

Global public investment: a critique

by Stephan Klingebiel

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What I like about many discussions on development cooperation (especially official development assistance or ODA) is the reflection on issues of **perverse incentives**, **risks of instrumentalising** development cooperation for non-developmental purposes, and the decreasing **integrity of the ODA reporting system**.

In recent years, there has been a debate on so-called “**global public investment**” or GPI. This discussion is largely **motivated by criticism** of ODA (often referred to as “foreign aid” by GPI proponents in this context) and proposes a different approach to international cooperation: it is described as a new approach to concessional international public finance for sustainable development – available to everyone.

The ambition of GPI to improve international cooperation seems perfectly fine. However, it is rather difficult to find any reflections on the possible limitations of GPI. Yes, in a political campaign you probably don’t start with what could be wrong with your proposal. Nonetheless, I need to understand it if I am not just sympathetic to the motivation of a concept, but think it is something I should really support.

In this regard, I have some fundamental concerns about GPI. I believe it presents a distorted representation of ODA; a high level of vagueness; and a lack of integration of real-world constraints.

GPI paints a misleading picture of ODA. For example, GPI advocates claim that ODA has a narrow focus on reducing poverty, whereas GPI would be geared to meeting broader challenges of inequality and sustainability. This assertion ignores the fact that many ODA actors are not just focused on poverty reduction. It is just a wrong perception of what ODA is about – at least for a majority of actors in this field. ODA has been tackling inequality and sustainability for many decades. The link between ODA and the provision of **global public goods** (GPGs) is long-standing. We

know that there has always been a proportion of GPGs financed by ODA – and this **proportion is increasing**, not least because of climate finance. Unfortunately, the reality is complex and we must increasingly address the question of the extent to which ODA-funded GPGs crowd out development objectives that are not related to GPGs.

The fundamentals of GPI are somewhere between naive and vague. Just a few comments on this.

The conceptual relationship between ODA and GPI remains unclear. Even if GPI is not meant to replace ODA (which, by the way, is conceptually not very coherent), it might be difficult to find support for this approach among official actors in the Global South. Looking at the debates on climate finance, it is clear that important and economically powerful countries of the South (from China to Saudi Arabia) reject any requirement that they should be required to contribute to global climate finance funds in this regard. Why would they agree to GPI?

One advantage of ODA is that – compared to other soft areas of international cooperation – it is based on a transparent definition, criteria, a well-established reporting system and even an absolute target for the expected contribution of OECD countries (0.7% of their gross domestic product). This approach is **far from perfect**. However, ignoring the option that GPI could lead to reduced pressure on the existence of this system would be risky. Some OECD countries might be grateful to GPI if they can get rid of existing ODA obligations.

GPI is supposed to be “**a universal effort, with all paying in and all benefitting**”. The benefits are defined in terms of public investments. But what about other cooperation modalities like knowledge cooperation (a main modality of South-South cooperation)? The preferred payments are in terms of grants. But what about the advantages of concessional loans, which enable more funds to be mobilised for economically viable projects? On paper everyone benefitting sounds good, but in reality, I do not find a convincing argument why a GPI mechanism should channel grants to Switzerland, United Arab Emirates, North Korea or China.

All the seemingly technical aspects are unclear. Who should contribute and how much? Who can receive what share of the funds? Who should represent the countries in concrete terms? These are not technical questions, but questions of principle. To assume that we can find a solution later does not sound like a well-prepared plan.

In summary, GPI claims to view international cooperation from a broad perspective. In fact, it is largely a critical but simplistic response to the realities of the existing

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modes of development cooperation. Experience from [international climate finance](#) shows how difficult and messy it is to establish a new system of burden sharing. GPI asks us to believe that we should aim to somehow set up such a system for all global public goods. The concept is hardly helpful as a brainstorming exercise and is not very suitable as an approach to politics under real conditions to show possible solutions.

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