase investment reward.

Few people make the mistake of believing that different types of money are interchangeable at the national level. For instance, people know the difference between private and public spending on healthcare. And while few would deny the importance of private philanthropy, equally few would argue that it could or should take the place of public spending on public goods. It is surprising how often that case is made, explicitly or implicitly, at the international level.

In most countries, wealthier parts of the country do not begrudge the payment of a premium in taxes to support less well-off parts: And wealthier people invest significant amounts in public goods, even if they do not use them. No-one uses the language of donors or charity – it is simply an appropriate way of spending tax receipts. Just as at the national level citizens accept the concept of taxation to pay for national public goods (welfare, conservation, national parks, policing and defence, infrastructure) so we need to develop language to make that analogy at a global level. The institutions and modalities will be very different, but the fundamental concept is the same. We need to communicate this new reality and vision to publics in both North (where support is waning) and South (where cynicism about old types of "aid" is also high).

The 20th century was the century of national public finance, with tax take and public spend rising steadily from fairly low levels in most Western countries before the two world wars to between 30-40% of GDP today. This was not a foregone conclusion. It was the result of struggle and campaigning for more equal and secure societies, where the profits of growth were shared more fairly. The same gradual process of expansion could be on the way for international public finance, although at far lower levels of global GDP – the same broad needs exist.

REGIONAL PUBLIC INVESTMENT – THE CASE OF EUROPE

While the concept of public investment is well-known at the national level, it is the regional level where the analogy with **Global Public Investment** is best explained. Recent years have seen increasing regional integration, politically and economically, and such integration often contemplates joint public spending initiatives. The European Union is perhaps the world's most advanced regional grouping in terms of bureaucratic complexity and political and economic ambition – it is the only regional grouping that jointly negotiates trade deals, for example. It has been a pioneer in regional public finance. And it embodies the five paradigm shifts this report proposes at the global level.

The ambition at the heart of the European Union's (EU) major funds is convergence. The EU's wealthier countries redistribute billions of Euros every year to other countries which, while poorer by European standards, are still very wealthy by global standards. The budget allocated to the EU's Social, Regional Development and Cohesion Funds for 2014-20 totalled €351.8bn ($385bn), 32.5% of the EU's overall budget, and more than twice global ODA.[65] These funds, intended to "narrow the development disparities among regions and member states", are spent on areas such as infrastructure development, job creation, research and innovation, and environmental protection. They are not intended to fight extreme poverty, of which there is very little in Europe, but to promote sustainable development. Most assistance is provided in the form of non-repayable grants or direct aid, although loans, interest-rate subsidies, guarantees and equity are also used.

And how is this money governed? All EU member states pay in, according to their ability, and all receive according to need. For instance, in 2017 Poland, contributed just over Eur3bn to the EU budget (about 0.68% of its GNI) but received back almost EUR12bn, equivalent to 2.67% of its GNI, a net receipt of just around EUR8.9bn. And it is not just the bloc's newcomers that have benefited from concessional IPF EU-style. In the 1990s, Spain absorbed more than 20% of the EU's structural and cohesion funds, which helped build the country's transport infrastructure. In 2017 it was **still** a net recipient of EU funds: it paid in ERU8.08bn and received back EUR9.66, a net gain of EUR1.58bn.

Crucially, money is not only targeted at the national level – sub-national regions (counties or departments), especially disadvantaged ones, can also apply for funds. Even though the UK is one of the EU's richest countries, and a net contributor, certain regions – such as Wales and Cornwall, and parts of northern England – are major recipients of the EU regional public investment. The aim of such support is to co-fund investments in job creation and local development.

Because all countries pay in, all are at the table at regular meetings where decisions are made about policy and budgets – even the relatively poorer countries which are net recipients. Crucially, programmes are co-financed and implemented by recipient countries and are monitored and evaluated jointly with the EU. And the narrative is not of donor-recipient, but of partners in a common endeavour, in which reducing disparities of infrastructure and living standards is considered important for the progress of all.

The results are hard to dispute. Take Poland again, the largest EU newcomer. It received €67bn in development funds between 2007-13 (the last budget period for which we have full data), about €10bn a year and roughly 3% of its annual GDP. Over that period, the country experienced a 65% increase in its GDP per capita, breaking the $21,000 (£12,400) mark to become the world's 49th richest country. Despite this relative wealth, the EU set aside a further €60bn in aid money for Poland over the 2014-20 period, with the aim to continue the investment in roads, hospitals, schools and other infrastructure needed to "narrow the development disparity" with other EU countries.

Overall, across Europe, in the period 2007-13 the EU says its concessional IPF:

- Helped increase income in the poorest EU regions with GDP per capita growing in these areas from 60.5% of the EU average in 2007 to 62.7% in 2010.
- Helped 2.4 million participants find a job within 6 months, with an estimated 594,000 new jobs created in total.
- Supported 198,000 small and medium-sized enterprises (SMEs) with "direct investment aid", including 77,800 start-ups.
- Supported 61,000 research projects.
- Helped increase broadband connectivity for 5 million EU citizens.
- Modernise water supply systems, benefiting 3.2 million EU citizens.

65. See https://ec.europa.eu/regional_policy/sources/docgener/informat/basic/basic_2014_en.pdf for more information on these funds

- Supported 9,400 projects to improve the sustainability and attractiveness of towns and cities.
- Helped build 1,200 km of roads and 1,500 km of railway line.

Many lessons could be learned from the European experience:[66]

First, aid need not only respond to the worst effects of extreme poverty; it can do a lot to support the convergence of living standards around the world.

Second, concessional IPF at relatively low levels (as a proportion of GDP) and for countries that are relatively wealthy can work. In fact, it is likely that it may be even more effective in more economically advanced countries, where institutions tend to be more solid.

Third, regions can be targeted successfully, not just countries.

Fourth, for most countries, the shift from bilateral aid programmes to multilateral partners, while sensible because it streamlines efforts, means a shift from grants to loans. The EU however shows that countries higher up the income scale can also benefit from grants; countries do not have to `graduate' to loans.

Fifth, contributor countries have benefited from intra-EU aid by having healthier and wealthier neighbours, and because their own companies can participate in aid-funded projects. German companies, for instance, helped to deliver Spain's infrastructure. This does not necessarily mean that aid is "tied".

Sixth, the EU put the recipient countries themselves in the driving seat, recognising that it is national and local governments that are best-placed to decide how the funds should be used.

There are lessons for humanitarian aid as well. The European Union Solidarity Fund (EUSF) was set up to respond to major natural disasters and "express European solidarity to disaster-stricken regions within Europe."[67] The Fund was created as a reaction to the severe floods in Central Europe in the summer of 2002. Since then, it has been used for 80 disasters covering a range of different catastrophic events including floods, forest fires. Twenty-four different European countries have been supported so far for an amount of over €5 billion.

66. Some of these reflections were first made in an article for the Guardian with Gail Hurley (2014)
67. For more information see https://ec.europa.eu/regional_policy/en/funding/solidarity-fund/

TOWARDS A GLOBAL MODEL

Of the 28 EU members, only Hungary and Romania are considered upper middle income; the rest are high income. Clearly it is EU policy and practice, voted for by member states, that continued concessional IPF to countries very high up the income-per-capita scale represents a good use of taxpayers' money. The reason these countries (or regions) have not "graduated from aid" – despite no longer being desperately poor – is that the focus is not only extreme poverty, but growth, infrastructure and convergence with higher living standards in neighbouring countries.
Why, then, is it argued that both multilateral and bilateral aid money should be reduced – or even axed – in parts of the world that are far poorer and in urgent need of infrastructure development similar to that being supported in Europe. The EU has announced plans to withdraw aid from many middle-income countries, while member states, having long since cut their programmes in Latin America, are now ending their programmes in countries including India, South Africa and Vietnam, arguing that they are "now in a position to fund [their] own development". Vietnam's GDP per capita is just $4,000, and it is home to almost 40 million people living in extreme poverty (less than $2 a day). Why is this goal of convergence and increased equality appropriate for members of the EU but not for all countries? With the adoption of the SDGs, the door for applying EU-style thinking to a broader global context seems to be wide open.

The national and regional examples are just analogies – public investment implemented at a global scale would work very differently, not least because the governance and accountability arrangements at the EU level will be impossible to replicate at a global scale – but they give the broad brushstrokes of what a different approach might look like, an approach that is already emerging in many contexts, including the rise of climate finance, which follows a different narrative and already accommodates some of the paradigm shifts set out in this report.

CONCLUSION
From contradiction to coherence

International development has reached a crucial moment in its evolution. The paradigm of north-south development assistance is now outdated. All countries are engaged in contributing to global development, supporting sustainability and poverty reduction locally, nationally, regionally and globally. At the same time, the challenges faced by the world, in particular the poorer countries, are evolving and, to some extent, multiplying. The SDGs firmed up an agenda in which ending absolute poverty remains central but other concerns are also recognised, including the need to reduce growing inequality, and the need to invest in greener growth within the planet's environmental limits. While some have characterised this shift as moving "from survive to thrive", the threats to the planet from environmental degradation, and to cohesive societies from increasing inequality, have led other analysts to suggest that we are moving back again simply to survival mode – an attitude that seems to be echoed by the climate strikers and other youth movements.

In this context, the future of development aid is the subject of heated debate. Is it still needed? Who should give it? How should it evolve? In our view, the era of international financial cooperation is not ending; it is still in its infancy. This is evidenced by the plethora of new aid agencies, both public and private, to emerge in recent years to complement, or challenge, traditional sources of funds. But people in many aid-giving countries are not so sure (to say the least). They question the simplistic "aid works" narrative; assertions that aid is responsible for impressive improvements in human development in the past couple of decades are hard to substantiate. More fundamentally, perhaps, they find sending large amounts of money abroad hard to justify when times are hard at home. The thinking that underpins development cooperation has to change if we are to make the case for a new era. We need a new vision, a new approach and a new narrative. That is why, building on the trust of the general public in the national-level public sector, we have proposed **five paradigm shifts** for a new international public finance model for global development in the 21st century.

While some of the paradigm shifts set out above may seem radical, they are mostly a reflection of the changes already underway in the development cooperation sector. Both south-south cooperation and, increasingly, "traditional" donors are acting in this new way. But they lack a coherent understanding to explain why. We need to move on from confusion to clarity, because while much of this evolution is taking place organically, there is still much to fight for in terms of quantity, quality and governance.

Moving in the direction we propose, we hope to see a stronger campaign for global development and health in (at least) the following ways:

- We hope that the new approach will mobilise stronger and more sustainable support for **significantly more** concessional international public finance being made available to support global goals and complement other types of finance.
- With more in the pot, the inelegant competition between different sectors and countries could be somewhat diminished. Low-income countries would remain the main concern of the international community, but middle-income countries could continue to benefit from **Global Public Investment** according to assessed need.
- The negative effects of transition away from certain countries and graduation out of aid will cease. Quite the opposite – **Global Public Investment** will be useful in countries at all income levels.
- We hope the new approach could usher in **new governance models** in which the process of development finance will be jointly steered by net-recipient countries based on their own investment plans, specifying when, where and how Global Public Investment can contribute.
- The role of major global funding mechanisms (such as, in the health sector, Global Fund, GAVI, GFF, UNITAID) could change from channelling donor funding towards facilitation of the ecosystem of **Global Public Investment**.
- Current development practice could change for the better, with new players using their influence and instincts to complement more "traditional" contributors. Each country and region would have its own approach, with **mutual learning** across the world.
- For the first time, development (as defined through the 17 SDGs) will be treated as a **global common good** to which all countries contribute.

- **Global Public Investment** would focus as much on embedding systems, responding to long-term structure threats and spurring research into global solutions as it would on urgent responses to disaster and chronic poverty.

We say we need to pull out all the stops, but we cannot clarify the future of one of the most important pieces of the development puzzle. We say we understand the higher SDG ambitions, but we act as if we are still working under the old paradigm. We say we recognise the different roles of private, philanthropic and public money, but we still engage in "gap" calculations as if all money is interchangeable. We say we want to save the planet, but we continue to offer minor sums of global public money to safeguard global public goods. We say we need to move on from aid, but we don't know where to move to.

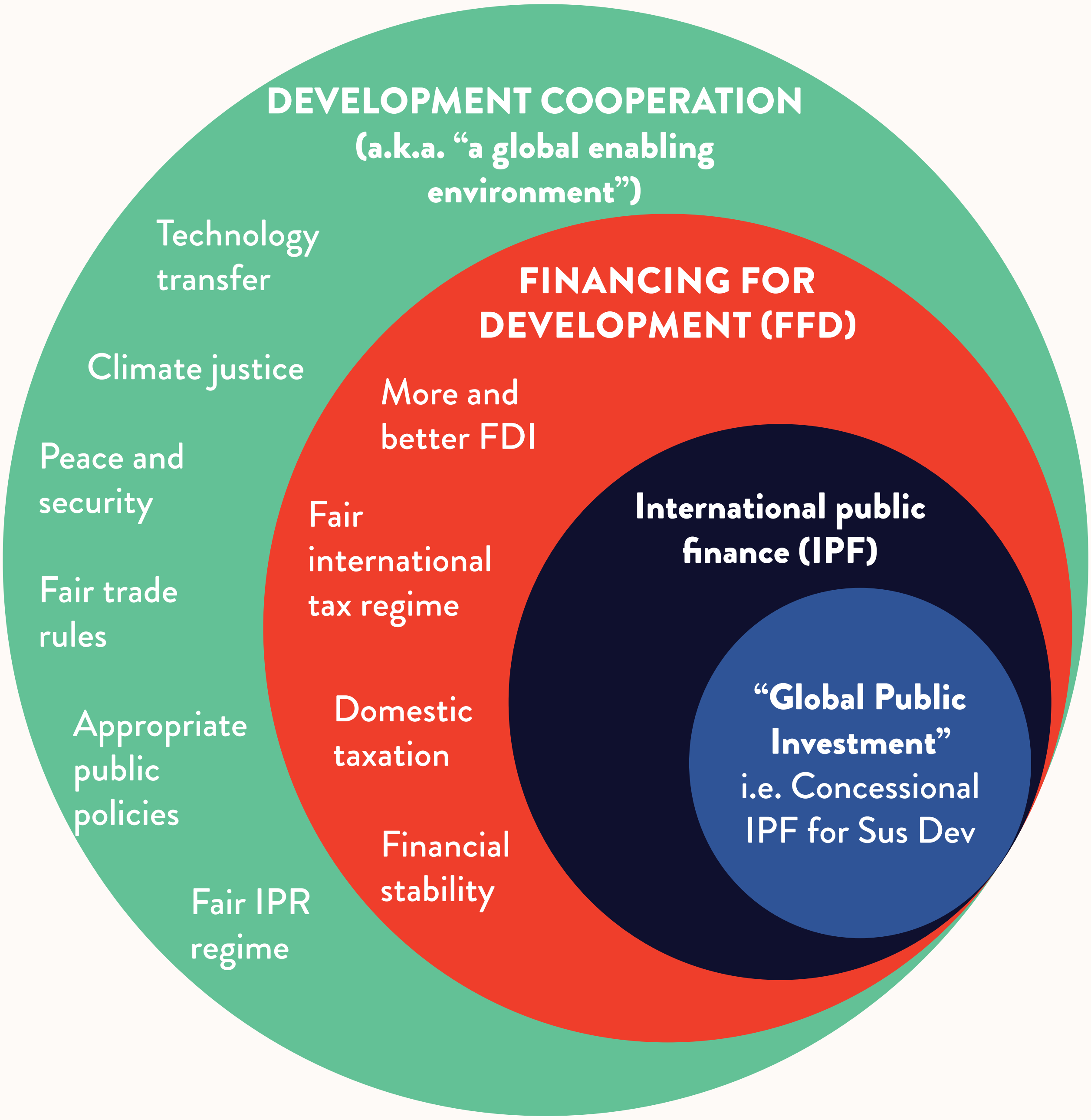
Embracing a more ambitious and coherent approach will help resolve these contradictions and ensure sustained investment in things that matter to the world, including global health targets and UHC. Of course, a more modern understanding of concessional IPF, now rebranded as **Global Public Investment**, will be only a part of the conundrum (see Annex A). And no-one suggests that the changes proposed in this paper could happen overnight; ingrained beliefs and incentives will take time to evolve, and words are just words until actions and policy decisions also shift. Rather, they are a direction of travel that the aid and international development sector could take over the coming years.

The international community needs to break out of its comfort zone. Its responsibility does not come to an end when extreme poverty is eliminated, nor when basic health coverage is achieved for all, nor when countries turn middle income. It persists as long as there is inequality of access and services within and between countries, and as long as global public goods need preservning and expanding – a high ideal, but one that is appropriate for our times, and increasingly accepted as the inevitable corollary of the SDG vision. The job of the international development community is not to "do itself out of a job" but to write the next chapter of international cooperation for sustainable development. **Global Public Investment** must play a pivotal role.

ANNEX A
Beyond finance

This paper is about the need for a strong and sustainable supply of concessional IPF, but it does not labour under any illusion regarding the importance of concessional IPF relative to other factors required to achieve sustainable development and UHC. The factors driving progress in development and health are many and varied, and other issues are usually more important than external financing. Impressive economic growth in many Southern countries has meant more money available both to governments and to individual health consumers to safeguard their needs. At the same time, health technology has continued to improve, reducing the cost of life-saving and life-enhancing interventions. Finance itself is only one component of the enabling environment required for UHC; and concessional IPF is only a subset of finance. Figure B below visualises some of the aspects of this enabling environment.

FIGURE B: SITUATING IPF AND GLOBAL PUBLIC INVESTMENT IN AN ENABLING ENVIRONMENT



At the international level a range of policies must be implemented to create an "enabling environment", including a fairer trading system, ensuring that the global average temperature remains within 2°C of pre-industrial levels – these are in the **green** oval. Part of the global context is financial – **red**. A more stable global financial system to encourage developmentally-useful private foreign investments, and efforts to reduce illicit capital flows and tax evasion and to increase stolen-asset recovery. Philanthropic finance (i.e. private but not-for-profit) is also increasingly playing a role. Finally, international public finance also plays a part – the **dark blue**. section. Concessional IPF for sustainable development, which we call Global Public Investment, is itself just a sub-set of IPF - **blue**.

In our view, much of the same analysis that we have applied to concessional IPF can be applied to the other types of IPF and indeed other major policy issues that need to evolve in pursuit of development and UHC. The international community needs to rethink the economic paradigms that have, yes, brought the world unprecedented wealth, but also have created an unsustainable focus on profits and consumption, leading to rising inequality among other things. There is broad agreement in progressive economic circles that we need to work towards more sustainable and inclusive economic models. Global development and health advocates should review how currently dominant economic paradigms and practices have impacted development progress, including health access and delivery.

ANNEX B
Queries & questions

Over the past few years, this proposal has been presented in many different fora. A number of queries and questions have arisen, most of which have been answered by modifying the proposal that now makes up this report. But it was considered useful to respond to some of the questions head-on, which is what we do in this section.

Will Southern countries agree?
Some are concerned that Southern countries will object to the idea of contributing to global development, insisting, rightly, that the North has historic and moral obligations to fulfil that cannot be shared out with the South.[68] This is correct, and this proposal does not seek to challenge those important historic principles; the North will always have larger obligations. However, in a changing political context, many in the South will see this as an opportunity to engage more fully in global governance and influence the future in a new way. Not only are Southern countries already contributing substantial amounts, support for this proposal has been noticeably strong among Southern governments and civil society to whom it has been presented.

How will contributions be enforced?
There is no way of legally enforcing these contributions to **Global Public Investment**. Most OECD countries fail to live up to their 0.7% pledge, while some are even behind in their UN contributions, and this can be expected to continue, depending on the political leadership in any given country. This proposal does not expect basic politics and pressures on budgets to cease. What it does is propose a new framework under which renewed efforts can be made to build **Global Public Investment** into a force for major global change in the 21st century. It will be far from perfect, as is any major international intervention, but it could be an important next step for financing global goods.

Countries give concessional IPF for their own national interest, not global good
A critical attribute that concessional IPF shares with national public finance is that it is not, in theory, primarily motivated by profit (although in practice, when the state is taken over by private interests, it is certainly possible for public finances, domestic or international, to be used for private profit). What then does motivate concessional IPF? The motivations of concessional IPF providers can be plotted on a spectrum between solidarity on the one hand, and self-interest on the other. Enlightened self-interest, including the desire to maintain an international context adequate for their own national development efforts, primarily through the provision of international public goods, sits somewhere in the middle of the spectrum. This balanced motivation of concessional IPF represents huge potential for effective financing for global development and global health in the future.[69]

Concessional IPF isn't much money – why focus on it?
It is true that as Southern economies have grown, concessional IPF has become smaller relative to other sources of finance. Remittances, for instance, have grown exponentially in many countries, while domestic taxation is also higher than ever. But size isn't everything. The importance of concessional IPF is as much in the type of money, its qualities and characteristics, as in the amount. Many countries (from India to Nigeria to Colombia) have received very little concessional IPF relative to the size of their economies for decades, but still can use it wisely to catalyse progressive change.[70]

The public won't support it
As the West recovers from financial meltdown it is understandable that all budgets are under great pressure, including concessional IPF. But that does not mean there is less *need* – it means it is harder to muster the political will to provide for that need. But it is possible. The UK, currently going through its worst economic crisis in decades, with cuts to public services across the board, was still able to meet its 0.7% ODA commitment. If the UK can manage that, other countries could do the same; France and Germany are also increasing and on a path towards 0.7%. A new narrative, emphasising raised global ambitions, continued global need, joint global benefits, and the impact of **Global Public Investment** even in "middle income" countries, could spark renewed commitment for a great new global endeavour.

The politic context is hardly supportive at the moment
It is true that, in some countries, politicians are emerging emphasising a new nationalism and disregard for global concerns. But that will not last

---

68. This is a particularly key argument in UN negotiations led by the G77
69. Gulrajani N. et al (2019)
70. Glennie & Prizzon (2012)

forever. We need a powerful vision to respond to concerns about globalisation and global development efforts, both to counter narrow national visions, and to be ready when the political opportunity emerges to take back the initiative.

Won't external support reduce pressure for domestic political change (moral hazard)

It is possible that when there is access to external funding sources, domestic political pressure to modernise and democratise the tax/spend system may be undermined. But this has always been true, in countries of all income levels – so it is not an argument to be wielded now. Furthermore, it is likely that as aid reduces compared to the size of the economy (i.e. as aid dependency reduces) this moral hazard will be reduced. In other words, aid at low levels relative to the size of GDP is unlikely to significantly slow progress to a more equitable use of resources – on the contrary, in many instances, when it is carefully oriented in terms of good incentives, it may further the pressure for change.

Shouldn't we be prioritising the poorest countries?

Recent research by the Overseas Development Institute demonstrates that ODA per capita in low income countries is lower than in middle income countries, an anomaly that must clearly be rectified, as a priority.[71] Whatever the size of the concessional IPF pot, priorities always have to be made and the most egregious examples of poverty and ill-health must be tackled first. But sometimes people confuse not needing so much so urgently, with not needing anything at all – confusing needy with most needy. The language of $1/day poverty, while useful, may have skewed our understanding of what constitutes need; prioritizing scarce resources should not be confused with assessing actual need. Need can be absolute, and it can be relative, just like poverty. When the MDG extreme poverty health targets have been met, do communities still "need" support for better health? The case being made in this paper is not that money should be directed away from LICs and towards MICs, but that the poverty and sustainability needs in MICs should be recognised, as well as the role concessional IPF can play in responding to them. This implies that we will continue to need a growing pot of **Global Public Investment** in the years to come, to satisfy need in MICs as well as LICs.

Don't MICs have access to other forms of finance?

It is clear that the SDGs and UHC are very far from being delivered in MICs. But aren't MICs, especially UMICS, now wealthy enough to pay for their own development and the constant improvements in health required by SDG3? Shouldn't an increasing domestic tax take replace the need for foreign public cash, as the economy grows, and tax management improves? Do they really still require help from abroad? In short, why should foreign taxpayers help when there is enough domestic tax and private finance

There are two main problems with this optimistic outlook. First, as we have seen, the need is far greater than usually assumed. The calculations generally made regarding domestic tax opportunities respond to a very limited (some would say stingy) ambition for health outcomes. It may be that some countries could reach the most basic health provision by themselves (although most can't), but to deliver UHC will require far more public finance than is available, even in UMICs. And then there are the remaining SDGs...

The second problem with this assertion is that it is over-optimistic regarding the political feasibility of a redistribution of wealth and income rapid and large enough to meet global objectives. It is to be welcomed that more government agencies and international analysts (including the OECD and the IMF) are emphasising the problems of intra-country inequality and the crucial redistributive role of taxation. But the likelihood of significantly fairer distribution in a relatively short timeframe is low. Trying to persuade the haves to share wealth and opportunities more generously with the have-nots is long term; the kind of shifts in taxation and public spending required generally take place over decades, rather than years. India, for example, like many developing countries (whether Low or Middle Income) has a Gini coefficient on a par with most developed countries (and significantly below that of the United States). Reductions in inequality in Latin America have been important but minimal, and always at risk of reversal. There may also be significant limitations in terms of access to private capital markets.

MICs can make good use of international public funds to complement domestic finance (public and private) and international private finance, whether to respond to traps or gaps. Given the stubborn reality of deep inequalities over the centuries, and the fact that in many countries they are getting worse, the idea that middle income countries should exit concessional IPF is over-optimistic.

71. Manuel M. et al (2018)

ANNEX C
One-page summary

As major geopolitical and economic shifts play out across the globe, the debate about the future of foreign aid is well underway. Although global poverty figures are improving, inequality is on the rise and grand new challenges have emerged for the global community. This paper presents a renewed theory/vision/understanding/narrative for aid and other types of concessional international public finance, which we call **Global Public Investment**. It is intended to:

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

The paper argues that concessional international public finance has important characteristics that make it a crucial part of the development financing mix even as economies grow and other types of finance become increasingly available. And it suggests **five paradigm shifts** to help shape its future.

1. **Ambition: From poverty to equality**
   The international community needs to raise its ambitions beyond its comfort zone in response to the SDG agenda. While **foreign aid** is intended to reduce and eventually end extreme poverty, **Global Public Investment** should support ongoing attempts to increase equality (within and between countries) and sustainability, as well as target extreme poverty.

2. **Function: From quantity to unique characteristics**
   Concessional international public finance is not just for filling gaps, it is for overcoming traps and promoting global benefits. **Global Public Investment** has a unique set of characteristics and cannot simply be replaced by other types of finance.

3. **Geography: From north-south to universal**
   The arrival of "emerging" donors must be allowed to shake up aid governance for the better. While Wealthy countries give **foreign aid** to poorer ones, all countries contribute to **Global Public Investment**, according to ability, and all can benefit from it, according to need.

4. **Governance: From closed to accountable**
   Recognising this changed landscape means allowing governance mechanisms to evolve and improve. While **foreign aid** is voluntary, and governance is in the hands of a small group of rich countries, **Global Public Investment** would be a statutory contribution managed by the world's countries for the good of all.

5. **Narrative: From charity to investment**
   Words matter. A new vision must be accompanied by a more appropriate narrative and language. While **foreign aid** is seen as a charitable gift to foreign countries, **Global Public Investment** is an investment in our global common good.

BIBLIOGRAPHY

Alonso J.A. (2017) From ODA to a new international development policy

Alonso, J. A., Glennie, J., & Sumner, A. (2014). Recipients and contributors: Middle income countries and the future of development cooperation (DESA Working Paper No. 135, ST/ESA/2014/DWP/135). http://www.un.org/esa/desa/papers/2014/wp135_2014.pdf

Barcena, Manservisi & Pezzini (2017) Development in transition. European Commission. https://ec.europa.eu/europeaid/sites/devco/files/op-ed-dit21-20170704_en.pdf

Basu, Stuckler & McKee (2012) An alternative mechanism for international health aid: evaluating a Global Social Protection Fund

Benn, J., & Luijkx, W. (2017) Emerging providers' international co-operation for development, (April). http://www.oecd-ilibrary.org/content/workingpaper/15d6a3c7-en

Bhattacharya, Romani & Stern (2012) Infrastructure for development: meeting the challenge. Centre for Climate Change Economics and Policy Grantham Research Institute on Climate Change and the Environment http://www.lse.ac.uk/GranthamInstitute/wp-content/uploads/2014/03/PP-infrastructure-for-development-meeting-the-challenge.pdf

Carbonnier & Sumner (2012) Reframing aid in a world where the poor live in emerging economies

Carothers & de Gramont (2013) Development Aid Confronts Politics: The Almost Revolution. Carnegie Endowment for International Peace

CEPAL & OECD (2019) Latin America Economic Outlook, Development in transition.

CSEM (2018) On the Road to UHC: Leave no one behind. https://www.iapb.org/wp-content/uploads/on_the_road_to_uhc_csem_2018.pdf

de Cazotte H. (2018) Seeking agreement on ODA, the UK, Germany and the US: conclusions for France

Development Committee (Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries) (2015) From Billions to Trillions: Transforming Development Finance Post-2015. https://siteresources.worldbank.org/DEVCOMMINT/Documentation/23659446/DC2015-0002(E)FinancingforDevelopment.pdf

Development Initiatives (2018) Investments to end poverty, meeting the financing challenge to leave no one behind. http://devinit.org/wp-content/uploads/2018/12/Investments-to-End-Poverty-2018-Report.pdf

Di Ciommo (2014) Development cooperation for the future, The increasing role of emerging providers. Development Initiatives

DIE (2014) "Beyond Aid" and the Future of Development Cooperation

Dieleman et al (2016) Development assistance for health: past trends, associations, and the future of international financial flows for health

Edward & Sumner (2013) The Geography of Inequality: Where and by How Much Has Income Distribution Changed since 1990? CGD Working Paper 341

European Commission (2014) An introduction to EU Cohesion Policy 2014-¬2020. https://ec.europa.eu/regional_policy/sources/docgener/informat/basic/basic_2014_en.pdf

Gaspar et al (2019) Fiscal Policy and Development. Spending Needs for Meeting Selected SDGs. IMF

Glennie J. (2008), The Trouble with Aid (Zed Books) is a decent reference for the complex and often negative impacts of aid dependency.

Glennie J. (2011) A research revolution to save the planet. www.guardian.co.uk/global-development/poverty-matters/2011/jul/15/aid-money-research-clean-technology

Glennie, Gulrajani, Sumner & Wickstead (2019) ODA, the next 50 years: a proposal for a new universal development commitment https://www.researchgate.net/publication/335794353_ODA_THE_NEXT_50_YEARS_A_PROPOSAL_FOR_A_NEW_UNIVERSAL_DEVELOPMENT_COMMITMENT

Glennie & Hurley (2014a) Where next for aid post-2015, ODI and UNDP. http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/UNDP-ODI--Where-Next-for-Aid-the-Post-2015-Opportunity-FINAL.pdf

Glennie and Hurley (2014b) https://www.theguardian.com/global-development/poverty-matters/2014/may/07/europe-aid-eu-middle-income-countries

Glennie & Prizzon (2012) From high to low aid: a proposal to classify countries by aid receipt. ODI https://www.odi.org/publications/6383-high-low-aid-proposal-classify-countries-aid-receipt

Glennie & Sumner (2015) https://www.theguardian.com/global-development/2015/aug/05/aid-should-be-seen-as-foreign-public-investment-not-just-charity The Guardian

Greening J. (2013) Global trade can help us end the need for aid. https://www.gov.uk/government/speeches/justine-greening-global-trade-can-help-us-end-the-need-for-aid

Gulrajani N. (2015) Dilemmas in donor design: organisational reform and the future of foreign aid agencies

Gulrajani N. et al (2019) The principled aid index: understanding donor motivations. ODI https://www.odi.org/publications/11294-principled-aid-index-understanding-donor-motivations

Gulrajani & Swiss (2019) Donorship in a state of flux. ODI

Hattori, T. (2001) Reconceptualising Foreign Aid, Review of International Political Economy Vol. 8, No. 4 (Winter, 2001), pp. 633-660.

Kanbur & Sumner (2011) Poor Countries or Poor People? Development Assistance and the New Geography of Global Poverty

Kaul I. (2014) International Public Finance. https://www.ingekaul.net/wp-content/uploads/2014/01/International_Public_Financ_Fin.pdf

Kharas and Rogerson (2012) Horizon 2025: creative destruction in the aid industry. ODI

Kharas and Rogerson (2017) Horizon 2025 revisited. ODI

IARAN (2017) The Future of Aid: INGOs in 2030

IDS (2018) IDS Bulletin, July 2018, Emerging economies and the changing dynamics of development cooperation

Inter-agency Task Force on Financing for Development (2019) Financing for sustainable development report

Manuel M. et al (2018) Financing the end of extreme poverty, ODI https://www.odi.org/publications/11187-financing-end-extreme-poverty

Mawdsley E (2012) From Recipients to Donors, Emerging Powers and the Changing Development Landscape. Zed

Moon & Omole (2017) Development assistance for health: critiques, proposals and prospects for change

Moyo D. (2008) Dead aid, Why aid is not working and how there is another way for Africa. Penguin

OECD (2011) Divided We Stand: Why Inequality Keeps Rising. http://www.oecd.org/els/soc/dividedwestandwhyinequalitykeepsrising.htm

Olivié & Pérez (2019) Solidarity and security in the EU discourse on aid
Gómez-Reino M. (2019) `We first' and the Anti-foreign Aid Narratives

Ooms et al (2010) Financing the Millennium Development Goals for health and beyond: sustaining the `Big Push'

Ooms et al (2014) Beyond health aid: would an international equalization scheme for universal health coverage serve the international collective interest?

Otterson et al (2018) The challenge of middle-income countries to development assistance for health: recipients, funders, both or neither?

Oxfam Australia (2017) The future of Australian Aid

Partos (2018) Adapt, Counteract or Transform, The future of Dutch development cooperation. https://partos.nl/fileadmin/files/Documents/180411_Exploring_the_future_of_Dutch_development_cooperation.pdf

Pogge T. (2015) The hunger games. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2823609

Rajan & Subramanian (2009) Aid, Dutch Disease and Manufacturing Growth. CGD Working Paper 196. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1542716

Reid-Henry S. (2016) Just global health? https://onlinelibrary.wiley.com/doi/abs/10.1111/dech.12245

Sachs et al (2019) Closing the SDG Budget Gap

Sagasti et al (2004) Knowledge and Innovation for Development: the Sysiphys challenge of the 21st Century.

Sagasti, Bezanson & Prada (2005) The Future of Development Financing: Challenges and Strategic Choices, New York, Palgrave/Macmillan.

SDSN (2015) Partnerships and Investment Needs to Achieve the Sustainable Development Goals: Understand¬ing the Billions and Trillions,

SDSN (2015) Financing for Sustainable Development: Implementing the SDGs through Effective Investment Strategies

Severino & Ray (2009) The End of ODA: Death and Rebirth of a Global Public Policy

Stern et al (2013) A new world's new development bank. On Project Syndicate. http://www.project-syndicate.org/commentary/the-benefits-of-the-brics-development-bank

Summers L. (2016) Keynote Address for Doha: The Future of Aid for Health

Sun Yun (2014) China's Aid to Africa: Monster or Messiah? www.brookings.edu/research/opinions/2014/02/07-china-aid-to-africa-sun

Vaes & Huyse (2012) Development cooperation in 2020? Hivos

UNCTAD (2015) Trade and Development Report www.unctad.org/en/PublicationsLibrary/tdr2015_en.pdf

UNDP (2013) Human Development Report The Rise of the South: Human Progress in a Diverse World: http://hdr.undp.org/en/2013-report

UNDP (2014) Start of KazAID marks significant transition in Kazakhstan from aid-recipient to donor www.eurasia.undp.org/content/rbec/en/home/presscenter/articles/2014/11/3/start-kazaid-significant-transition-kazakhstan.html

UN Millennium Project (2005) Investing in Development, A practical plan to achieve the Millennium Development Goals. https://www.who.int/hdp/publications/4b.pdf

Wood et al (2011) Evaluation of the Paris Declaration https://www.oecd.org/derec/dacnetwork/48152078.pdf

Yanguas P. (2018) Why we lie about aid, Development and the Messy Politics of Change. Zed