International Public Investment and the Future of the Global Fund

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Abstract

The Global Fund is a great invention but it needs reinventing for a new context. Its model has worked well up to now, but at the heart of an influential future for the Global Fund will be its ability to mobilise new financial resources. If it is to continue to lead the response to HIV/TB/Malaria, as well as lead thinking as an innovation beacon further afield in international development, it needs to emerge from a series of conceptual constraints that are holding back its evolution. Shifting away from thinking about aid or ODA towards a vision for international public investment is the key conceptual shift required to make the case for a continued powerful Global Fund.

1. Introduction

The Global Fund Sustainability, Transition and Co-financing Policy comes at a time of substantial uncertainty in the aid and development industry. While in many senses “traditional” aid continues much as it always has, the changing global context means more questions than ever are being asked of it. On the one hand, there is an ever-increasing focus on results, which while welcome can have distorting effects when it incentivises investments in shorter term, more easily measurable impacts. On the other, there is a shift in rhetoric and, sometimes, practice, away from a donor-beneficiary way of viewing aid, to one of more mature international partnerships. Fundamentally, though, there appears to be a vacuum when it comes to the theory of international aid in the modern world. As the old country divisions erode, as recipients become contributors, as economies grow, the question is being asked – what is aid now for? And the answers, for the most part, remain stuck in the twentieth century.

The fundamental constraint preventing the Global Fund maintaining and even expanding its programmes in less poor countries is financial – the size of the ODA cake is stubbornly limited and, after a decade of substantial growth, it is likely to remain fairly stagnant or even decrease slightly over the coming period. While the Global Fund can expect to continue to win a sizeable chunk of this ODA for its well documented results-oriented programmes, it cannot expect to see its budget increase very much, especially if it continues to use the same aid narrative.

Given this reality, advocates for more and better spending on international health (and on HIV/TB/Malaria in particular) have two clear avenues to pursue. First, to ensure that the money available is spent as wisely as possible. Second, to keep up the argument for increased international health funding. The ambitious scale of the SDGs means competition is fierce for limited ODA resources, so increased health funding is likely to come only as a result of increased ODA and ODA-like flows overall. That only goes to underline the importance of advocating new attitudes to aid at a broader level, with health and other advocates leaving their own thematic silos and winning a broader argument on the future of aid. This paper argues that that will involve re-conceiving aid as international public investment.

For the international health community, this situation presents opportunities as well as risks. The most obvious risk is that aid levels will fall over time – this is not only the threat but the explicit promise under current aid narratives. But the opportunity is that the health community takes a lead in redefining the role of international public investment (a new way of viewing “aid”), with consequent progress for important health priorities. This will not be easy, given that the current aid narrative dominates thinking.

This paper assesses the Global Fund’s Sustainability, Transition and Co-financing Policy in this context. The policy reflects much of the best thinking in terms of the changing nature of aid and development. It implies an organisation which is at the forefront of progressive attempts to evolve the role of aid and international development in a new context. It could be argued, then, that the first task defined above, i.e. spending available resources well, is being carried out fairly well by health advocates, although there are still a range of important areas where the policy could be improved.

But on the second task, i.e. increasing the size of the international public (health) funding cake the story is less positive. No case is made for increased aid within the STC policy. In fact, the narrative that most countries should fairly quickly be "graduating" from Global Fund support is strongly in line with the dominant political aid narrative i.e. that aid needs to be drawn to an end, especially in middle income countries (MICs).

In this paper I argue that it is a narrative still hemmed in by a number of **conceptual constraints** (boxes and categories, narratives and assumptions) which prevent it from fulfilling its potential and responding to the real needs of the modern world. While many activists have also long argued for a bigger pie, they too may benefit from reflecting on the conceptual constraints that prevent their plea from being more credible.

The paper discusses the STC policy in terms of these and conceptual constraints (CCs). The first <u>four</u> relate to misunderstandings about the nature of development and progress:

CC1: Countries can be plotted on a "development continuum"
CC2: Inequality can be overcome fairly quickly
CC3: Things can only get better
CC4: Poorer countries should not expect decent modern health services

The next <u>four</u> conceptual constraints are directly related to these first four, and demonstrate limitations in understanding and vision regarding the role of international development finance historically and in a possible future:

CC5: Income remains the primary allocation criterion
CC6: International public investment is charity
CC7: International public money is just like any other money criteria
CC8: International public investment is temporary

2. On the nature of development

In order to develop the most appropriate response to a given problem, one has to get the diagnosis right. Quite frequently in international development debates, political and financial constraints affect what ought to be independent contextual analyses, usually implying more rapid progress than is truly possible (especially when the issue is not technical/technological but structural/political/social) and glossing over intractable or complex challenges. The Global Fund's STC policy is one of the most well-thought through global public financing policies, but it is still limited by the following conceptual constraints. And this is made particularly difficult in the 2017 context in which many traditional donor countries are facing continued economic problems and a domestic politics which seems to be turning inward, rather than embracing a new era of internationalism.

CC1: Countries move up a "development continuum"
One of the most harmful but still almost all-pervasive terminological boxes in international development is the binary division of countries into developed and under-developed/undeveloped/developing (depending on the latest iteration). Analytically simplistic and morally patronising, this language should be finally eliminated in the era of SDGs applicable to all countries. To its credit, the Global Fund has already done so, proving that it is taking its role as a leader in development finance seriously and possibly as a consequence of its original governance structure.

However, its use of the term "development continuum" that countries "move up" is a conceptual hangover. It implies that countries all follow more or less the same developmental route as their economies grow. This way of thinking is actively unhelpful to the building of a policy which responds to the contextual realities of countries with very different trajectories and achievements. Countries at similar income levels (whether very high or very low) can have vastly different institutional arrangements and types/standards of public service provision. This is only too obvious in the health sector. There is no typical route for the development of health provision – there are a range of policy responses which can often be better grouped by region or political system than by some kind of income-related "continuum". And this is clearly the case in work around HIV and TB which requires working with communities and key populations, addressing stigma and discrimination and deeply rooted obstacles in gender equality and systemic obstacles around human rights.

Terminology is always tricky. What do we say now if we don't say "developing countries"? My preference is to stick as closely to neutral adjectives as possible. Poorer countries will often do. Instead of "as countries move up the development continuum", it might be better just to say "as countries get richer" – if that is what is meant.

CC2: Things can only get better
If there is no typical development trajectory, no development continuum, neither is there any certainty that countries always progress. The tone of the Global Fund's STC policy implies a strong assumption that countries only move forward, not backwards. This is, of course, often true, but it is not certain. Looking only at per capita income, many countries have regressed from middle income to low income status over the decades. Shocks such

as natural disasters, conflict, disease outbreaks and macroeconomic shocks can set countries back years or decades on some development indicators.

So the assumption that countries graduate and then leave the programme in a final sense is not a safe one. Perhaps rather than closing down programmes finally it would be for the Global Fund to maintain a minimum presence in all countries, evolving as the need evolves, increasing and decreasing different types of support as appropriate.

CC3: Inequality can be overcome fairly quickly

It is to be welcomed that more and more government and international analysts and agencies are (including the OECD and the IMF) are emphasising the problems of intra-country inequality and the crucial redistributive role of taxation, picking up on the work done for decades by civil society and academics. Whether we are living in a new era of global inequality, as many want to claim, or simply noticing it more as it increases in western countries, which is my instinct, is not the point. The important point is that deep inequality is entrenched in most countries, and has been for centuries. Trying to persuade the haves to share wealth and opportunities more generously with the have-nots is at the heart of political struggle.

So far, so obvious. But the Global Fund STC policy makes the same (implied) mistake that is made by so many development analysts when it comes to discussing the rising incomes of poorer countries, especially as they cross the arbitrary middle income boundary i.e. that it is possible to see fairer redistribution of growing wealth in a reasonably short space of time, say three or five or 10 years. It might be quick, if there is some kind of revolutionary moment, but generally we are talking decades at least – quite a different timeframe than that envisaged in the STC policy which talks of a three-year period of transition.

The STC policy does recognise the long term nature of political change on the face of it; it calls for "significant political advocacy" to ensure that internationally supported programmes shift to domestic country budgets. But this analytical recognition is contradicted by the reality of a transition plan that is set to last for three years only. The likelihood of significant change in that timeframe is close to zero, certainly not entrenched, irreversible, change. Given the stubborn reality of deep inequalities over the centuries, and the fact that in many countries they are getting worse, the GF's confidence that it will be able to exit in a dignified manner is open to question.

CC4: Poorer countries cannot expect decent modern health services

The language in the STC is pretty ambitious with regard to what the GF hopes to leave countries with when it transitions out. However, in reality the transition plans betray an instinct so common that it is barely noticeable i.e. that the countries out of which the GF is transitioning should expect worse health services than would be expected in richer countries.

There is a tendency in some international development circles to think that ending extreme poverty is the only real goal of international cooperation. When the worst forms of poverty are ended, it is job done. But that is not how much of the Global South views the situation. People across the world expect much more than containment of the direst situations, but convergence with what citizens of wealthier countries expect. This paradigm of convergence is at the heart of the theory behind the EU Structural and Cohesion funds, whereby the EU's wealthier countries, including some of the world's major donors, transfer billions to other relatively wealthy countries by global standards, although poorer by European standards. It is unclear why this goal of convergence is appropriate for members of the EU but not for all countries – it would be interesting to hear a moral defence. In fact, with the adoption of the SDGs, the door for applying EU-style thinking to a broader global context seems to be wide open.

In the meantime, contributors to the Global Fund are effectively saying to recipient countries, we will leave you with good enough responses to HIV/TB/Malaria, but not actually good responses, not actually ones we ourselves would be happy with. This may sound harsh – it is not meant to impugn the good work and motivations of those working in this field – it is meant to provoke them to go further.

3. On the role of international public finance

Misunderstandings about the how development happens have consequences for conceptions about the role of "aid". While leading the debate on a number of issues, the STC policy paper could be truly appropriate for the twenty-first century policy if it broke through the following conceptual constraints.

CC5: Income remains the primary allocation criterion
The STC policy clearly recognises the current debate around the MIC classification, in which even senior economists at the World Bank are calling for an end to the misleading LIC/MIC/HIC categorisation scheme. It recognises that development should not be assessed simply in terms of economic growth, an obvious point but one worth emphasising, and it takes into account not only "disease burden" but also other contextual factors to influence allocation. This is confirmed by the ground-breaking work of the Equitable Access Initiative which recommended looking at factors other than income per capita when allocating GF resources.

However, as with other issues, while recognising complexity in the analysis, the actual proposal still retains income per capita as the most important criterion for fund allocation. This is disappointing but not an uncommon practice in aid funds i.e. recognising the flaws in a methodology but refraining from actually adopting a new model. However, it is unnecessary. A new system could be devised whereby income per capita is just one of a number of criteria for allocating funds. Such a system would take some time to work up, but there are plenty of obvious factors that could be weighted equally to per capita income, building a spectrum of need rather than a handful of arbitrary cut off points.

CC6: International public investment is charity
The STC policy is progressive with most of the language it uses, as we have seen, preferring to talk of contributions than "aid" as such. However, it still draws heavily on the concept of "donors", a term generally associated with charitable givers. While contributions to the Global Fund are voluntary they should not be seen as simply charitable. Instead, they are a demonstration of responsibility for global welfare.

The best analogy is the way wealthier regions subsidise healthcare provision (for example) in poorer parts of a country. In this instance we don't use language of donors or charity – it is simply an appropriate way of spending tax receipts. Clearly, expanding our horizons to include foreign countries as part of our responsibility is a significant conceptual frontier, but it is surely logical as our world shrinks.

To help, it might be useful to ditch words like "aid" and "assistance" in favour or referring to this spending as "international public investment" (IPI). This language conveys a much stronger sense that there is a return for the investor, and reflects the way health and other public investments are described domestically. The Global Fund already uses the concept of "investment" very widely.

It is likely that over time this way of viewing international finance will be fairly popular with western publics, which will be more contributor than recipient. 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, while "mutual benefit" rather than one-way donation is a core concept of South South Cooperation.

CC7: International public money is just like any other money
One of the biggest problems in the "aid" debate is the misconception that international public investment can simply be replaced by other types of money, most obviously domestic public investment but also sometimes private spending, whether international or domestic. In this analysis, international public investment is considered something of a last resort, still being made available to those countries which have severely limited access either to domestic or private financial options, but eventually to be phased out as such countries become an even rarer phenomenon. But this is simplistic. IPI is not simply a stop-gap but a unique source of funding whose characteristics make it well-qualified to play a significant pro-development role in a range of countries, including MICs and even HICs.

Different sources of finance are effective in meeting different needs. The fundamental distinction between 'private' and 'public' funding is often overlooked in discussions around development finance. Private finance is frequently touted as a substitute for insufficient public resources for development (and indeed climate change adaptation and mitigation). However private finance does a poor job at financing public goods and some countries are simply too poor (or unattractive for other reasons) for private finance. Private finance does not *a priori* focus on delivering government priorities and certainly doesn't link strongly to human rights.

Important positive characteristics of IPI include:

1. Motivation: *IPI is primarily intended to support national or international public objectives, rather than to make a profit*
2. Concessionality: *IPI is frequently concessional*
3. Flexibility: *IPI can be more flexible than private finance, depending on context (it can be counter-cyclical for instance)*
4. Availability: *IPI is often available when other types of finance are not*
5. Expertise: *IPI is managed by entities with specific knowledge in supporting development*
6. Transparency: *IPI should be transparent, open and accountable*
7. Sustainability: *IPI does not follow changing national public opinion or electoral cycles*

Given these characteristics, IPI is a useful and appropriate form of financing under five broad categories of activity:

- To increase the supply of <u>national</u> public goods
- To increase the supply of <u>global</u> public goods
- To leverage other finance
- To incentivize developmental policy and practice (including human and gender rights policies)
- To respond to crises

While it is certainly welcome that most countries are moving on from dependence on IPI, the continued availability of IPI, with its special characteristics, needs to remain a central plank of the overall development finance offer. It is a first resort for pro-development spending, not a last resort.

The STC policy does talk of the catalytic role of smaller amounts of money, implying that IPI is valuable not just when it is large-scale, filling budgetary *gaps*, but when it is smaller, trying to overcome blockages and *traps*. However, it could go a lot further.

The presence of contributors which are also significant recipients of GF funds (namely India, China, Russia, Kenya, Zimbabwe and others) is a clue to what the Global Fund could be doing if it was more explicit about the special characteristics of its funding. Why are these countries making contributions to the Global Fund rather than using that money domestically on their own programmes? Is it because of the special characteristics of the Global Fund spend? Many other countries could do the same, leading to a vision in which all or most countries are both contributors and recipients – again, as at a national level even the poorest regions pay tax but are effectively reimbursed. This could be one of the most important innovations the GF could make for a new era of International Public Investment.

CC8: International public investment is temporary

Finally, following on from the above, perhaps the biggest conceptual constraint of all i.e. that aid is a temporary fix and that eventually, possibly quite soon, aid will no longer be necessary. This, of course, is the narrative that makes the STC policy necessary and meaningful.

But this conception is outdated. Because IPI is important as much for its unique features as for its size, it should be considered a permanent part of the development finance mix. There are constantly new challenges requiring international cooperation, and international public investment.

We have already seen that IPI has been a regular part of the European Union's grand settlement, with countries as wealthy as Ireland and Spain benefiting hugely from financial resources, not to mention the many new entrants from Eastern Europe.

And as with the EU model, as IPI becomes a permanent feature, contributions should move from being voluntary to mandatory, so that funds (health and otherwise) can rely on a steadier income.

4. Conclusion

Shifting the analysis underpinning the work of the Global Fund will put it in a much stronger position to continue to make a powerful difference into the third decade of the 21st century and beyond. It should help advocates working on both fronts, i.e. those working within current financial constraints and those seeking to expand the amount of finance available for this crucial work.

There is no sense in which this will be easy. The political context was much more welcoming for this kind of rethinking some ten years ago, before the financial meltdown in the West and the consequent austerity policies and sense of crisis. Rather than looking outwards to new ways of partnering and cooperating across the world, important parts of the western polity are now looking inwards; international aid budgets and international cooperation more generally are under pressure.

On the other hand, that is one of the reasons it is so vital now. Traditional arguments, while still useful, have run their course for many parts of the public. They tend to reinforce a world view that divides rather than unites the world.

Furthermore, the advocates involved with the Global Fund, particularly those who have worked on HIV/AIDS, have proven themselves as capable of winning impressive advocacy battles in the past, including those that require fundamental paradigm shifts. The Global Fund is already the product of progressive thinking, and it prides itself on leading the intellectual debate. That makes it the perfect corner of the industry to lead on this progressive new approach to 21st century international cooperation, bringing policy makers and publics out of the aid era, and into the era of international public investment.

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Rethinking ODA

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