



Wilton Park

Report: Wilton Park virtual dialogue **The Future of Aid: towards global public investment?** Tuesday 17 March 2020 | WP1766

In partnership with Joep Lange Institute with support from Coalition for Global Prosperity, Development Initiatives, Equal International, United Nations University and the OECD Development Centre

Executive Summary

This virtual discussion in the Wilton Park series on the Future of Aid is taking place at a time of unprecedented crisis and challenge to the global aid and humanitarian system as a result of the COVID-19 pandemic.

Aid continues to be important and relevant. Global public spending and investment is considered a very important part of global cooperation going forward and more is needed. It is unique and does things other kinds of money can't do, including as a catalyst for change to reduce poverty and inequality and tackling some of the global challenges such as pandemics and climate change.

However, there is a consensus that a new and updated conceptual framework for aid is required. It is no longer the case that there is one group of countries giving aid and another receiving aid. What form can or should aid, as concessional public finance, be best taken in the future?

The current COVID-19 pandemic will affect all countries and not just those currently eligible for Official Development Assistance (ODA). The global response to COVID-19 provides the opportunity to reshape the thinking about global solidarity, the framework, objective mechanisms and the governance of aid.

The COVID-19 pandemic also brings the concept of Global Public Investment (GPI), (which was presented and discussed during this dialogue), to the forefront of the aid debate and there is support for this approach.

The international architecture for development financing needs to adapt to be able to respond to the anticipated slower global growth and reversal of poverty reduction; climate emergency and ever-increasing need for humanitarian aid; shifts in demographic and the technological/ digital revolution and its implications for future of consumption, production and work.

Introduction

As a result of the emerging COVID-19 pandemic, the original 3-day conference planned at Wilton Park for 16 – 18 March was postponed and a virtual dialogue took place on Tuesday 17 March with 40+ participants, from a range of institutional backgrounds and countries.

This report summarises the presentations and contributions made as a series of key emerging themes around the fundamental question of "What needs to change and why?" when it comes to discussing the future of aid, where "aid" refers to ODA as defined by the OECD – DAC.

Contributors mentioned the need to:

- Change the conceptual framework for aid.....towards human rights, Global Public Investment?
- Change power balance....from West to East, from North to South...within the South too?
- Change objectives...focusing on tackling inequality and marginalisation as well as the eradication of poverty in absolute sense? And changing focus from inequalities between countries to intra-national inequalities between regions given the contemporary distribution of poverty?

In partnership with:



- Change aid architecture.....need for a refreshed Bretton Woods, reformed UN system or something different?
- Change language....from aid to investment....from donors and recipients....to (SDG, solidarity, mutual prosperity) partnerships?

The key emerging themes presented below provide a useful framework for further analysis of options (along these different dimensions of the problem) and the respective costs and benefits of alternative approaches.

Summary of presentations

The virtual dialogue comprised of 5 presentations followed by discussion. These were:

Christoph Benn of the Joep Lange Institute, Geneva, who introduced and framed the discussion:

- He noted that it had never been more timely to discuss the future of ODA given the unprecedented global challenges we are currently facing.
- He also emphasised the need to find global solutions to global problems and the need to find new ways of channelling global solidarity.

“ODA has flatlined in recent years....and lost its sense of direction and purpose despite the move towards the SDG’s.”

“In climate change and the COVID-19 pandemic.....we have two of the clearest examples of the need for investment in global public goods.”

Mario Pezzini of the OECD Development Centre, Paris, who agreed with Christoph and made three main points:

- There have been a number of significant changes to the landscape within which discussions about ODA are taking place.... changing actors e.g. donor and recipient distinction blurred, changing objectives e.g. was about ending extreme poverty...hence we need to change the modalities of aid.
- Need to redesign the system of international cooperation to recognise this new development and aid landscape. What form can this best take?
- Supports the concept of Global Public Investment (GPI). The current health crisis will affect all countries and not just those currently eligible for ODA. A GPI approach, will be needed to relaunch the global economy post-COVID-19, tapping into unexploited resources for investment, and adopting different approaches such as partnerships - the so-called ‘beyond aid’.

“In order to redesign international cooperation we need new indicators, including the new actors, so that decisions made are more legitimate.

When the current (COVID-19) crisis is over - how can we make serious and significant investment to help the global economy recover?”

Harpinder Collacott of Development Initiatives who presented¹ on 5 key shifts and trends that the international architecture for development financing needs to be able to respond to, namely:

- The rise of political populism and putting “my” country first.
- Slower global growth and poverty reduction since 2010 – poverty is shifting and the remaining “poor” people increasing live in hard to reach places defined by persistent fragility.
- Climate emergency and ever-increasing need for humanitarian aid (further exacerbated by COVID-19).
- Demographic shifts in many countries – some aging, some with an explosion of youth.
- The technological/ digital revolution and its implications for future of consumption, production and work.

Also noted was the increasing importance of domestic resources including remittances (compared to external grants or loans) in many countries as a source of financing for the SDGs.

¹ See Harpinder’s PowerPoint slides in Annex for further details and useful data.

“The only difference with ODA is that it can be more readily targeted towards poverty reduction than other sources of development financing.”

“ODA is mainly concentrated in the easy to reach countries e.g. Tanzania not DRC. It is going to countries with some need...but not where it is most needed.”

Pascale Allotey from International Institute for Global Health (IIGH), United Nations University, Kuala Lumpur, who emphasised the colonial underpinnings of much of the current aid and development architecture and discourse.

- Pascale made an interesting comparison between Malaysia and Ghana – both British colonies, both gained independence in 1957. Malaysia’s health system now significantly better than Ghana’s. So commended Ghana for now moving “beyond aid” and increasingly relying on own resources – including critically its own medical experts.
- We need to recognise the distortions that single-issue financial leviathans like GFATM and GAVI can cause in health systems design and budgeting/ resourcing at national level while also recognising their significant achievements since 2000 (GAVI) and 2002 (GFATM).

“I have a vision for the future of aid...which is about identifying and building better models for balancing power between donor and recipient.”

“The persistent colonial nature of development assistance for public health...must be challenged.”

Jonathan Glennie, Principal Associate, Joep Lange Institute presented on the concept of Universal Public Investment (UPI) – as a potential successor to ODA2.

- 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.
- To move on from the old “aid” mentality, the paper proposes five paradigm shifts to the ambition, function, geography, governance and narrative of aid.
- Global Public Investment = concessional international public finance intended to promote sustainable development. Includes ODA and South-South Cooperation.

“We need to remind people of the importance of concessional international public finance – we can’t pull back from this. The pull back we are seeing (from others) is also part of the reason we need a new narrative.”

“We need to think, like Keynes, about new financing arrangements to deal with a world in trouble and thinking 50 years ahead – thinking long-term.”

Key themes emerging from discussion so far...

1. Changing the conceptual framework

Global public spending and investment is considered a very important part of global cooperation going forward. It is unique and does things which other kinds of money such as private sector, charities, remittances cannot do.

However, there was general agreement that the conceptual framework for aid needed to be updated. Some elements of this might be based upon the following observations:

- We no longer live in a world where one group of countries give aid and another group of countries receive aid.
- The future is much more about global and regional solidarity and countries being both aid providers and recipients simultaneously based, to some extent, upon their comparative positions in global economic

² Based on his paper “Global Public Investment – Five paradigm shifts for the future of aid”, Joep Lange Institute, September 2019. <https://www.joeplangeinstitute.org/wp-content/uploads/2019/10/Global-Public-Investment-FULL-REPORT-Sept2019.pdf>

and political power systems...although this is something that we want to challenge i.e. the status quo of unequal access and resourcing.

- Fortunately, there are exceptions – some countries have gained a reputation for neutrality e.g. Switzerland or international solidarity e.g. Norway, Cuba and hence are able to punch above their weight in the aid world despite a relative lack of economic or political power.
- Fundamentally, there is a need to acknowledge traditional “aid” has been a function of power relationships between nation states, with ODA being an example of “soft power” countries use to advance their own interests, at the same time as trying to address the needs and interests of the governments and sometimes the people of beneficiary countries (when their interests are aligned).
- Some economists have argued that for a successful aid donor/ recipient relationship to be formed there needs to be “mutual self-interest” on both sides of the relationship. ODA flows and allocations can then essentially be analysed as a bargaining game. Such a view is challenged by other development experts who see greater opportunities for strategic partnerships between countries based upon mutual solidarity.
- This sort of approach is explicitly recognised in the UK Government’s 2015 aid strategy highlighting mutual benefits and “mutual prosperity”. Unfortunately, the latter now looks rather hopeful in light of the likely global recession, even depression, anticipated as a result of the COVID-19 pandemic.

2. Changing the power balance and colonial era discourse

- Given that aid (and its link to Gross National Income (GNI)) is about power relations between countries based upon relative levels of economic development and influence, how might the power balance between North, South, East and West be changed?
- What matters more in the future world of development – hard power or soft power? National interest? Trade interests?
- In this increasingly polarised world will those countries that are best able to project hard power dominate and succeed? Also, how to shake off the colonial legacy that still permeates many bilateral aid programmes.
- How to avoid the problems that have previously arisen when “blending” poverty reduction objectives with other political objectives for aid?

3. Changing objectives – reducing poverty or inequality as overriding objective of aid?

- Should aid still be focused (solely) on elimination of poverty – for example, in the UK, as set out in the UK’s 2002 International Development Act – which has particular implications for where aid is targeted (both geographically and sectorally) or rather be redirected towards reducing inter-national and intra-national inequality?
- What matters most for global social welfare i.e. what is the Pareto optimal allocation of aid globally which maximizes the increase in global social welfare or social utility with least harm to the most vulnerable?

4. Changing the focus of the aid allocation lens – poverty/ inequality at regional, national or sub-national levels?

- Both bilateral and multilateral aid has traditionally been packaged into national programmes which may only be relevant for some parts of a country given the large inter-regional disparities observed. Aid agencies stopped from providing support to needy communities and regions in countries whose average GNI per capita is above some arbitrary threshold.
- What are the potential costs and benefits of shifting the paradigm and targeting ODA or GPI more precisely to where it is needed – based on improved data and technology e.g. GPI allocated based on local populations’ Google searches and consumption pattern

5. Changing institutions

- Widespread agreement that the OECD-DAC lacks real legitimacy to lead future discussions on Aid 2.0 and International Development 2.0. Whilst recognising the important role in setting standards and collating data, it is not representative enough of all the key stakeholders.

- Similarly with the Bretton Woods institutions (IMF, World Bank, WTO etc) and some other parts of the UN system – they have played a key role since their establishment from 1944 onwards³ but their time may now be up unless their governance can be significantly reformed.
- What can replace them in order to redress the fundamental governance and power imbalances highlighted earlier in this report? There is a need to ensure that any successor institutions are still technically competent and rigorous in their approach e.g. what institution can effectively replace the IMF? There are a lot of “sunk costs” and vested interests in maintaining the status quo.
- Is this about further gradual reform of key institutions or rather starting from scratch with a new set of institutions?

Conclusion: Changing the philosophy of aid – helping the poor while also safeguarding our common future

Key points:

- Fundamentally the discussion was about the meaning of “aid”, principally in the form of concessional Official Development Assistance, its importance and relevance in the 21st Century.
- What role can aid best play and how can it be reformed during the next 10 years (the so called “decade of delivery”) leading to the “current” deadline for achieving the SDGs in 2030?
- With the COVID-19 pandemic the relevance of aid is even more important. What are the implications of the pandemic for how aid is thought about – who needs aid, who has responsibility to contribute, who has moral/ other obligation to help who, should we look after our own or is “global” altruism still desirable and feasible?
- In parallel there are strong efforts to move towards a net zero carbon/ GHG world by 2050, but global challenges (in form of climate change, global pandemics, economic and financial crises etc) are likely to get worse before they get better.
- ODA is increasingly being called upon to address a stark deficit of global public goods (and to counter the global public ‘bads’).
- There is a need to recognise the importance of global partnerships, both formal and informal, in tackling these challenges and finding solutions (see SDG 17 on partnerships) and find ways to facilitate/ incentivise such “partnerships of global solidarity”. An example of this is the support that Chinese and Cuban medical teams have provided to their professional colleagues in Italy and Spain during the worst of the COVID-19 pandemic there. Evidence of global solidarity in action – despite the current blockages in official channels of international cooperation.
- How to “rewire the system” to meet these challenges? Perhaps the starting point is to look back to the commitments made in 2015 and the Sustainable Development Goals and seek to rebuild an aid architecture and approach to ensuring greater aid effectiveness from there. Also, how to ensure a better balance of power in the relationships?
- While the current COVID-19 pandemic adds urgency to this work, this should not blinker the longer term big issues and big questions that need resolving – including the climate emergency, the deficit in the provision of global public goods and an emerging migration and refugee crisis linked to both of the above. These issues will require sustained effort and work to change.
- The governance of aid and the architecture of aid giving will need to adapt to the changing trends of global aid giving.

Next Steps

1. Participants expressed support for continuing the discussion. “*This discussion is more critical now than ever.....as we seek to address global problems and promote global solidarity.*” Thinking through the implications of the pandemic for immediate responses and future approaches to aid as well as resulting strategy and operations.
2. Participants were very complimentary about the new video-conferencing approach and encouraged its continued use, particularly while travel and face-to-face contact are restricted due to the pandemic.
3. Consensus that these virtual meetings/ discussions should continue every 6 weeks to 2 months – the next virtual meeting is scheduled for 30th April on the ‘*Crisis and Opportunity – How the COVID-19*

³ See Myles A. Wickstead (2015), *Aid and Development – A Brief Introduction*, Oxford University Press for a good historical overview of the contemporary aid architecture.

- moment will catalyse change in the aid sector'* including more voices from developing country contexts.
4. The partners will continue to work together to shape thinking around the *Future of Aid*, bringing in wider experts to focus on the way aid will change in the coming months and years.
 5. Development Initiatives (DI) and OECD Development Centre will co-host a blog series. DI are considering a small podcast series drawing from bloggers or others with interesting perspectives to bring to the discussion.
 6. This discussion on *the Future of Aid – Towards Global Public Investment?* is likely to have relevance for a range of new or ongoing policy-making processes in different countries.

By Alan Harding (Consultant) with Aneka Hussan (Wilton Park) | April 2020

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Annex

Harpinder Collacott 'The challenges of Today' Wilton Park presentation, 17 March 2020

We now move from the past to the present and the future. To look at where we are today and what needs to change to enable us to achieve better results for the future especially on delivering sustainable development and prosperity for all.

The world has changes dramatically since Agenda 2030 was agreed in 2015 and no one could have quite predicted the today's world back in 2015.

The following trends are playing out to shape the world of the future:

1. A global political shift to the right
2. Rapid changes in global wealth resulting in power and wealth shifting rapidly to Asia
3. All of which result in challenging the existing global order of the post-2WW world
4. Fast slowing growth being further bought to a halt with the current global pandemic
5. A climate crisis which is fast turning into an emergency which will result in
 - a. Disasters and conflicts driving up humanitarian need
6. Changing demographics put a strain on public services and systems
7. And technical transformations leaving the most marginalized further and further behind.

This fast-changing world rightly challenges our existing systems and financing architecture – questioning whether ODA and development finance as it is conceived today really fit for the world of the future?

Five points to contextual the world:

1. **The geography of poverty is shifting fast** – concentrating in particular regions, countries and sub-national areas. With the global trends we are seeing today, poverty will no longer be eliminated by 2030 but rather persist in fragile context where ODA and other resources are not able to reach the communities most in need.
2. **The income gap between the poorest 20% of people and the rest has been growing and is projected to continue to grow** – unless drastic action is taken to increase the incomes of the poorest people at a much faster rate than the rest. Those at the lowest consumption level have seen their lives change very little in the past 15 years when economic growth was strong. Based on current projections their consumption will not increase if we continue as we do today. We are off track to reach SDG1 and 10.
3. **Domestic public resources are critical to addressing national and sub-national challenges and implementing the SDGs** – however they are the lowest where poverty and vulnerability persist, fragility is high and governance infrastructure is weak. This graph shows:
 - 30 countries in the darker colours have government revenue per capita lower than \$400
 - 26 of these countries are in SSA
 - 12 are rated extremely fragile and 16 as fragile
 - 23 have more than 20% of their population living in extreme poverty
 - These slides show one country in depth – Uganda by district. The districts which high levels of poverty tend to have proportionally less resources from public or private investments.
4. **Increasing humanitarian demand now accounts for high proportion of ODA resources delivered as humanitarian response.** For the 20 countries receiving high levels of humanitarian assistance 27% of their ODA comes in as emergency response. The climate crisis will only increase the numbers of people displaced within or outside of their own countries and the need for humanitarian assistance will keep increasing. We also know that as a crisis deepens poverty headcounts also rise – by 10% into the 3rd year of a crisis.
5. **ODA what has happened with it?** It has remained relatively stagnant in terms of volumes since 2000 whilst the wider resource landscape has shifted and expanded significantly – ODA has as a result declined from 7.3% of all resources to 6% in 2018.

6. **However, as the resource which can be targeted specifically to address poverty and vulnerability, has it's targeting improved, as well as quality of ODA?**
 - a. Unfortunately, the share of ODA going to countries and places where the need is highest is not reflecting in its targeting. ¼ of ODA goes to countries that account for 1% of people living in extreme poverty.
 - b. Loans to the poorest countries are rising fast at the expense of concessional finance
 - c. ODA is declining to key human capital sectors too and will be diverted further as the climate agenda increases pace
 - d. ODA leveraging private investments are still concentrated in better off developing countries than those that are resource poor and with high levels of need.

7. In summary, the work is changing and changing fast however the financing architecture we have in place has not kept up with this change we are still using 20th century mechanisms to address 21st century problems.
 - a. As the difference between the east and west equalize, economic growth slows further and fragility challenges us all equally, we need to establish new universal solutions which respond to and can be tailored to local priorities.