

Global Public Investment and Africa: A better approach to financing the SDGs

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Summary

The world's system of financing public goods and common challenges isn't working for the African continent. From climate change to vaccine inequity, African countries bear the brunt in a global system which we are unable to influence to respond to its own needs and preferences. This is despite the fact that African needs and priorities are well defined and known through our Agenda 2063, its six frameworks and fifteen flagship projects. A new approach, known as Global Public Investment (GPI), offers some promise. With the COVID-19 crisis spurring desire for a significant transformation in how global objectives are funded, and with the climate crisis in full swing, it is time for African governments, businesses and citizens to insist on better partnerships to leverage our own significant domestic and regional efforts. Instead of 'us and them', GPI calls for a system based on 'All Contribute, All Decide, All Benefit'.

“ We cannot solve the problems facing the African continent – particularly cross-border problems around climate and health – without massive new public finance. And it has to be governed effectively and fairly. GPI is the best idea out there”.

Stephen Chacha, Director for East Africa, Development Initiatives

“ The GPI proposition needs to build on ideas already circulating in the African continent, and link to the major African regional institutions. We need regional public investment as well as Global Public Investment, and the two need to dovetail carefully together”.

Hannah Ryder, Chief Executive Officer, Development Reimagined

“ COVID-19 has changed the game, and climate change is now an urgent threat. There is momentum behind the GPI approach, and real transformation of the global cooperation system is now possible”.

Anton Ofield-Kerr, Director, Equal International

1. Africa's financing challenges

The current development finance architecture is not and has not been meeting African needs for many years. Africa is the world's eighth-largest economy, and by 2063, the continent is aiming to become the world's third largest. Yet, the world's financial architecture to support growth and development has several structural problems – finance is very limited and often expensive (although some emerging economies such as China have been more helpful in recent years in this regard); finance providers are overfocused on risk rather than opportunity¹; it is donor/creditor-led rather than recipient/borrower-led², and it is also ridden with market failures when it comes to analytical tools such as debt sustainability analysis³ and doing business indices⁴. Right now, for example, Africa is the only region globally that does not have its own (African) Monetary Fund, meaning African countries can only turn to the IMF as lender of last resort for balance of payments problems. Many of these problems arise from a fundamental design based on an outdated narrative setting up rich countries in the Global North as 'donors' to the poor Global South. However, the COVID-19 pandemic as well as the Black Lives Matter and decolonizing development and global health movements have begun to challenge this limited understanding, especially when applied to key public goods issues, such as infrastructure, health and climate change.

Infrastructure

Before COVID-19, the African Development Bank assessed that African countries cannot raise sufficient taxes or other funds domestically for all their basic infrastructure needs⁵. African governments must look externally. Specifically, the continent needs extra finance to pay for a massive US\$68-\$108 billion worth of infrastructure every year up to 2030, aside from all the other key requirements of their citizens. In the post-COVID-19 era, the need for development infrastructure will arguably be even greater. For example, roads and trains are needed to transport medical equipment and food across borders. COVID-19 requires fiber-optic cables for children to e-learn from home and for rural communities to access digitized government services. New power plants are needed to run today's and tomorrow's factories across the continent. And even more finance is needed to make Africa's infrastructure low-carbon and climate resilient, as well as to ensure that countries that are vulnerable to COVID-19-like crises are able to diversify their economies away from dependency on, for instance, commodities, trade, and tourism. As a result, more, not less, finance will be needed in a post-COVID-19 period to develop Africa.

Health

During the COVID-19 crisis, while developed countries spent trillions of dollars to support their citizens and businesses to better withstand financial shocks. The G20 is estimated to have spent over 10% of GDP in doing so. In contrast, the Africa CDC took a major role in coordinating Africa's decisive response to COVID-19, keeping cases and deaths consistently at under 5% compared to the rest of the world. Moreover, Development Reimagined has calculated that over 2020 and 2021 African governments spent over US\$130 billion to address COVID-19 impacts – approx. 2.5% of GDP -, and reach over 200 million people.. The latest International Labour Organization Monitor Report (October 2021) urges meaningful financial and technical support to ensure that recovery in developing countries is not stalled.

1 <https://african.business/2021/03/technology-information/does-covid-19-offer-a-new-way-of-looking-at-african-risk/>

2 <https://african.business/2020/11/finance-services/african-debt-isnt-the-problem-the-global-financial-system-is/>

3 <https://african.business/2021/09/trade-investment/how-multilaterals-exaggerate-africa-risk/>

4 <https://african.business/2021/02/technology-information/doing-business-index-faces-credibility-crisis/>

5 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African_Economic_Outlook_2018_-_EN_Chapter3.pdf

Furthermore, high-income countries (14% of the world's population) have reserved more than half of the world's COVID-19 vaccine doses, while countries in Africa (17% of global population) have under 5% of their populations fully vaccinated. Less than 3% of doses to date in Africa have been boosters. The World Health Organization set a target for all countries to vaccinate 10% of their populations by September 2021 but 56 countries were excluded from the global vaccine marketplace, most in Africa.

Pharmaceuticals are unwilling to share technology and rights licensing. None of the current global cooperation frameworks have proven capable of supporting an inclusive and equitable recovery from the pandemic.

Climate change

Alongside global health challenges, it is increasingly evident that climate change will remain largely unsolved so long as the international community remains dependent on the current system to finance global public goods.

The Kyoto Protocol and the Paris Agreement both call for financial assistance to vulnerable countries with low capacity to prevent and cope with climate change impacts. Currently, countries are unable to meet the targets set in their Nationally Determined Contributions. For instance, Kenya raised US\$ 2.4 billion in 2018 from both public and private capital, which was approximately half of the financing the country needs annually.⁶ Climate financing needs to better target communities at risk.

A recent technical note by the World Resources Institute is one of many to find that most developed countries failed to fulfil their commitments to a US\$100 billion climate finance target originally agreed to in 2009, and that the quality of climate finance varies. This comes on top of most high income countries missing the 1970s target to spend 0.7% of GNI on supporting lower-income countries. The WRI study finds that there is little finance flowing from the multilateral climate financing mechanisms such as the Green Climate Fund and the Adaptation Fund.

A new approach

The 2030 Agenda for Sustainable Development and African Union Agenda 2063 both have “global public goods” at their core, such as taking action on climate change or building resilient infrastructure.”⁷

The fact is, multilateral fora can't be effective unless supplemented by a new way of thinking and doing. Some influential voices and groups have begun calling for a paradigm shift in the way we finance our global public needs: from International Monetary Fund Managing Director, Kristalina Georgieva, to the G20 High Level Independent Panel on financing the Global Commons for Pandemic Preparedness and Response; to the Finance in Common summit of public development banks and recent calls for a new Pandemic Treaty. The problem is, many of these calls are for tweaks to the existing system, not major shifts.

Without a more organised framework for raising greater quantities and better distribution of public money internationally, the idea of sustainable development is little more than an aspiration.

So how can this be done? How to reorganise global public financing efforts better for improved welfare for everyone, especially Africans?

⁶ Climate Policy Initiative, 2021

⁷ African Union. 2022. *6th European Union - African Union Summit: A Joint Vision for 2030* <https://au.int/en/pressreleases/20220218/6th-european-union-african-union-summit-joint-vision-2030>

2. What is Global Public Investment?

Global Public Investment is designed to move beyond a system where countries pay for global commons via limited, fragmented, and often bilateral (even private) assistance, to a system based upon *sustained co-responsibility*. Richer and poorer countries would work together via intermittent, high-level priority-setting meetings and more regular technical follow up. All countries would contribute on a fractional, fair and ongoing basis, with all having a say in how those monies were allocated. Some of the monies would be allocated to local investments with a wider (global) public return, others would flow into regional and multilateral initiatives.

By bringing more countries to the table as contributors and decision-makers alike, GPI would not only raise more money, but it would also ensure that those funds went to where they could make the most difference.

The idea behind the GPI process is that **All contribute, All decide, All benefit**. By diversifying decision-making structures and creating mutual responsibility for how money is mobilised and shared, the GPI proposition allows regions and countries to take responsibility for tackling global crises collectively.

The GPI model:

- envisages countries – including in Africa - coming together to solve global issues and take mutual accountability for the solutions.
- offers a more effective and equitable way of structuring how we prioritise international public needs by broadening the base of decision-makers and diversifying decision-making structures.
- makes it less likely we will leave off acting on the next crisis until it is too late.

For African countries, this being at the center of the table participating actively when decisions are made about which global issues the world needs to focus on and how money is spent to address them. GPI offers African countries opportunities to address national and cross-border priorities, and for greater ownership of solutions pertinent to the continent, its countries and its people.

GPI builds upon some of the most important lessons we have learned about international financing in recent decades and takes inspiration from ground-breaking international institutions such as the Global Fund and Gavi. These lessons are encapsulated in the four pillars which define how GPI operates:



1. Universal Contributions. GPI moves us beyond the current international order of ‘donor’ and ‘recipient’ countries. **GPI means all countries contribute according to their ability, and all countries receive according to their needs.** This is similar to the UN Assessed contribution.



2. Ongoing Commitments. GPI moves away from the assumption that countries ‘graduate’ out of aid or certain types of loans after achieving a certain (albeit relatively low) level of income per capita, and therefore must look to others such as the private sector to fund development. This is crucial to a continent which is home to 33 of the 46 least developed countries, many of whom are working hard to grow. **GPI will mean an ongoing commitment to investing in public returns.**



3. Co-responsibility. African voices are often marginalised in international bodies, including financial bodies. For instance, in the International Monetary Fund, just two executive directors represent 46 African members, while 22 other directors speak for the rest of the world. In the U.N. Security Council, no African country has a permanent seat, and instead African countries must change representation every two years for just three seats out of a total 15—disproportionate given that African member states comprise nearly 28 percent of the United Nations’ overall membership. Even in the African Development Bank board, a simple majority decision can be achieved with just three of the nine African representatives, because of the voting power of the non-African representatives. The influential “Paris Club” – that has no African members but has made decisions on debt relief for numerous African countries, **does not allow any borrowers in the room while decisions are being made** In contrast, GPI moves us away from entrenched and unjust power relations. **GPI means a more democratic and accountable approach to the way that international public finance is governed.**



4. Co-creation. GPI moves us beyond a fixed and ready-made financing process into a more organic and dynamic process where rich and poor countries co-design, consult and co-produce impactful solutions relevant to their needs locally as well as globally. African countries have a great deal to offer the world, for instance through the African Continental Free Trade Area (AfCFTA). **GPI truly means that all contribute, all benefit and all have a say.**

3. Why is Global Public Investment important for Africa?

The current system of development cooperation has failed African countries. GPI would mean a better public investment approach that works for everyone. According to Mavis Owusu-Gyamfi, Executive Vice President of the African Center for Economic Transformation (ACET), *“The GPI approach enables Africa to become a key player in global cooperation rather than being perceived as a recipient of aid”*.

A fairer development finance system

The current global system is based on a colonial legacy and continued external interference, undermining the aspirations of Agenda 2063 to build African unity and solidarity.⁸ GPI allows for a fairer financial system that recognises the unique challenges the region faces. It seeks to build a partnership system that is inclusive, dignified, collaborative, and driven towards solutions for global public crises. Allocation of funds will be dependent on need, and decisions will be made at the regional or sub-regional level.

More money

GPI seeks to make more money easily accessible to countries that need to solve critical global issues that affect countries in the region, such as climate change and disaster impacts, as well as the public health crisis. It would contrast to what has taken place with regards to global “quantitative easing” through the issuance at the IMF of an unprecedented \$650 billion of “Special Drawing Rights” – where only \$44 billion of these went to the African region. By increasing the overall number of contributors, tied to a fair-share calculation, GPI can raise fresh money, which most analysts now recognise is desperately needed, including significant increases in contributions from wealthier countries.

Better money

Addressing a challenge of this scale requires a well thought through and cooperatively pursued crisis response architecture. We need a more reliable and accountable framework to ensure that money raised is spent fairly and efficiently using benefiting countries’ own systems. Better money also implies that members benefit directly from the funds they have contributed to through regional projects.

Increased ownership and voice

The current power imbalance within the aid system, particularly in Africa, is explained well by President Paul Kagame, who called aid *“more political than anything else ... to the point that if you say anything about aid, it may be used against you”*.⁹ GPI creates a global financial space that gives all members equal voice and ownership of how funds are utilised. This is a very different model to the

⁸ African Union. 2022. *Our Aspirations for the Africa we Want*. <https://au.int/en/agenda2063/aspirations>

⁹ *Aid is political, Markets are neutral*-President Kagame Capital Markets Conference, 12 February 2015. <https://www.youtube.com/watch?v=Qh26sXNj7eY>

current international aid architecture. All members will be equal partners in the provision of global goods to the areas of the world that need it the most.

Reprioritising how limited resources are spent also requires a shift in the institutional arrangements that lock in inequalities (national and international). This shift will require countries and investors to prioritise public returns on the investments we make. GPI provides a blueprint for how we move forward to rebuild the international development finance architecture on behalf of people everywhere.

Accountability

One of the aspirations of Agenda 2063 is to improve Africa's place in global governance systems, including financial institutions and global commons. GPI would aim to provide access to more public money dedicated to solving global issues, like the COVID-19 pandemic and disaster risk management regionally. It gives the continent much more control of how it wants to develop, while countries remain accountable to each other.

Government ownership and accountability are increased with GPI because states will be investing taxpayer money to secure national access to global public goods. This will require national leaders to be accountable to their citizens for allocations. Furthermore, regional collaboration requires each country to hold each other accountable for money they receive. These two levels of accountability, alongside any penalties agreed across the membership, should ensure enhanced accountability in the system.

4. What Africans have said about Global Public Investment

Given the challenges faced by the African continent, and the way we have been excluded from historic global deals in the past, it is not surprising that the concept of GPI garnered huge interest and participation in the 2021 consultation on GPI. Below are some of the insights from African participants, including government officials, business people, academics, think tanks and civil society representatives:

- Own the process, occupy the political space, and come up with a unique African model, or we end up with a Northern agenda with a Southern face.
- We all agree on the failures of the current system. Take stock of why the aid system has been broken in the first place. This should guide discussions on the viability of GPI.
- As much as financing is critical, focus also on governance and politics around aid. Bring politics to the centre of the GPI discussion.
- The GPI initiative must be demand-driven and anchored in regional bodies such as the AU (African Union). Regional structures should be empowered for meaningful partnerships and accountability.
- GPI is a great opportunity for global solidarity and a means for Africans to own their development as it reinforces the deep desire to shift power and avoid donor colonialism.
- Expand the outreach on GPI in Africa, creating opportunities to engage African governments.
- GPI should be tailored towards addressing the priorities of the African region. It should be rolled out on a thematic basis, for example, climate financing, vaccine justice, health financing and digitalisation.
- The governance of GPI should be decentralised with strict accountability measures put in place.

5. Next steps

While many organisations are coalescing behind the idea of GPI, there are many questions yet to be resolved during an ongoing co-creation process.

What is the viability of GPI as a concept? Is it a necessary tool in solving the lack of funds geared towards global public goods? Should GPI only focus on global public goods, or can it extend its mandate into more regional and country-specific development challenges?

How will the GPI proposition work? What would a decentralised GPI governance system look like for Africa? What should be the role of regional economic communities and regional institutions like the African Development Bank, an African Monetary Fund, the Southern African Development Community? Within the GPI system, what should be the role of private sector and civil society? How can GPI work alongside the traditional aid architecture or alongside finance from emerging economies such as China? What existing self-financing architecture, such as the Kigali Financing Decision, can we look into to make GPI work well?

What about accountability? Should accountability measures be centralised or decentralised? What checks and balances are necessary for these accountability measures to work? What mechanisms will GPI put in place to prevent mismanagement of funds? How will the GPI governance structure promote equality in the distribution of resources and ensure that Africa is not sidelined?

African governments have an opportunity now to capitalise on the growing support for GPI from government agencies, multilateral organisations and civil society organisations. In particular, this year, leaders should agree upon a comprehensive list of feasible steps towards implementing GPI, as well as consider how the principles of GPI can already be used to address existing problems, particularly the need to secure sufficient vaccines globally to tackle COVID-19.

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