Equal

Addressing 21st Century Challenges:

Global Public Investment for the Common Good (GPI-CG)

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Introduction

This paper contributes to current policy-makers' debates about Global Public Investment (GPI). By emphasising its dimensions of 'globalness' and 'publicness', the paper argues that GPI could play a major role in building and implementing a Global Common Good Agenda (GCGA). It is organised into four sections — the first deals with the need for GPI and the difficulties encountered in building the agenda. The second discusses the financial requirements for its implementation. The third section presents the main dimensions of the GPI concept and its potential for GCGA financing. Finally, the fourth section presents the incentives and costs related to adopting GPI in different country groups.

1. Towards a Global Common Good Agenda

Climate change, biodiversity loss, pandemic insecurity, mounting poverty, and ever-increasing inequalities seem intractable challenges. These challenges extend beyond national borders, therefore they cannot be addressed effectively by any single nation. While state intervention is usually required to tackle such issues domestically, global-scale challenges demand collaborative action, multilateral coordination among states and significant investments. Internationally agreed rules, goals and plans are intended to address every one of these challenges: the UN Framework Convention on Climate Change, the Biodiversity Convention and Framework, and the 2030 Agenda. At the very least, even with their limitations and political constraints (Brühl and Rittberger, 2001), these instruments point to 'what' (goals) must be done to meet global challenges, providing a foundation for a GCGA[1].

A GCGA requires effective multilateral institutions (United Nations, 2021) and consistent means of implementation. According to specialised agencies, the investments necessary to meet global challenges has reached trillions of US dollars, while public financial flows to developing countries were still below US 300 billion[2] (see Box 1).

Box 1: Investments necessary for the implementation of internationally agreed goals

- Pandemic preparedness: US$10–15 billion per year (GPMB, 2021; G20 et al., 2021)
- Climate change — energy transition: US$2.4 trillion per year (Rowling, 2021)
- Climate change — adaptation (lower-income countries (LICs) and middle-income countries (MICs): $160 billion to $340 billion per year (UNEP, 2022)
- Preserving global biodiversity: US$ 200–700 billion per year (UNEP, 2022)

An outdated set of means hinders the implementation of such a transformational agenda. Movements as diverse as the Bridgetown Initiative, The Pandemic Fund, the Global Financing Pact, and the Summit of the Future are attempts to find ways to advance the common agenda. However, these initiatives are evidence of political and financial failure to achieve outcomes that are unattainable on a purely national basis.

Achieving established priority outcomes requires strengthening the GCGA to overcome the mismatch between global ends and nationally-oriented means. The concept of the Global Common Good is purposive and requires alignment between inputs, outcomes and governance procedures (Messner and Scholz, 2018). Hence, a GCGA involves attaining collective goals through collaboration and investment, with equitable contributions and shared ownership over governance models and the achieved outcomes (Mariana Mazzucato, 2023b; 2023a). Not by chance, in his 2021 report, the United Nations Secretary-General argues for repurposing international cooperation, towards a Global Common Good Agenda:

"The purpose of international cooperation in the twenty-first century is to achieve a set of vital common goals on which our welfare, and indeed survival as a human race depend. (…) Many of these objectives (the 'what') are set out in the 2030 Agenda for Sustainable Development (…). I believe that it is high time for Member States, together with other relevant stakeholders, to devise strategies for achieving them (the 'how') through enhanced multilateral governance of global commons and global public goods". (UN, 2021)

2. Development cooperation and the Global Common Good Agenda

Current international development cooperation is still primarily conditioned by the Official Development Assistance (ODA) framework established after WWII, within the Organisation for Economic Co-operation and Development (OECD)/Development Assistance Committee (DAC) developed countries. Created during the Cold War, ODA was designed to achieve various goals not necessarily related to development (e.g. containment, political influence, or economic benefits). Over 60 years since its inception, ODA has played a significant role in financing national development strategies and supporting poverty reduction programmes in LICs and MICs. However, ODA has severe underlying limitations in terms of meeting global needs. The unprecedented global challenges of the 2020s have exposed the limits of a set of practices with a glaring legitimacy gap, aggravated collective-action dilemmas and allocation inefficiencies.

ODA created a structural divide between North and South, reproducing asymmetries and dependency. Current governance arrangements reflect global power imbalances that ODA has nurtured for some time, hampering the effectiveness of the partnerships envisaged in SDG 17.[3] Furthermore, despite all the coordination and harmonisation efforts, ODA keeps feeding a fragmented system where development cooperation is conditioned by considerations other than the agendas established in multilateral fora. Fuelled by ODA, international cooperation was, and still is, fragmented and dependent on donors' will. Rather than an unintended consequence, international development cooperation is fragmented by design. ODA consolidated bilateral channels for aid delivery, even within multilateral pipelines. Even when channeled through international organisations, earmarked voluntary contributions remained under the strict control of donor countries. The OECD reports that in 2020, 40% of all DAC countries' multilateral contributions were earmarked, with more than 50% of these contributions targeting specific countries (OECD, 2020b; 2020a).

Additionally, multilateral contributions from DAC countries were concentrated mainly in multilateral development banks (MDBs) and vertical funds. The growing volumes of earmarked contributions and the concentration of core contributions in MDBs and vertical funds (often under donors' influence, if not control) have two outcomes. On the one hand, they limit recipient country ownership. On the other, they obstruct multilateral processes of public deliberation and policy-making. Ultimately, ODA's bilateral dynamic reproduces economic dependency and political exclusions, deepening collective-action dilemmas.

It is noteworthy that contemporary international cooperation policy-making focuses almost exclusively on ways to broaden the contributor base (and overcome alleged free-riding dilemmas) instead of reflecting on the limitations of the approaches embedded in current finance for development frameworks. The 'billions to trillions' mantra is underpinned by the assumption that if public resources are unavailable, ODA could leverage private resources through innovative financing mechanisms (which would feed existing ODA channels) to fill these gaps. Hence, alternatives to cope with global needs would include (i) bringing in new contributors (particularly upper-middle-income countries – UMICs) or (ii) partnering with the private sector. The other options to fill the financial gap suggest the need for ODA-like contributions from UMICs, or the mobilisation of ODA to de-risk and promote private investments. International development cooperation structures and frameworks are kept untouched.

As previously discussed, numerous obstacles stand in the way of consolidating a GCGA. Financial needs are doubtless the most significant challenge, but the gap goes beyond the volume of resources. The gap is institutional rather than merely financial. The current structure of international public finance does not foster the creation, design and implementation of a global agenda to promote the common good. Unleashing the potential for a true GCGA requires reforming international development cooperation. Rather than replacing existing frameworks (like ODA), this reform must accommodate a new approach to addressing a GCGA. Such an approach requires multilateral and inclusive governance arrangements to enable the equitable redistribution of responsibilities and benefits on a global scale.

3. Global Public Investment for the Common Good (GPI-CG)

A significant change in international development cooperation is necessary to achieve global outcomes that fall beyond the reach of national efforts or bilateral cooperation. A GCGA requires global public and equitable financial flows beyond international cooperation frameworks. Global Public Investment for the Common Good (GPI-CG) is a potentially transformative approach towards international public finance to facilitate cross-border investments to fund global common needs.[4] While GPI-CG is presented as an answer to the current failure to provide for global needs, it is not intended to replace other types of public flows that aim to contribute to "the welfare and the development of developing countries" (ODA) or foster their self-reliance or collective self-reliance (South-South cooperation). These flows are often designed to achieve different ends and target specific countries (e.g. poverty reduction or humanitarian protection) rather than producing shared global outcomes.

GPI-CG has three significant differences from ODA. First, the **geography**: the globalness of the challenges, policy-making and ownership of the outcomes (Kaul, Blondin & Nahtigal, 2016; Kaul & Blondin, 2016). Second, the type of **instrument**: investment instead of aid or assistance. The investment logic replaces donorship with partnership and is intended to foster a horizontal relationship based on the expectation of mutual benefits and the greatest possible social and environmental returns (Norway Ministry of Foreign Affairs, 2023). Third, **publicness**: publicness is critical to understanding GPI-CG and distinguishes it from other sources of finance for development. Publicness in GPI not only refers to the type of money mobilised (public, as opposed to private); it relates to process and outcomes (Kaul and Blondin, 2016; Kaul, Blondin & Nahtigal, 2016) — the process through which the GCGA is manufactured and funded, the outcomes it generates, and how they are distributed. Publicness in GPI-CG unfolds in three dimensions: decision-making, provision and consumption (Kaul, 2016).[5]

Publicness in decision-making

Publicness in decision-making emphasises the importance of inclusive and participatory procedures. GPI-CG is grounded in **global public decision-making** processes to determine investment priorities and strategies. Unlike traditional aid models that often mirror the interests of donor countries or, at best, a balance between donor's and recipient's interests, GPI calls for a global dialogue where all nations, irrespective of their economic status, have a say in deciding where and how global public funds should be deployed. Such a principle deepens and bolsters the multilateral institutional architecture. It enables universal participation in decision-making, fosters a sense of global ownership and mutual responsibility, and promotes decisions that reflect shared global priorities. The approach is specifically designed to generate equitable and mutually beneficial outcomes. A global public decision-making method aims to

(i) define global public needs and related policies

(ii) determine contributions and distribution parameters

(iii) guide implementing solutions

(iv) establish oversight mechanisms.

The equitable involvement of all nations and stakeholders is fundamental to creating effective policies that address national needs and generate shared global outcomes. This approach promotes a public-oriented perspective and the advancement of polycentric and effective multilateralism. Encouraging participation from diverse stakeholders is essential to ensuring the fair and impartial distribution of benefits, free of any exclusionary or competitive practices. These principles are vital to advancing the public good and promoting global sustainability.

Publicness in contributions

Publicness in contributions refers to the collective financing of the GCGA. GPI-CG proposes a model of **universal contributions** in which every partner must contribute according to its capacities. GPI-CG fundamentally challenges the donor-recipient dichotomy of traditional aid and advocates for a shared responsibility towards global development. Such a perspective is aligned with and reinforces the principle of global public decision-making. According to publicly agreed methods, universal contributions strengthen the Global South's demands for a stronger voice in decision-making, particularly when these decisions have a distributive impact. Hence, universal contributions give additional legitimacy to developing countries' old claims for active participation in decision-making processes.

Publicness in benefits

The GPI-CG approach is predicated on the principle of publicness in benefits, which ensures universal access to the outcomes generated by the GCGA. This perspective aims to yield benefits that are globally shared. By channelling investments into areas such as climate stability and pandemic prevention and preparedness, GPI-CG creates value that transcends national boundaries, benefiting all countries, regardless of their financial contributions. Furthermore, GPI-CG adopts the concept of equitable differentiation to assess contributions and benefits.

Equitable differentiation

Equitable differentiation is a supplementary modifier of globalness and publicness. It brings power asymmetries and socio-economic inequalities into consideration when it comes to assessing contributions and benefits. GPI-CG challenges conventional ODA practices where assigned responsibilities between donors and recipients reinforce hierarchies and dependency. GPI-CG, supplemented by equitable differentiation, entails responsibilities and contributions staggered across a spectrum of different capacities. Moreover, this approach fosters a more equitable distribution of global resources, ensuring that no country is left behind in the implementation of the GCGA and that those further behind will actually derive a net benefit. In this model, all countries would provide regular and predictable contributions to a common pool while adhering to equity or equalisation criteria. Financial equalisation refers to orderly financial transfers over a geography where contrasts are both stark and changing. It can refer to different geographic scales, e.g. (a) a national/sovereign scale where a common standard is achieved through orderly transfers between higher-income and lower-income *subnational* entities, or (b) a global scale where a common standard is achieved through orderly transfers between higher-income and lower-income *sovereign* entities. Financial equalisation is typically mandated by a desire to make a common outcome effective over unequal geography.

4. Why adopt Global Public Investment for the Common Good?

A Political Demand Analysis to understand how GPI-CG resonates for different groups of countries shows that, regardless of their relative position, most countries are concerned about the possibility of dismantling ODA-based international cooperation[6]. In all these groups, even considering that GPI should not be a substitute for ODA, many respondents felt that its adoption could be an opportunity for donors to abandon their historical commitments, notably the 0.7% of gross national income (GNI) target. That is why respondents in all country groups stressed the need for resources allocated to GPI to be *additional* to ODA. Despite common concerns, responses to questions about the incentives for GPI adoption also varied by country group, as described below.

High-income countries

- *Burden sharing*
  Concerning global public goods (GPG) finance, high-income countries (HICs) and upper-middle income countries (UMICs) are sometimes seen as locked in a game of mirrored distrust, where UMICs fear HICs will shun their historical responsibility, while HICs fear UMICs will not pay their fair share. This scenario of mutual distrust and underfunding ensures unabated climate and pandemic outcomes. In contrast, GPI-CG offers HICs an opportunity to broaden the contributor base with MIC's inputs, while giving MICs a genuine stake in governance. This would break the cycle of distrust and replace it with an orderly, balanced, growth-reactive equitable framework that is more likely to deliver the levels of finance, cooperation and security needed.

- *Demands for Global Public Goods/Global Commons*
  Even considering the socio-political polarisation in many countries, the growing demand for the security of GPGs, particularly related to environmental protection, is evident. GPI-CG allows decision-makers to deliver progress on climate and pandemic security and demonstrate global cooperation to protect these vital common goods.

Upper-middle-income countries and middle-income countries

- *Standing on the global scene*
  Many large G20 middle-income economies are pursuing a diplomatic strategy to expand their standing on the global scene. As part of this, many are asserting leadership on key GPGs (e.g. China on climate, India on digital development, Indonesia on pandemics, etc.). Compared to ODA (a frame criticised by almost all UMICs and MICs), GPI-CG offers a valuable international recognition and influence pathway.

- *Reform of international governance*
  Many MICs (including leading economies like G20 members) include in their foreign policy objectives the reform of international governance, or global governance, defined as a rebalancing of decision-making procedures considering the current distribution of power. India, for instance, as Chair of the 2023 G20 summit, is pushing for a rebalancing of International Monetary Fund/World Bank voting rights away from legacy powers. GPI-CG, as the first-ever tool to put all countries on an equal footing in terms of agency regardless of income level, shifts the current paradigm and can make a significant contribution to this reformist agenda.

Lower-middle-income countries and low-income countries

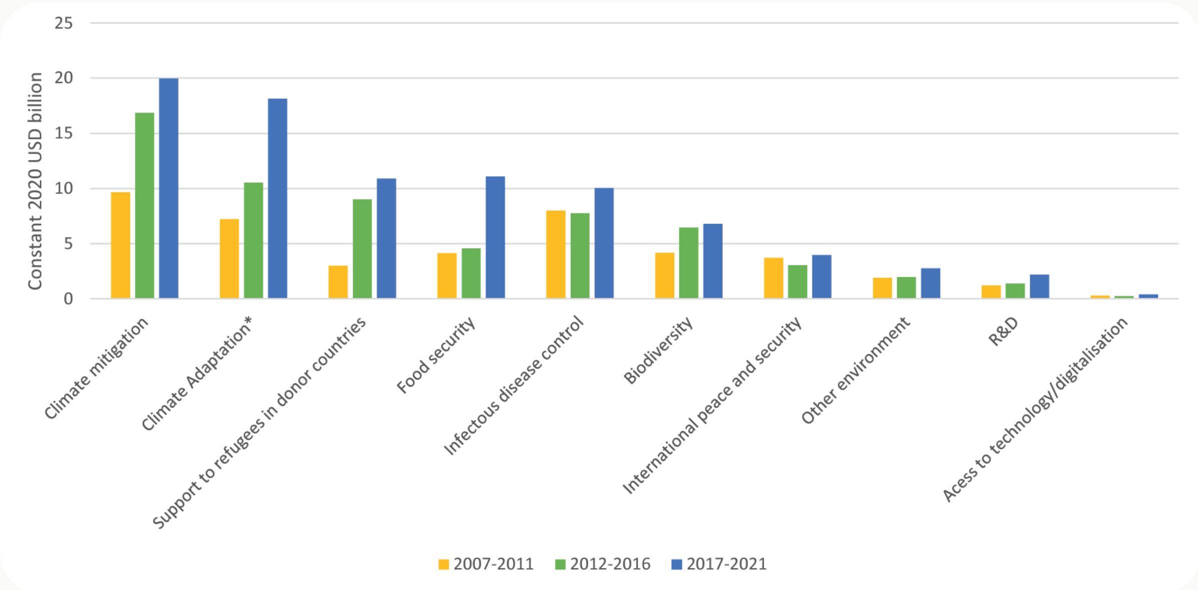
- *Increased investments*
  Low-income countries (LICs) and lower-middle-income countries (LMICs) would be net beneficiaries based on the concept of equitable differentiation, while having greater control over the terms of those receipts.
- *Diversification from ODA/graduation dilemma*
  GPI-CG offers LICs and LMICs an opportunity to diversify the inbound foreign public investments to which they have access, thereby expanding opportunities and reducing risk. This is particularly relevant for countries that are graduating and will face lower levels of concessionality and more scarce financial instruments.
- *Secure ODA for poverty reduction and support for national development*
  Following its reform during the last decade, ODA has been increasingly mobilised to fund GPGs. Some donors assign approximately 30% of their ODA contributions to GPGs and Global Commons in MICs and even UMICs. GPI-CG is a way to define a stricter understanding and role of ODA, rechannelling its flows, almost exclusively, to LICs.

5. The way ahead

In the face of multiple crises (COVID-19, climate change, the war in Ukraine, food insecurity, biodiversity loss), the global agenda for the common good has become a political imperative. However, under the backdrop of increasing political polarisation and crises of multilateral institutions, several countries (developed and developing) are adopting unilateral responses. Two paths can be clearly identified: (i) the mobilisation of ODA resources to finance so-called "Global Public Goods" and, (ii) the design of alternative financing models beyond the ODA frameworks. Such responses point to two alarming scenarios:

1. Recent studies indicate resources for financing GPGs may reach 60% of the total volume of ODA (Elgar 2023, 18). The continued mobilisation of ODA resources to finance Global Public Goods is draining funds for poverty reduction programmes and national development strategies (see Figure 1).

Figure 1: Bilateral ODA commitments by DAC donors for global public goods



Source (Elgar 2023)

2. As traditional donors are designing new financial models for GPGs beyond ODA, it is possible to envisage a new concert of traditional donors that reproduces the divide between donors and recipients and excludes the latter from decision-making processes.

These scenarios not only reproduce the exclusionary logic that has characterised international development cooperation for the past six decades, but may also mean the definitive abandonment of those who behind. Moreover, these scenarios will not contribute to overcoming the global challenges we are now facing. Tackling these challenges requires the construction of a multilateral dialogue that allows for broad agreements around a GCGA and enables an effective, inclusive and equitable financing model. The political debate around the concept of GPI is one decisive step in building this agenda and addressing the root causes of the multiple crises before us.

Having convened the Expert Working Group on GPI, which concluded that the principles of 'all contribute, all benefit, all decide' can be the basis for cooperation in raising and disbursing the significant resources needed to address common challenges, Equal is partnering with Southern-based think tanks and Wilton Park to convene a 'political cocreation' process to support the adoption of a new framework. The questions and issues raised in this paper provide a stepping-off point for the work of this partnership. Insights and outputs from this cocreation process will be shared and linked with the work of other stakeholders and networks more broadly to support cross-sector collaboration and advocacy.

Endnotes

1 There is no established and consensual definition of "Global Common Good". As a starting point, when we adopted Mazzucato'sconceptualisation, as follows: "the common good is a shared objective and therefore can mobilise, coordinate and evaluate economic activities around that objective" (2023a, 8).

2 See: (World Bank, 2015)

3 As early as in 2009 Severino and Ray identified the "fantastic disconnect between old concepts and new realities" referring to ODA practices vis a vis the growing centrality of Global Public Goods. In 2015 Xu and Carey, among others, identified the disconnect among the existing governance arrangements and the 2030 Agenda ambitions: "the key challenge ahead is how to update and innovate the governance of official development finance to harness the renaissance of public entrepreneurship to realise a transformative development agenda in a post-2015 world. (Severino and Ray, 2009) (Xu, J. and Carey, R., 2015, 876).

4 The GPI-CG proposal draws upon the cocreation work conducted by the Expert Working Group on Global Public Investment and a mushrooming literature produced during the last five years. With GPI-CG we intend (i) to stress and unpack the various dimensions of GPI's publicness and clearly specify its purpose: to contribute to GCGA implementation throughout the creation and maximisation of global public value.

5 Even considering the differences between what we have called here a Global Common Good Agenda and the concept of Global Public Goods, we second Inge Kaul's approach towards publicness. Such an approach helps to develop the multiple dimensions of publicness implicated in the conceptualisation of Global Public Investment.

6 Equal International conducted a "Political Demand Analysis" study between November 2022 and April 2023 to understand different groups of countries' positions towards GPI. The study focused on G20 countries and carrying a comprehensive desk review and conducting 37 interviews with former decision-makers, in-office policymakers, experts from international organisations and think tank researchers.

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