

# REDESIGNING INTERNATIONAL CO-OPERATION FINANCE FOR GLOBAL RESILIENCE



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## ABSTRACT

Policy makers risk wasting the opportunity presented by the COVID-19 crisis to make the system of international co-operation fit to meet today's and tomorrow's global challenges. This chapter proposes a new architecture for this system comprising existing institutional arrangements for country-focused development assistance, a new pillar focused on the provision of global public goods, and a third pillar designed for global crisis response and stabilisation. It discusses global public goods and their distinguishing features in detail and concludes with concrete suggestions to advance the proposed reforms.

- Many global challenges including communicable disease control and climate change mitigation are global public goods that have special governance and international co-operation requirements and should be recognised as such.
- The present system of international co-operation finance is not fit for today's global challenges. It is a key obstacle to dealing more effectively with the COVID-19 crisis.
- A modernised architecture of international co-operation finance should be tripod-shaped and with three distinct but mutually reinforcing pillars: development assistance, provision of global public goods, and creating and maintaining global crisis response and stabilisation capacity. These pillars are currently lumped together and are dependent on development assistance budgets that are mandated to support developing countries.
- The United Nations Secretary-General could help break the current political and policy stalemate over reforming international co-operation finance by encouraging reform pilots in select global challenge areas. These could contribute to the ongoing global debate on reinvigorating multilateralism.

Many analysts of the COVID-19 pandemic and its wide-ranging economic, social, environmental and potential political ramifications stress, as does Wolf (2020<sup>[1]</sup>), that the virus “has exposed society’s dysfunctions”. Others, therefore, plead that the pandemic, in the words of Lopes (2020<sup>[2]</sup>), “is too good a crisis to be allowed to go to waste” and should be turned into an opportunity “to propel changes that have often been postponed”.

Considering COVID-19’s global reach, effective international co-operation is clearly

essential for ending the pandemic and rebooting global sustainable growth and development. Thus, it is critically important to explore whether any required changes have been postponed, thus impeding the current functioning of international co-operation finance (ICF), defined here as the ensemble of financial and regulatory measures needed to ensure that the goals and objectives of international co-operation are achieved in an efficient and effective manner. If such postponed changes exist, two questions arise. First, are corrective actions perhaps

beginning to emerge now, under pressure from the COVID-19 crisis? And second, how could needed change be scaled up and accelerated if required to end the present pandemic as fast as possible and build an altogether better international co-operation finance system?

The following analysis explores these questions and shows that policy makers are at risk of wasting the COVID-19 crisis. Despite all present calls for more solidarity and strengthened international co-operation, there are no signs that overdue reforms are now being considered for implementation. These reforms, if pursued, should aim to create a new architecture for financing international co-operation comprised of three main pillars. The first pillar would be the existing institutional arrangements for country- or region-focused development assistance. It would be complemented by a new, additional pillar focused on the provision of global public goods (GPGs) such as communicable disease control and climate change mitigation. Supporting the first and second pillars, would be a third pillar designed to ensure prompt, well co-ordinated and decisive support to both countries and GPGs in crisis. The creation of such a tripod-shaped architecture with these three pillars would be an act of policy making that catches up with reality and creates a system fit to meet the different types of global challenges confronting us today.

Importantly, as the analysis here shows, the window of opportunity for change has not yet closed. Accordingly, this paper suggests three concrete reform steps for immediate implementation together with a proposal as to who could contribute – and how – to getting the ball of change rolling.

### Postponed changes to the system of international co-operation finance

The COVID-19 pandemic could present an opportunity to broaden the international co-operation system so that, conceptually and operationally, it reflects the realities of

today's global challenges and is fit to address them. Certainly, the system of finance for international co-operation has undergone continuous reform. However, adjustments have generally been isolated, incremental and embedded in the conventional model of country-focused international development co-operation. More structural or system types of reforms have so far rarely made it onto international and national policy agendas. This has been the case for the issue of how to deal with GPG-type challenges such as the control of communicable diseases, global climate change, ocean health, international financial stability, and peace and security.<sup>1</sup> For the most part, international development co-operation still approaches these challenges as aid issues rather than as more universal issues that concern many, and frequently even all, countries and perhaps even all people, rich and poor. Yet studies have repeatedly demonstrated that many of these global public good challenges possess governance properties that clearly and radically distinguish them from other types of policy challenges including foreign affairs, development assistance for poorer countries, and more pure domestic policy goals and objectives.<sup>2</sup>

Of course, a lag in institutional adjustment in response to changing policy-making realities is nothing new. It has happened

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throughout history, as North (1997<sup>[3]</sup>), among many others, has shown. Among the most frequent reasons are institutional lock-in and path dependency as well as behavioural factors such as change aversion (Kahneman and Tversky, 2000<sup>[4]</sup>). An additional factor that may also play a role is lack of a clear vision of the required change and change leadership.<sup>3</sup>

What sort of systemic institutional changes, then, might one reasonably expect to see already in the domain of international co-operation finance, at least proposed rhetorically and perhaps even introduced at the level of policy practice? Three closely related phenomena appear to fit the bill: the lagging recognition of GPGs and of their special governance requirements; the need for strengthened global crisis response and support capacity; and the creation of a new architecture for international co-operation financing, encompassing official development assistance (ODA), global public good provision, and crisis response and stabilisation activities.

### ***Recognising global public goods and their special governance requirements***

GPGs' key distinguishing features (Box 6.1) help explain why they do not fit easily – or at least not fully – into any of the existing policy fields. Moreover, developing countries are increasingly demanding more justice, voice and representation in international co-operation. Their demands tend to be more explicitly focused on financing for national development than on GPG provision, although these two different but complementary objectives are confounded at present. GPG provision occurs to the extent that the individual interests of state and non-state actors happen to overlap with global interests. But that overlap is frequently only partial. Consequently, the sum of all individual contributions, more often than not, falls short of what is required to actually resolve the challenges in question, leading to global provision gaps and multiplying global sustainability problems.<sup>4</sup> For these reasons, the adequate provision of global public goods

## **BOX 6.1. DISTINGUISHING FEATURES OF GLOBAL PUBLIC GOODS**

**GPGs have transnational reach and are global public in consumption.** In many cases, their effects span countries and areas beyond national jurisdictions, respecting neither national nor other human-made borders; penetrating national and other spaces unimpeded; and impacting, for better or worse, most people, whether rich or poor or living in the North or South. As economists say, these challenges are global public in consumption.

**International co-operation beyond and within national borders is essential to providing GPGs.** In many cases, GPG-type policy challenges are also global public in provision, meaning that no one actor, however powerful, will be able to self-provide a GPG such as climate change mitigation or the control of illicit trade. Rather, for anyone to enjoy the good, all – or at least many – countries and people need to be willing to co-operate and contribute to its adequate provision. This often entails concerted action at national and regional levels that is complemented by collective, international-level action. Current examples of such action are pooled financing mechanisms such as Gavi, the Vaccine Alliance; the Green Climate Fund; or United Nations (UN) peacekeeping operations. In other words, GPGs require taking the global into account when making national, regional, private or personal policy choices.

**The provision and protection of GPGs may clash with the principle of sovereignty.** In a world of wide disparities, actors' preferences for dealing with certain GPGs may vary significantly. Considering this fact alongside the two aforementioned GPG properties, it becomes clear that in some circumstances, GPGs may be viewed as running counter to the notion of sovereignty, the overarching principle of the present world order. Thus, the effective functioning of international co-operation is likely to depend on it being sovereignty-compatible – that is, perceived by all concerned parties as mutually beneficial and helping to secure their policy-making sovereignty.

requires a new, additional policy field type or a new organisational criterion, which should be introduced into existing governance systems at national (including local) and international levels.

### ***Upgrading capacity for global crisis support and stabilisation***

The existence of international-level capacity to offer prompt, well-co-ordinated and decisive support in crisis situations – those that threaten to overwhelm countries' national resilience capacities and/or jeopardise and possibly reverse the availability of critically important GPGs – can itself be viewed as a GPG. While numerous international-level crisis-response facilities exist, many aim to support the strengthening of local and national crisis response and coping capacities.<sup>5</sup> Such support is critically important, and it, too, needs to be upgraded to promote further progress towards building more resilient communities and societies. However, complementary capacity for global crisis support and stabilisation is needed.

Having such a complementary mechanism is increasingly important due to greater global openness and interdependence; the expanding human footprint on nature; increased inequality; the lack of diversification in production patterns and supply chains; and, last but not least, the still-unfinished agenda for development aid, to mention just a few of the factors contributing to increased global vulnerability today. Goldin (2020<sub>[5]</sub>) and the World Economic Forum (2020<sub>[6]</sub>), among others, discuss these factors.

Global crisis response and stabilisation support capacity has important GPG properties. Nevertheless, it is useful to approach this capacity as a policy stream. One reason is that it constitutes an impure GPG. The established capacity is likely to be limited in scope and, in the case of pandemics or other worldwide crises, it could become rivalrous in consumption and therefore be insufficient to meet all needs. Additional reasons are its dual focus on countries

and the global level and its special role of delivering highly diverse and time-bound interventions.

Thus, crisis response and stabilisation support capacity is a hybrid type of global challenge and should, therefore, form an international co-operation finance stream in and of itself. The change required in this policy field resembles the change required for GPG provision – ensuring an integrated management approach.

### ***Building a tripod-shaped international co-operation finance architecture***

Certainly, all conventional national and international public policy streams remain useful and are even indispensable for addressing GPG-type challenges and the hybrid challenge of crisis response and support. However, in terms of international co-operation finance, these types of challenges cannot be adequately dealt with if they are approached as and expected to comply with current ODA accounting rules. The business model of ODA is primarily country focused. In the case of international co-operation for GPG provision, the GPGs that are to be provided must be at the centre of policy making. The same holds for crisis response and stabilisation support. As noted, these different streams or components of international co-operation should not be confused and lumped together but treated as distinct policy streams. Of course, there are many linkages and synergies between these streams, but they are currently managed as if they all qualified as ODA, as currently defined, a practice that works to the detriment of all three (Kaul, 2017<sub>[7]</sub>).

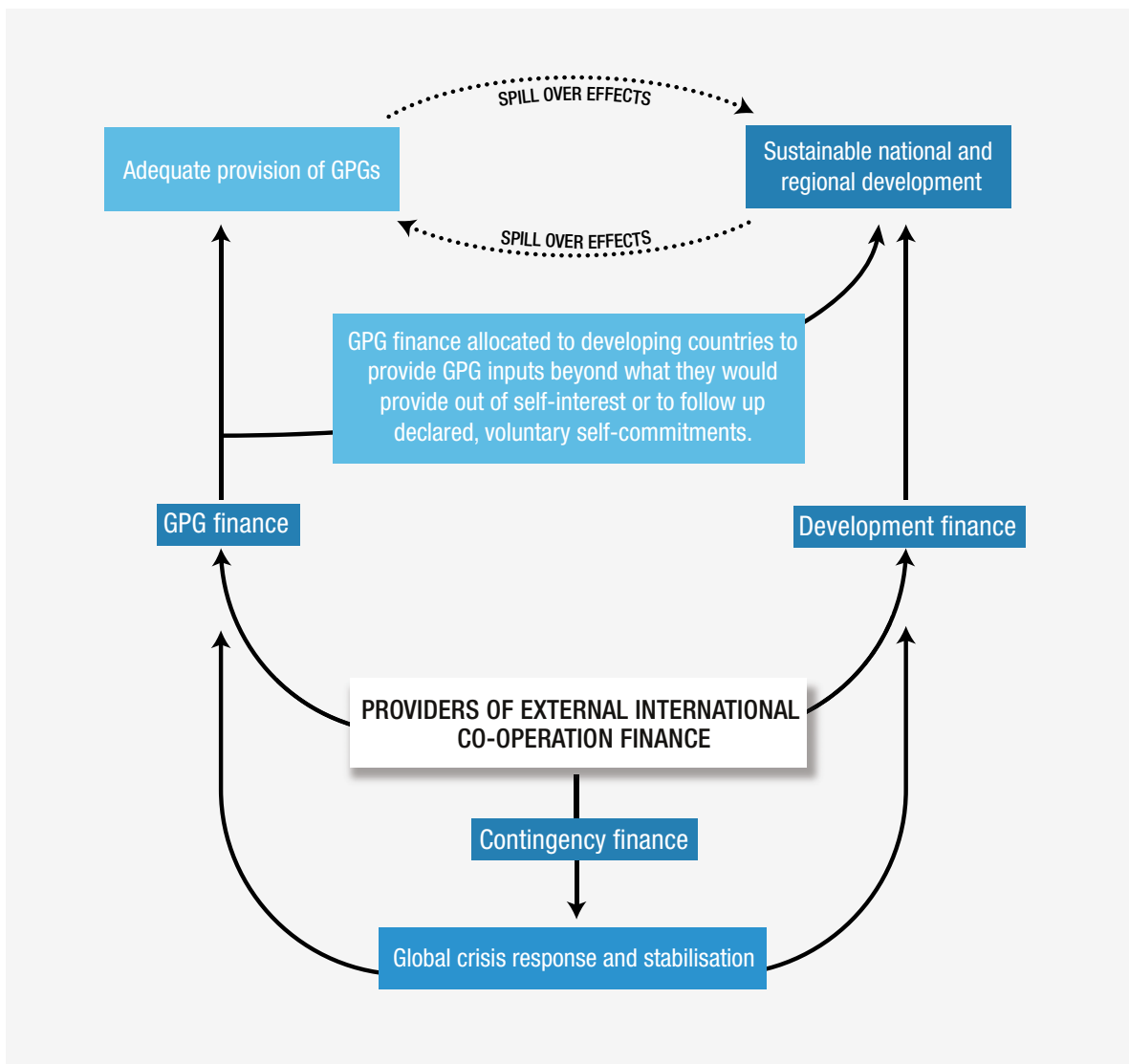
Thus, a further postponed reform of the international system concerns the construction of a new architecture that disentangles the properties, methods and sources of financing of these three pillars of international co-operation (Figure 6.1). The establishment of a tripod-shaped architecture could address the current confusion around the specificities and objectives of the three

policy streams. This confusion is one of the main obstacles to dealing more effectively with global challenges such as climate change mitigation and addressing, more generally, the urgent need to accelerate and scale up progress towards global sustainable growth and development.

COVID-19 highlights our interconnectedness and the need for solidarity among countries to fight a global pandemic. The problem, though, is that solidarity is lacking (and is more words than deeds), especially among countries.

As Ocampo (2020<sub>[8]</sub>) shows, there is a sharp discrepancy between developed countries' relatively lukewarm international responses to the pandemic and their bold, huge domestic and nationally oriented crisis response measures. The latter include countries' investments to secure requisite vaccine supplies for themselves. These interventions have prompted several analysts to talk and warn about excessive "vaccine nationalism" (Bollyky and Bown, 2020<sub>[9]</sub>; Mancini and Peel, 2020<sub>[10]</sub>).

Figure 6.1. A tripod-shaped finance architecture for international co-operation



COVID-19 has not yet inspired needed systemic reforms

A further sign of weak global solidarity is the significant undersupply and underfunding of several of the new and supplemental international co-operation initiatives launched in response to the COVID-19 crisis.<sup>6</sup> Even initiatives that are directly health-related are experiencing funding shortfalls.<sup>7</sup> There were shortfalls in public funding for international co-operation before the pandemic as well.<sup>8</sup> Nevertheless, in sharp contrast to all statements of solidarity, further cuts were recently introduced (Foresti, 2020<sub>[11]</sub>). Moreover, reports indicate that existing allocations are being shifted to activities related to COVID-19<sup>9</sup> and there is a risk of double counting available public finance support.<sup>10</sup> Consequently, underfunding may actually be worse than it appears at first glance.

Much of the current discussion around the vaccine issue reflects superficial global solidarity. Several commentators argue that a COVID-19 vaccine or vaccines, once available, should be regarded and dealt with as a GPG. However, a vaccine is a private good and as such, it is rivalrous in consumption and can easily be made excludable. A vaccine dose that is injected into one person is no longer available for other people. Moreover, the knowledge and technologies that are the basis of vaccine production are likely to be patented and thus, taken out of the global public domain. Therefore, unless a global political choice is made to make a vaccine available for all people and all countries (either for free or at an affordable price), only those able to afford the vaccine – and those living in countries that have already reserved needed supplies for themselves – will be able to be vaccinated.

A co-ordinating entity, the Access to COVID-19 Tools (ACT) Accelerator, brings together state and non-state actors to develop and deliver vaccines, diagnostics, and therapeutics for COVID-19 (WHO, 2020<sub>[12]</sub>). To achieve the aim of making a vaccine available to and for all, several things would need to happen. Someone would have to

**Unless a global political choice is made to make a vaccine available for all people and all countries (either for free or at an affordable price), only those able to afford the vaccine – and those living in countries that have already reserved needed supplies for themselves – will be able to be vaccinated.**

pay for all the doses required so that they are available to everyone, including those unable to afford them. Or there would need to be specific international recognition of the COVID-19 pandemic as a health emergency, which would clear the way to apply the practice of compulsory licensing envisaged in the Agreement on Trade-Related Aspects of Intellectual Property Rights, or TRIPS, to the COVID-19 pandemic.<sup>11</sup> This could help make the vaccine more affordable. Either option would require additional investments to strengthen developing countries' health systems; upgrade the capacity of selected developing countries to manufacture the vaccine(s); and build adequate vaccine delivery chains to ensure safe injections. Some 150 eminent persons have called for this in an open letter in support of "a people's vaccine" (UNAIDS, 2020<sub>[13]</sub>). While there have been advancements through the ACT Accelerator, it still remains to be seen whether a vaccine can truly be made available to all through this or any other mechanism.

Of course, all those who insist that the challenge of climate change mitigation, and other pressing challenges, should not be

forgotten because of COVID-19 also make a valid point. But, again, this raises questions. Who calculates all the public funds that would be needed? How can more money shifting be avoided? And who tracks available resources and rings the alarm bell when such shifting happens and serious shortfalls in critical health fields arise?

There is no coherent system for managing global issues. We have seen this with COVID-19. The World Health Organization provides some level of global co-ordination to fight the spread of the virus.<sup>12</sup> But this is a multidimensional crisis, and achieving global sustainable growth and development is equally important. The world needs a mechanism to co-ordinate health measures along with economic and social measures.

The current overall landscape of policy responses to COVID-19 thus resembles that of other GPGs, including fostering green growth and development. Many actors are taking countless actions, but in ways that often seem to lack coherence and be underfinanced. Poor countries and poorer people are suffering more than other countries and other population segments because of a lack of resources needed for self-protection against the underprovision of GPGs and related spillover effects that, in many cases, reach far beyond the immediate policy space of the underprovided GPGs.

### How to ensure the COVID-19 opportunity for reform does not go to waste

An urgent task confronts policy makers and their constituencies. They must strive to modernise the conventional international co-operation finance system along the lines of the tripod-shaped architecture discussed here, with the aim of correcting its current and most basic dysfunctions.

Given the complexity of this task, it is important to proceed strategically and begin with changes that can be accomplished relatively quickly. These changes can help lay the foundation for a new financing system. At the same time, immediate reforms can

contribute to ending the COVID-19 pandemic as quickly as possible; help keep to the approaching 1.5-2 °C critical threshold for global warming; and prevent a global crisis from reversing national and international efforts for global sustainable growth and development.

The first path breaking steps of such a phased change strategy could include the following:

- Include COVID-19, climate change mitigation (CCM), and crisis response and stabilisation (CRS) in the list of the UN Secretary-General's global, top-level priorities. Doing so would imply that these three global policy challenges will receive the Secretary-General's personal attention to ensure that related political negotiations and operational activities proceed at the necessary scale and speed to address them efficiently and effectively.
- To support the UN Secretary-General's lead role in these three policy fields, it would be desirable to establish three new entities – UNCOVID-19, UNCCM and UNCRS – as global co-ordinating platforms. In the case of COVID-19, this would mean bringing together actors and entities dealing with the health aspects of the crisis and those dealing with issues of rebooting growth and development.
- Include reform of international co-operation financing in the global debate on reinvigorating multilateralism. In their Declaration on the Commemoration of the Seventy-Fifth Anniversary of the United Nations, the heads of state or governments of UN member states asked the UN Secretary-General to submit recommendations on the topic of reinvigorating multilateralism (UN, 2020<sub>[14]</sub>). As the topics of reinvigorated multilateralism and international co-operation finance reform are closely interrelated, these recommendations could include establishing a panel of independent, high-level experts to examine how ICF reforms of the type suggested here might contribute to



fostering a reinvigorated multilateralism. Carefully monitoring and assessing outputs and effects in the three priority areas of COVID-19, climate change mitigation, and crisis response and stabilisation could help test and develop the new tripod-shaped international co-operation finance architecture.

## Seize the moment to make international co-operation finance fit for the times

Who can start the process of transforming the system so it is fit for modern-day global challenges, and how can it be done?

First, a two-pronged approach is perhaps the best way forward. As noted, the UN Secretary-General is in the best position to initiate the reform process, taking into account both the 75<sup>th</sup> anniversary declaration and the UN75 People's Declaration and Plan for Global Action (UN2020, 2020<sub>[15]</sub>). Second, some of the foremost donor representatives of the conventional international co-operation finance system such as the OECD DAC and the World Bank Group could proactively step forward and assure the global public and the UN Secretary-General that they, too, recognise it is time to change. Representatives of the so-called recipient

countries –the African Union, for instance – could do the same. Of course, all other interested and concerned state and non-state parties might also wish to signal their support and thereby foster a fully inclusive, multi-level and multi-actor change process from the start.

As a matter of fact, many reform and change ideas have already been formulated and several isolated pilot initiatives are underway. What is urgently needed now is for these to come together in a coherent vision of a new architecture and leadership that can effect change.

Clearly, reaching consensus on the needed reforms will take time. All the more reason, therefore, to include COVID-19, climate change mitigation, and crisis response and stabilisation – now – among the UN Secretary-General's global, top-level priorities and to treat them as international co-operation finance reform test cases. The main aim would be to end the COVID-19 pandemic as soon as possible and not exceed the global warming threshold. Accomplishing both feats would lead to more realism about how to resolve today's global challenges and advance towards the goal of global sustainable growth and development.

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## NOTES

1. Economists distinguish between two main categories of goods, to wit private goods (such as a slice of bread) and public goods (such as a lighthouse). Private goods are defined as being rival in consumption and excludable. Public goods are defined as possessing the opposite properties, being non-rivalrous in consumption or use and difficult, or perhaps even impossible, to be made excludable. Public goods can have different geographic and temporal reach. Global public goods are public goods whose benefits or cost reach across the whole world or several parts of the world (e.g. regions). Some GPGs, such as global warming, may also stretch across and affect several generations. For detailed discussions of the concepts of public goods and GPGs, see Barrett (2007<sub>[37]</sub>) at [10.1093/acprof:oso/9780199211890.001.0001](https://doi.org/10.1093/acprof:oso/9780199211890.001.0001); Kaul, Blondin and Nahtigal (2016<sub>[25]</sub>) at <https://www.e-elgar.com/shop/gbp/global-public-goods-9781783472994.html>; and Sandler (2004<sub>[38]</sub>) at <https://doi.org/10.1017/CBO9780511617119>, among others.
2. On this point, see especially the comprehensive literature overview provided by Kaul, Blondin and Nahtigal (2016<sub>[25]</sub>) at <https://www.e-elgar.com/shop/gbp/global-public-goods-9781783472994.html>.
3. On this point, see also Kaul (2020<sub>[24]</sub>) at <https://doi.org/10.1525/gp.2020.17639>.
4. On this point, see also Kaul (2017<sub>[7]</sub>) at <https://www.odi.org/sites/odi.org.uk/files/resource-documents/11724.pdf>.
5. Examples include the Global Facility for Disaster Reduction and Recovery (2020<sub>[19]</sub>); the UN Office for Disaster Relief Reduction (2020<sub>[21]</sub>); the Geneva Centre for Security Sector Governance (DCAF, 2020<sub>[20]</sub>); and the UN Office for the Co-ordination of Humanitarian Affairs (UNOCHA, 2019<sub>[22]</sub>).
6. Kharas and Dooley (2020<sub>[26]</sub>) estimate that the developing world faces a potential funding shortfall of close to USD 2 trillion to respond to the pandemic and associated economic shocks. See [https://www.brookings.edu/wp-content/uploads/2020/08/Development-Financing-Options\\_Final.pdf](https://www.brookings.edu/wp-content/uploads/2020/08/Development-Financing-Options_Final.pdf). Their estimate is close to that of the International Monetary Fund and the UN Conference on Trade and Development (UNCTAD), which put the shortfall at USD 2.5 trillion. See, respectively, (Georgieva, 2020<sub>[23]</sub>) at <https://www.imf.org/en/News/Articles/2020/03/27/sp032720-opening-remarks-at-press-briefing-following-imfc-conference-call/> and UNCTAD (2020<sub>[31]</sub>) at [https://unctad.org/system/files/official-document/tdr2020\\_en.pdf](https://unctad.org/system/files/official-document/tdr2020_en.pdf).
7. For instance, there are serious funding shortfalls in the area of health products, including vaccine development and deployment. As of 26 June 2020, the Access to COVID-19 Tools (ACT) Accelerator consortium received only about 10% of the USD 31.3 billion in funding required over the next 12 months, although it had received an additional USD 1 billion as of October 2020. See WHO (2020<sub>[12]</sub>) at <https://www.who.int/news-room/detail/26-06-2020-act-accelerator-update/> and WHO (2020<sub>[27]</sub>) at <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---2-october-2020>. COVID-19-related humanitarian assistance has similar shortfalls: as of 3 September 2020, the UN Global Humanitarian Response Plan, which is to serve 63 developing countries, had received just USD 2.3 billion of its required USD 10.3 billion. See UN (2020<sub>[16]</sub>) at [https://unsdg.un.org/sites/default/files/2020-09/un\\_comprehensive\\_response\\_to\\_covid-16\\_Sep\\_2020.pdf](https://unsdg.un.org/sites/default/files/2020-09/un_comprehensive_response_to_covid-16_Sep_2020.pdf).
8. The OECD (2020<sub>[36]</sub>) notes that “levels and trends in domestic and external financing” available to developing countries already fell short of what was needed to achieve the Sustainable Development Goals prior to the COVID-19 crisis. On top of this, developing countries experienced large private finance outflows, declining international trade opportunities and still-high debt levels due to the pandemic, resulting in serious pressures on their public finances. OECD DAC members have so far only pledged to “strive to protect” ODA budgets (OECD DAC, 2020<sub>[33]</sub>).
9. See, for example, the online press release by the European Commission (2020<sub>[17]</sub>) that presents funding decisions related to COVID-19 made by the European and European Union member states.
10. Double counting in international development co-operation, and perhaps other areas, occurs when entity A mobilises funds and transfers them to entity B and both report these funds as having been raised.

11. For a discussion of TRIPS flexibility and other intellectual property issues such as patent pooling, see Correa (2020<sub>[35]</sub>) at <https://www.southcentre.int/wp-content/uploads/2020/07/SouthViews-Correa.pdf>; Reddy and Acharya (2020<sub>[32]</sub>) at <http://bostonreview.net/science-nature/sanjay-g-reddy-arnab-acharya-economic-case-peoples-vaccine/>; and Stiglitz, Jayadev and Prabhala (2020<sub>[34]</sub>) at <https://www2.project-syndicate.org/commentary/covid19-drugs-and-vaccine-demand-patent-reform-by-joseph-e-stiglitz-et-al-2020-04?barrier=accesspaylog>. For a discussion of the political obstacles to agreement on these issues, see Gneiting, Lusiani and Tamir (2020<sub>[18]</sub>) at <https://www.oxfam.org/en/research/power-profits-and-pandemic>.
12. In addition to the ACT-Accelerator, also noteworthy is the WHO (2020<sub>[28]</sub>) COVID-19 Partners' Platform, described at <https://covid19partnersplatform.who.int/>, and the WHO COVID-19 Supply Chain System, described at <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/covid-19-operations/>. A further example of co-ordinated action is the global CoronaTracker, described by Hamzah et al. (2020<sub>[30]</sub>) at [https://www.who.int/bulletin/online\\_first/20-255695.pdf](https://www.who.int/bulletin/online_first/20-255695.pdf).



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