

RETHINKING DEVELOPMENT

Development Cooperation and Global Investments:

WHAT'S NEXT FOR
DEVELOPMENT COOPERATION?

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This report is a part of Norad's *Rethinking Development* project, which seeks to strengthen the knowledge base for development cooperation for the future. The report is based on literature reviews and input from international experts, as well as Norad's various departments and specialist groups in Norway. In connection with the work on the report, a reference group was formed consisting of experts from academia and research institutions in addition to contributors with practical experience in development cooperation efforts and multilateral organisations. All conclusions drawn in this report are the opinion of the author.

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Dear Reader

The world is facing enormous challenges, and Norwegian development cooperation has an ambitious mandate. Our aim is to help ensure that the Sustainable Development Goals (SDGs) are reached by 2030, and we will do this as effectively as possible with the limited funds at our disposal.

Norad's development cooperation has undergone several changes in recent years. In early 2021 we adopted a new strategy, and in line with this, our organisation is now structured around the SDGs. We have also been given more responsibility, and now manage about half of the long-term development funding. Following the 2019 reform of Norwegian development cooperation, the Ministry of Foreign Affairs now plays a more overarching role than it previously did, which means that the primary responsibility for finding effective solutions for the use of development funds rests with Norad. We therefore need to work actively and continuously to gather knowledge and discuss the important choices and dilemmas pertaining to development cooperation. This necessitates both a retrospective and forward-looking approach: we must examine and

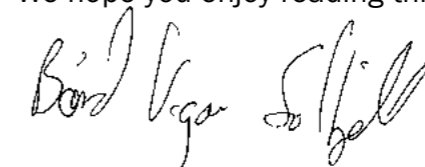
understand what works best so that we can replicate it in other contexts. However, we also need to ask more fundamental questions about the framework conditions for development cooperation and consider what trends will be important in the years ahead.

It is against this backdrop that I initiated the Rethinking Development project in the autumn of 2020. So far, we have taken an in-depth look at four thematic areas, the importance of which we believe will increase as we head towards 2030. The project has examined the fight to combat poverty while also providing global public goods (GPGs), how development assistance can help reduce global warming, how we can mobilise investments from the private sector, and what is needed for successful institutional cooperation.

The four thematic areas are very different, but they are similar in the sense that they all look at development cooperation as part of a larger picture, and all aim to address dilemmas that are creating increasingly precarious situations.

So far, we have received input from the private sector, civil society and experts in Norad, the Ministry of Foreign Affairs and other government ministries, as well as national and international specialist groups. We would now like to invite you to read the report and participate in the discussion. If we are to meet the daunting task of achieving the SDGs, we need to develop new ideas and solutions. These ideas could also stem from completely new sources that are not already familiar with the work of the development cooperation. Perhaps someone reading this report has a solution that has not been thought of. As we head towards 2030, it is essential that development cooperation efforts encompass other funding sources and actors as opposed to just those internally in Norad.

We hope you enjoy reading this report.



Bård Vegar Solhjell

Objectives

A long-standing debate has been taking place within international development cooperation on how to fund global challenges that clearly deviate from the original objectives of development cooperation. The controversy arises when problems of a global nature, which require system-wide solutions, are addressed and financed through development cooperation.

The work on this report was initiated in response to this situation, and was guided by the following objectives:

1. Mapping: Initiate a mapping of how widespread this trend is in Norwegian development cooperation: how much of Norwegian development aid is spent on global challenges, and which challenges?

2. Conceptualisation: Based on the data we find, try to better categorise and conceptualise the global challenges and how they differ from the intended scope of the development assistance in the global South. With new information and increased awareness of new challenges comes a need for new terms and definitions.

3. Implications for Effectiveness and Future Development Cooperation: Assess how we can best organise ourselves and Norwegian development funding to ensure optimal effectiveness in the work of achieving the various goals that are emerging both within Norwegian development cooperation and the wider international development landscape.

Norad has only looked at the funding and challenges that stem from our mandate, namely Norwegian development cooperation, also referred to as Official Development Assistance (ODA). However, global challenges also have a relevance and implications for a number of other policy areas and the activities of other government ministries. We therefore believe that there is a need for a broader study of this thematic area and of the funding trends described in this report.

Summary

Even though extreme poverty persists, and rich countries pledge to act in solidarity, transnational issues that also have implications for these countries are likely to dominate the discussion and agenda on development and sustainability in the years ahead. By applying the concept of 'public goods' as an analytical lens, this report has looked at the 'global public goods' (GPG) aspect of Norwegian development cooperation. A stable climate, biodiversity, clean oceans, pandemic preparedness and peace and security are all examples of GPGs. Although strong synergies exist between development cooperation and GPGs, the two concepts differ fundamentally in terms of objectives and target groups. By way of illustration, it could be said that combatting climate change will produce a GPG for the whole world: no one will be excluded from its benefits, and individual countries' 'consumption' of the GPG will not impede other countries' opportunities to reap the benefits. Development cooperation, on the other hand, will primarily promote economic development in low- and middle-income countries.

Norad's statistics show that between 2015 and 2020, GPGs accounted for about 20 per cent of Norwegian bilateral development funding, with a peak of 24 per cent in 2019. Figures from 2018 show that Norway devoted a bigger share of its development cooperation to GPGs than any other OECD country. There is reason to believe that the trend towards spending development aid on GPGs will be reinforced in the years ahead due to the challenges the world faces in the form of climate change and infectious diseases. The report therefore discusses the implications, both positive and more challenging, of the expanded focus on GPGs in development cooperation. One overarching idea is to distinguish more clearly between the various mandates of development cooperation, where aid aimed at poverty reduction (without regard for global challenges) lies at one end of the spectrum, and investment in GPGs (without any particular regard for poverty reduction) lies at the other. This idea is not just based on the theoretical differences and differing objectives. One reason for proposing a

more differentiated development cooperation is the concern that both development cooperation and global investment are less effective when they belong to the same category. The former is stretched thematically and geographically, while work on GPGs is likely channelled to where the need is the greatest, but not necessarily to where efforts would be most effective.

Major investment in GPGs is expected in the years ahead. Meanwhile, hunger and poverty continue to increase, which makes development cooperation all the more important. Both areas must be strengthened, but the question is whether the prerequisites for achieving our varying ambitions are best met through development cooperation alone.

Introduction

This report highlights a principled discussion concerning the role of development cooperation in relation to the global challenges which, over time, have expanded the mandate of international development cooperation. Addressing several of these challenges requires development cooperation to go beyond efforts in individual countries or even the category of countries below a certain income level and aim for global impact. The nature of the task makes it increasingly urgent for countries to unite their efforts: not even the world's richest countries can solve the climate crisis, cyber-attacks, loss of nature or infectious diseases on their own. Working on global challenges also requires closer integration and coordination between different specialist fields, sectors, industries and national actors.

Nevertheless, development cooperation, otherwise known as Official Development Assistance (ODA), has proved to be a popular instrument for addressing

a number of these issues. However, overall, the 'global turn' of development cooperation represents a need for more systemic reform and highlights a funding gap that far exceeds the parameters for development cooperation, whose core objective remains the reduction of poverty in the world's poorest countries and fragile contexts. The enormous scope of challenges and ambitions in Agenda 2030 therefore requires an innovative approach to the Norwegian and international commitment to sustainable development.

The awareness of global issues and challenges within international development cooperation has increased in pace with globalisation, economic development, climate change and technological advances. Increased international interaction, sharpened resource utilisation, and the freer movement of knowledge, people and capital mean ever greater spill-over between countries – both in terms of opportunities and challenges.

Global public goods are considered to be things and conditions that are **non-excludable** and **non-rival**. They affect all countries, for better or worse. If the consumption of global public goods knows no borders it means that no one can be excluded from reaping the benefits of them. Within development cooperation, a stable climate and eradication of infectious diseases are typical examples of global public goods.



The development of the COVID-19 vaccine has brought the issue of ODA and GPGs to the fore. Should development aid be spent on developing a vaccine that the whole world would benefit from? Photo: Sofi Lundin

COVID-19 has seriously exposed the vulnerability of all countries to global threats – and the concomitant need for international cooperation and coordination. The UN Secretary-General's recent report 'Our Common Agenda' underlines that the world's interconnectedness requires a new social contract for the delivery of GPGs (UN 2021). However, the international community has a poor track record when it comes to averting looming disasters and learning lessons from crises (Reinhart and Rogoff 2009; Kaul 2012; Barrett 2016). The enthusiasm for reform that can be seen during times of crisis can quickly subside, and countries often end up in a 'prisoner's dilemma', where they primarily seek maximum benefit for themselves rather than for the collective good (of the world).¹ One such example is vaccine nationalism, where the benefit to the world

1 Although the countries of the world can often have problems coordinating themselves when a crisis is looming, adequate collective action has usually been seen in wake of disasters (e.g. World War II, SARS, the financial crisis, COVID-19). Some of these examples of collective actions are examples of historic success: for example, no atomic bomb has been detonated in 75 years, no new world war has occurred, and an estimated 1.5 to 3 million lives have been saved annually following the eradication of smallpox. In the wake of the Black Death, the production of public goods in health was initiated (Desai 2003).

would likely have been greatest if the vaccines were more evenly distributed, including to the hardest hit countries. However, while the COVID-19 pandemic is a crisis that can eventually be dealt with, climate change, nature loss and uncontrolled nuclear proliferation are challenges with potentially irreversible consequences. A key question, however, is to what extent such global challenges – with implications for both rich and poor – should be addressed using the most solidaric form of development cooperation, namely ODA.

Today's global challenges represent a vast diversity of causes, scope and potential solutions. However, many of these are interlinked and therefore require a concerted effort. A common feature of most of the challenges is that they largely meet the criteria for what is termed 'public goods' in economics theory. As emphasised in this report, this makes the situation even more precarious, since public goods are by their very nature characterised by insufficient supply and lack of coordination.

Not infrequently, GPGs fall between existing development cooperation, commercial solutions and countries' national interests. The growing need to produce GPGs has nevertheless resulted in the phenomenon making its way into Norwegian and international development cooperation – as exemplified by the development of COVID-19 vaccines, peace and security, as well as the conservation of rainforests. Meanwhile, geopolitical shifts in power and global economic convergence have contributed to a situation that also requires a genuinely global and more equal distribution of the responsibility for the GPGs. Several of the countries receiving ODA are now richer than many of the traditional donor countries were at the time the OECD Development Assistance Committee (DAC) was formed (Kenny 2020). After several years with a decline in the number of extremely poor people in the world, however, the World Bank estimates that the COVID-19 pandemic has plunged about 100 million people into extreme poverty.²

² Updated estimates of the impact of COVID-19 on global poverty: Turning the corner on the pandemic in 2021? (worldbank.org)

Development assistance was introduced at a point in history when the world was more clearly divided into rich and poor. The distinction also largely applied to the challenges: the problems of the poor countries were different to those of the rich countries. Although there is still considerable global economic inequality, the GPGs represent a set of issues that cannot be broken down and categorised according to GDP per capita. The world has moved away from the binary categorisation of 'rich' and 'poor' towards a more varied (but extensive) scale of economies with intersecting interests and needs.

For example: after many years of poverty reduction globally, we are now facing a situation of increasing poverty and global inequality since it is the poor who will be hardest hit by the COVID-19 pandemic.³ Half of

³ In 2015, the World Bank estimated that to achieve the goal of eradicating extreme poverty, an average of four per cent growth in global GDP per capita was needed. This has now been increased to eight per cent. For sub-Saharan Africa, this is more than four times higher than the region's entire growth in the period 2008–18. With economic growth on a par with developments before the COVID-19 pandemic, it is now estimated that there will be almost 600 million extremely poor people in the world by 2030 (World Bank 2020).

the countries in sub-Saharan Africa have an extreme poverty rate of more than 35 per cent. We also know that low-income countries are most vulnerable to climate change (Thonstad 2020). Should development aid therefore be used to help reduce emissions – which would also benefit the whole world?

Since the concept of 'sustainable development' requires us to view economic growth through an integrated lens of social and environmental perspectives – and because of countries' pledge of low emissions in the Paris Agreement – the answer is perhaps yes. This recognition has already impacted on development cooperation. The perspective, however, needs analytical scrutiny. Over the years, ODA has been the subject of a conceptual tug-of-war and expansion that deserves a critical look.

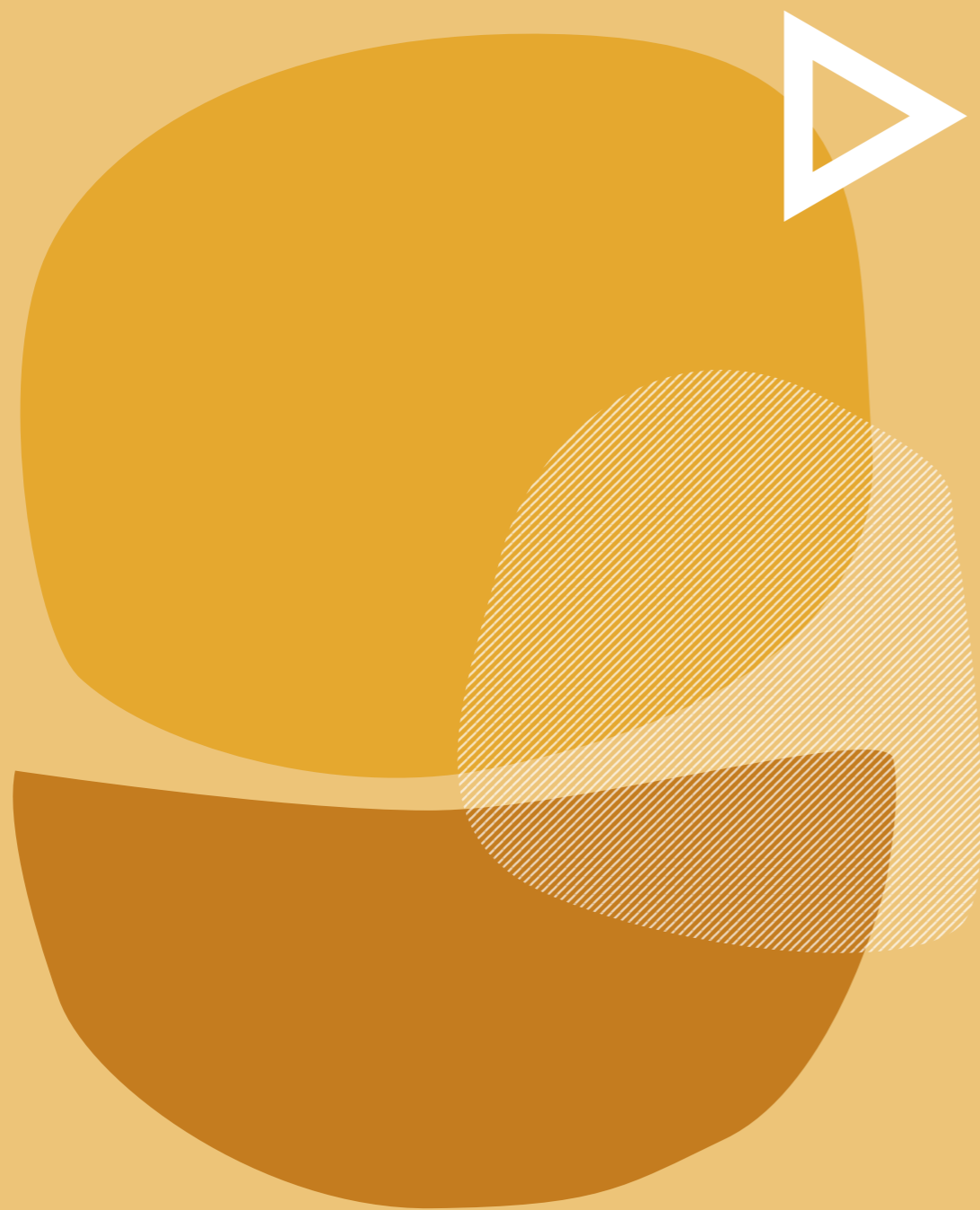
This report seeks to bring some clarification to the increasingly complex discourse on sustainable development by using the concept of GPGs as an analytical lens. At the outset we need to be aware that different assumptions give rise to different inferences:

if all the challenges are placed within the framework of ODA, we quickly end up in a zero-sum game in which good causes are played off against each other.⁴ The glass will, in other words, be half empty and different actors with different development policy goals will be fighting for the last drops. If, on the other hand, we look past ODA and view the challenges as a natural consequence of globalisation and our human economic activity, which already lies at the heart of the discourse on sustainability, ODA will only be one of several available policy tools. In this scenario, the glass will be half full and we can draw on more resources from different sources in order to achieve the SDGs.

Even if world poverty persists and rich countries are required to continue to act in solidarity, transnational challenges are likely to dominate the discussion

on development and the sustainability agenda in the years ahead. Norad therefore wants to map and conceptualise Norway's efforts to tackle global challenges and produce GPGs in order to create a better knowledge base and strengthen the understanding of the issues and dilemmas.

4 However, claiming that the range of considerations within the sustainability agenda are only 'beating each other down' is also a skewed conclusion. There are of course important synergies. Green growth is also sought by poor countries, even though an economic growth strategy without any regard for the climate would probably result in more resources for poverty reduction in the short term.



What Are
'Global Public
Goods'?

What Are 'Global Public Goods'?

A public good can be described as a good or condition that is *non-excludable* and *non-rival*.

In other words: no one can be excluded from the consumption of the good, and one person's consumption does not reduce the consumption of another (e.g. clean air or moonlight). Since no one can be excluded from the benefits of the good, the issue of free riders quickly arises. Commercial producers of public goods cannot charge for them. The result is market failure. At a national level, governments tend to intervene when neither the market nor voluntary efforts are sufficient to produce a public good. At a global level, this is more difficult: in the absence of a 'world government', we are at the mercy of the voluntary cooperation of all the countries in the world.

Depending on their scope, public goods can take the form of national, regional or global goods. GPGs are seen as 'things' (international law, knowledge,

communication systems) or 'conditions' (peace, security, sustainable human economic activity) whose reach transcends borders (Kaul 2013). Everyone can consume them, and anyone can be impacted by them.⁵ As noted by Kaul (ibid: 9), there is no value connotation attached to the term 'good' – e.g. at the opposite of a public 'evil'. The provision of a global public good will distribute costs and benefits, and it is not easy to see how that will play out. Just as public goods in the economic sense are defined by the fact that they are not limited to private consumption (which is both excludable and rival), a defining feature of GPGs is that they are not limited to *national* consumption. As the GPGs extend beyond national borders and thus challenge conventional political systems and decision-making procedures, both their production and consumption have implications for international relations, multilateral cooperation, sovereignty and national policies.

5 'Global public goods are goods with benefits that extend to all countries, people and generations' (Kaul and Mendoza 2003). According to Inge Kaul (2020a), GPGs also have a significant time dimension in the sense that the consequences of the global community's ability or inability to protect the goods are usually felt for several generations.

Although the issue of public goods is often presented as a challenge to sustainable collective *consumption* (e.g. 'tragedy of the commons'), the complexity and need for collective action is just as important when it comes to the *production* of GPGs.⁶ Kaul (1999; 2003; 2012; 2020) has tried to illustrate this complexity through the concept of 'publicness'. Although some public goods have a universal propagation and can impact on anyone, this does not mean that the net benefit for all countries is equal. Nor does it mean that political decision-making processes related to the public good in question or the supply of the public good are universal (high degree of 'publicness'). It is only when 'publicness' is high in several parameters – for example, when the benefit and decision-making processes apply to a number of countries – that the supply of the public good also becomes more likely, and more legitimate.

6 With the natural global commons such as climate and nature, production obviously entails safeguarding – or restraint of – consumption, which has been a challenge due to the lack of recognition of nature's intrinsic worth

Table 1: **Categorisation of GPGs**⁷

Weakest link	Single best effort	Mutual restraint	Coordination	Aggregate effort
<ul style="list-style-type: none"> - Infectious diseases - Nuclear weapons 	<ul style="list-style-type: none"> - Asteroid defence - Climate technology 	<ul style="list-style-type: none"> - Nuclear disarmament - Gene technology 	<ul style="list-style-type: none"> - International standards 	<ul style="list-style-type: none"> - Climate change mitigation - Ozone layer protection

GPGs can also be understood on the basis of a categorisation of what kind of resources and international cooperation are required in the production of the goods. Barrett (2007) distinguishes between five different categories (Table 1).

In some cases, the work of producing GPGs is only as good as the weakest link, and therefore requires cooperation that includes and strengthens the weakest states. Nuclear disarmament, overfishing and the fight to eradicate infectious diseases are all examples where international cooperation and success are dependent on fragile states where crime and lack of capacity can be major obstacles. In other cases, the goods can be produced by the single best effort of an individual country. While the fight to combat infectious diseases requires extensive and

coordinated efforts from both rich and poor countries, asteroid defence is probably something a few of the world's most powerful countries can solve on their own. However, as we have seen during the COVID-19 pandemic, the eradication of infectious diseases is an example of both a weak link – capacity and health systems in poor countries – and resource-intensive single best efforts: development of a vaccine through research and technology advances in countries with an abundance of resources.⁸

In some cases, a GPG requires states to refrain from acting, such as in the case of nuclear war, tropical forests, certain human rights violations and excessive distribution of antibiotics. Some GPGs require coordination as opposed to investment, as in the case

of international standards for time, measuring units and transport. Finally, according to Barret (2007; 2016), there are also GPGs that are dependent on the aggregate efforts of all countries, such as the efforts to reduce nature loss or to stop climate change. In such cases, the problem is so extensive that neither a superpower nor alliances of rich countries alone can produce the good.⁹ The production of the public good is normally only as good as the total effort. If one additional country contributes while another withdraws, the effect is neutralised.

⁷ Based on Barrett (2007).

⁸ Although the production of public goods seems to require a continuous effort, the production can also be binary (either provided or not), as was the case with smallpox: although it took time, the disease is now eradicated.

⁹ Although sharp emission reductions in large countries have obviously made a significant contribution. We therefore often talk about some aggregate public goods as a 'weighted sum', where production is more dependent on certain important countries. Climate intervention (geo-engineering) is also something a coalition of countries with an abundance of resources could work together on to mitigate global warming (Barrett 2016).



Figure 1: The 5C Framework

Barrett's categorisation overlaps with Figure 1, developed by Årdal et al. (2016). The figure highlights how different global challenges require different levels of commitment and international cooperation. Sometimes the production of a GPG requires only a minimum of policy cooperation (common norms or principles and information sharing), but a higher level of cooperation and collective action is generally required. In the most demanding forms of international cooperation on global challenges, coordination between states, common strategies and decision-making processes are all required – in addition to shared financing and institutional mechanisms.

A specific challenge for international cooperation is that the GPGs that require extensive collective action are often areas that entail a certain degree of uncertainty about consequences, developments (threshold for irreversibility) and measures. As already discussed, countries often have considerable problems in voluntarily mobilising appropriate collective action in such situations (Kaul 2012; Barrett 2016). One of the world's most successful

environmental agreements, and the only universal agreement, is the Montreal Protocol. According to Barrett (2007; 2016), one of the main reasons for the success of the Montreal Protocol was its effective threat of trade restrictions for countries that did not sign up to the agreement, which led to a critical mass of countries ratifying the agreement.¹⁰ In other words, in the absence of certain knowledge about irreversible thresholds, multilateral institutions or agreements could set out proxy thresholds with clear consequences (ibid).

Another common challenge in the production of GPGs, however, is that individual countries have neither the motive nor the resources to produce them, especially when the goods primarily benefit other countries and

¹⁰ There was relatively little uncertainty about the consequences of inaction. The agreement would not enter into force unless a minimum level of participation had been reached – represented by two-thirds of the world's consumption of CFC gases (Barrett 2007). In other words, before this threshold was reached, it cost the countries little to ratify the agreement, but after the threshold was reached, most of the remaining countries had strong incentives to sign the agreement as they were in danger of having trade restrictions imposed on them by the signatories.

groups. This explains the underproduction of several GPGs. For example, about 85 per cent of the climate gains from China and the United States' emissions cuts will benefit the rest of the world (Nordhaus 2020). However, if we look at this from a different perspective and consider who has contributed the most to the problem – and consequently the underproduction of the GPG of a 'stable climate' – we can see that the 52 poorest countries have contributed only one per cent of total CO2 emissions since 1751 (Baker and Mitchell 2020).¹¹ During the COVID-19 pandemic, we have therefore seen the nation states mobilise the institutions and tools that secure the national public good of immunity first – not the global control of infection (Soucat 2019; Yamey et al. 2019; Soucat and Kickbusch 2020). In other words, the existence of national public goods such as access to vaccines and immunity can reduce our motivation for achieving GPGs, such as in the case of eradication of polio, measles and malaria. Conversely, a number of

¹¹ China has contributed 13 per cent, while OECD countries account for 59 per cent.

examples have been seen in recent years of limited ceding of sovereignty in favour of international collective coordination and action at regional and international level, such as the EU and EEA.¹² The knock-on effect of globalisation means that some of the same logic that led to increased political awareness of basic public goods within the nation states, such as environmental challenges in the face of industrialisation and the control of diseases as a result of urbanisation, today makes sense internationally (Desai 2003). However, just as preferences for different public goods vary between groups nationally, so do the preferences and the ability to aggregate them through negotiation differ between countries.

¹² This is, for example, a known landscape for Norway through the EEA. As Smith (2017: 60) points out: 'if world government does not and in all likelihood cannot exist, this does not mean that collective action towards global public goods is impossible. Indeed, one of the clearest trends in current public policy at the present time is the limited ceding of national sovereignty towards transnational agencies of collective action and governance. These actions result ultimately from a primary trend towards economic interdependence, either via formal schemes of economic integration, or via the de facto links of globalization'.

Few GPGs meet the criteria for pure public goods that are both non-excludable and non-rival. There are, for example, knowledge, rights and technologies which, in principle, could have been public goods, but which have limited access.¹³ There are natural public goods (global commons) which, due to their subtractability (and where human beings cannot control their production), do not meet the criterion of non-rival and must therefore be protected. More and more of the natural global public goods that were previously considered to be non-rival are now recognised as common pool resources due to over-exploitation and resource utilisation. These goods include biodiversity, fresh water and the climate.¹⁴

This form of over-exploitation does not apply to GPGs such as peace and security, knowledge or satellite-

¹³ In the case of knowledge, exclusion for periods of time (patents and monopolies) is a manifestation of the balance between incentivising research and innovation and accessibility.

¹⁴ This is why Elinor Ostrom chose to rename one of the criteria for natural commons GPGs as 'subtractability of use' instead of 'rivalry of consumption'.

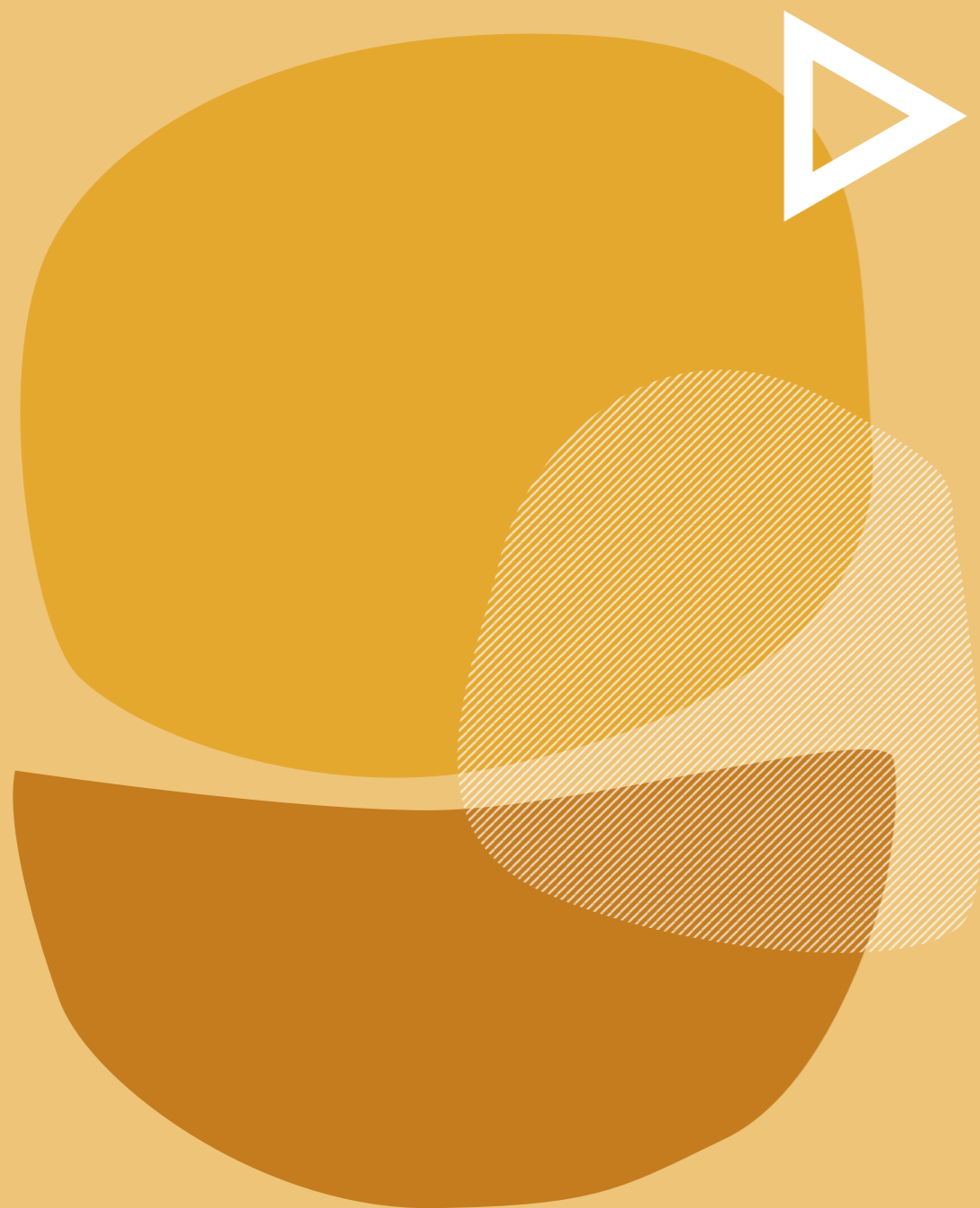
based solutions like surveillance or metrological services. As pointed out by Ostrom (2009; Remoe and Cervantes 2019), goods must therefore be understood in a continuum, where the 'subtractability' of goods (to what extent one person's consumption reduces the consumption of someone else) forms an important axis (Table 2). According to conventional economic theory, public goods that are not regulated by a government apparatus or a market function that gives rise to property rights, will be subject to overconsumption. Despite this, Ostrom found a number of local and regional examples of collective action that ensured the sustainable management of common pool resources (Ostrom 1993; Ostrom 2009; Smith 2017).

Since there are few examples that fully meet the theoretical requirements for global public goods, some development economists have simplified the concept. For example, McNeill (2021: 223) categorises the efforts to produce GPGs as an approach 'which finances global initiatives that benefit all, not only the poor'. In the UN Secretary-General's report 'Our Common Agenda', GPGs are referred to as 'goods and services provided to and benefiting all of society' but that a single country cannot provide alone.

Table 2: Ostrom's 2X2 table for categorising goods

		Subtractability (rival)	
		High	Low
Difficulty of excluding others	High	Biodiversity, climate, fish stocks, forests, fresh water (common pool resources)	Peace and security, knowledge and research, satellite applications (public goods)
	Low	Private goods such as cars, clothing, mobile phones, shoes (private goods)	Cinemas, theatres, associations and private clubs (club goods)

Source: Ostrom 2009; Smith 2017



Development Cooperation and Global Public Goods

Development Cooperation and Global Public Goods

Both Norwegian foreign aid and international development cooperation have become increasingly complex over time. The long historical lines of aid within roughly the same institutional normative framework can give the impression of a continuity that no longer reflects reality.¹⁵

¹⁵ In political science research, the term 'layering' is sometimes used to describe this form of gradual yet fundamental change. The concept breaks with the dichotomous understanding of 'stability' and 'change'. The slow but significant change in the nature of development cooperation is therefore more reminiscent of how different sediments can form new metamorphic rock types.

The evolution in development cooperation is linked to the field's sensitivity to changing priorities among donors, changing needs among 'recipients', and changing conditions for international development cooperation in the face of globalisation and geopolitical change.

The relevance of GPGs for international development cooperation is related to the fact that human well-being and prosperity in the Anthropocene Epoch and in a hyper-globalised world are also dependent on the consumption and production of public goods that go beyond national borders. Although the term 'GPG' is not commonly applied, the awareness concerning the negative consequences of under-supply of GPGs is great, e.g. ocean acidification, persistent heat waves, nature loss, inadequate control of infectious diseases, illegal capital flight, displaced populations, proliferation of nuclear weapons and conflict. Historically, however, public goods such as research, technology and innovation have spread prosperity and progress

around the world (Kenny et al. 2018). This is despite the fact that most inventions have been made without global progress being the goal.¹⁶ The production of GPGs does not easily lend itself to a cost-benefit assessment, and requires considerations of ethics, levels of uncertainty, political interest and a willingness to cooperate.

Despite the growing importance of GPGs, the theme has 'rather quietly [...] under the radar' been incorporated into foreign aid (Davies 2014: 95). While the concept of 'human development', which was established in 1990 through the UNDP's annual *Human Development Report*, has complemented the state-centred development discourse bottom-up (from a micro perspective), GPGs expand the conversation top-down (macro). The development is reflected in the SDGs and Agenda 2030, which are clear on how

¹⁶ The polio vaccine, for example, was produced in the United States for American citizens. Nevertheless, it has had health benefits for the whole world.

global challenges such as climate change, nature loss, infectious diseases and terrorism must have a central place in development cooperation going forward. The synthesis report that laid the foundation for the SDGs emphasised how the planet's sustainability is strongly linked to the goal of eradicating poverty.¹⁷

Norwegian development cooperation, however, does not have to reflect all the SDGs. On the contrary, further fragmentation will most likely make development cooperation less effective.¹⁸

OECD countries tend to finance GPGs through ODA budgets (Davies 2014; Kaul 2017).¹⁹

17 The title of the report indicates a change, 'The road to dignity by 2030: ending poverty, transforming all lives and protecting the planet' (UN A/69/700). Underlying the agenda is the idea that climate change will change the conditions for food production in many countries, while biodiversity and well-functioning ecosystems are crucial for food systems. A failure in production has far-reaching consequences for migration, stability and conflict.

18 The concentration of Norway's foreign aid portfolio is in line with recommendations from the OECD's Peer Review analyses of Norway. The reasoning behind it is that organising the goals geographically and thematically will enable better follow-up and better results.

19 For example, the world's largest environmental fund, GEF (which in 2006 was highlighted by the international Task Force on Global Public Goods as an important public good mechanism), is primarily funded through donors' ODA budgets (Evans 2014).



Much of the increase in international bilateral aid since the mid-2000s can be attributed to climate financing (Rogerson and Ritchie 2020).²⁰ The ambition for funding to be 'new and additional' has not been achieved (Davies 2014, Kenny 2020). On the other hand, we do not know whether there would have been a similar increase in international aid if GPGs had been excluded as development assistance objectives.

20 Total international aid in 2006 was USD 103.9 billion, of which approximately USD 1.6 billion went to climate financing. In 2018, this proportion had increased to USD 22.1 billion, and has consequently accounted for much of the increase seen in development assistance in recent years (Ritchie and Rogerson 2020). As such, climate financing has not come at the expense of (crowded out) other assistance (Kharas and Rogerson 2017).

The Climate and Forest Initiative is Norway's largest investment to date in the conservation of GPGs through ODA. The investment will also contribute to local development. Photo: Neil Palmer/CIAT

Individual countries' *national* funding of everything from health care to climate change is the most important contribution to GPGs. Strictly international funding is small in comparison. In addition to financing, other instruments, such as regulations and tax policies, are also crucial for the safeguarding of public goods. This is far easier to do nationally than globally.²¹ International efforts are nevertheless important because much of the global undersupply and collective coordination are safeguarded through international mechanisms. However, the question is whether the current practice of tapping development aid budgets is an adequate solution for the production of GPGs in the years ahead.

The data on how much international aid is channelled towards GPGs is insufficient: a conservative estimate by Birdsall and Diofasi (2015) found that transfers to GPGs in developing countries were around USD 14 billion annually. Most of this was ODA.²² Kaul et al. (2003) put

21 It also shows the essential difference between development assistance and efforts in providing GPGs, which led Carbone (2007: 183) to conclude that 'Financing GPGs does not mean raising additional resources but necessitates a better allocation of existing resources'.

22 Birdsall and Diofasi excluded a number of goods such as funding for research and technology in rich countries (which can benefit poor countries), a number of transfers to multilateral institutions as well as funding to control a number of infectious diseases, which they considered regional or national goods.

financing of GPGs at about one-third of international aid. Davies (2015) estimated that GPG funding accounted for approximately 25 per cent of international bilateral aid, while Development Initiatives found that the share of international aid amounted to around USD 13 billion in 2014 (less than ten per cent of the total ODA) (DI 2016).²³

A growing part of Norway's development policy involvement has been defined in the 'GPG' category, as shown in Figure 4 below. Development escalated after the turn of the millennium: climate was a hot topic in the Norwegian Government's aid policy during Prime Minister Stoltenberg's second term, as were international peace and security and the control of infectious diseases.²⁴ Under Prime Minister Erna Solberg, the Norwegian Government has placed a further emphasis on the prevention of natural disasters and cross-border crime and terrorism, as well as support for a rules-based international order.

23 In the report from the Development Initiatives, research, global health, climate and environment, peace and security, humanitarian organisations, trade and communication were regarded as GPGs.

24 White papers from Stoltenberg's government also place an emphasis on a well-functioning financial market and 'global knowledge'.

While on the one hand GPGs are forming an increasing part of international aid, there has also been concern, particularly in the global health sector, that international health funding in recent years has primarily gone to causes with a 'solidarity purpose', leaving GPGs for health between the cracks (Kickbusch 2014; Moon et al. 2017). Examples of solidarity purposes that have received considerable sums are initiatives with a regional focus, such as GAVI, the Vaccine Alliance, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and maternal and child health in low- and middle-income countries. An increasing dilemma within international development cooperation thus seems to be the strengthened position of the GPGs *within* development cooperation coupled with the inadequate funding for GPGs outside development cooperation. In the World Bank's report on GPGs, Robin Davies warned as early as 2014 that:

[...] in the real world, GPG financing simply is aid, and its growth is strongly constrained by both the standard aid narrative and the quantity of aid. At some point, the use of aid for GPGs is likely to start grinding against these constraints, and it will not be possible to relieve the resultant pain simply by adding a GPG «wrinkle» to the existing aid policy narrative.²⁵

The seeming increasing interconnectedness between development cooperation and GPGs reveals a need for a clearer conceptualisation of, and differentiation between, the various development policy initiatives. Both 'aid' and GPGs are in danger of becoming vague and abstract references in an increasingly complex development policy discourse.²⁶ Although there are multiple synergies between the two areas, we should nevertheless recognise that the provision of GPGs has a different point of departure and a different character. If the trend witnessed in development cooperation in recent years continues, there is a risk of blurring the boundary between the original solidaric nature of aid and donor countries' self-interests.²⁷

Although the history of development assistance can provide many examples of how foreign policy and

commercial interests have undermined the ethos of development cooperation, GPGs are not necessarily a continuation of this. The increased emphasis on global challenges and global public goods may well represent a natural 'evolution' of development cooperation based on new insight. Nevertheless, the phenomenon departs somewhat from the normative framework that was drawn up for ODA – at a time when there was limited awareness of global public goods and the consequences of the interconnectivity of countries through globalisation.

²⁵ Davies (2014: 111).

²⁶ The concept of 'global public goods' has been criticised for being primarily useful as a rhetorical and politically mobilising concept (Kopinski and Wroblweski 2021; Long and Woolley 2009).

²⁷ Donor countries' commercial and foreign policy interests have been a constant influential force throughout development assistance's history, albeit with major variations between countries and periods of time (Hjertholm and White 2000).

Table 3 is a stylised and ideal-typical presentation of the differences between the two categories on selected parameters based on the literature on GPGs and ODA. The main difference is that GPGs cannot be limited to criteria such as GDP per capita and national borders. Per definition, this deviates from the objective of ODA, which is to promote the welfare of selected poor countries.

Table 3: ODA and GPGs

	Global public goods	ODA
Goal/rationale	Provide global goods for all, both rich and poor	Economic development and reduced poverty in poor countries
Co-operation	Depending on the good: coalitions and/or equal cooperation	Rich donor countries and poor recipient countries
Geographical coverage	Global	OECD's list of recipients
Type of intervention	However, and wherever a good is produced most efficiently	Focus on countries where the need is greatest
Time horizon	No limit	Temporary – based on GDP per capita
Principle of sovereignty	Threatens sovereignty	Respects sovereignty
Financing principle	Efficient resource allocation	Fair redistribution

Sources: Kaul og Le Goulven 2003; Barret 2014; Kaul 2017; Kharas og Rogerson 2017; Glennie 2019; Kaul 2020b

This has formed the backdrop against which a long-brewing tension within the Norwegian development discourse has played out. More specifically, whether the provision of GPGs comes at the expense of more direct poverty alleviation.²⁸ The political ambivalence was further strengthened as the SDGs were introduced as the overarching framework for Norwegian development cooperation.²⁹ Currently, the political objective of Norwegian aid is to be in accordance with the DAC's definition of official development assistance.

28 Central to the OECD DAC's definition of development assistance is the objective of strengthening economic development and prosperity in the world's poorest countries.

29 The dilemma has regularly manifested itself in Norwegian development assistance policy. Norwegian development assistance includes both 'untied' development assistance and support for global public goods such as the rainforest and oceans. The ambivalence is captured in the following extract from Report no. 27 to the Storting (2018–2019): 'The Government's policy is that Norwegian aid must be based on the DAC regulations. The ODA framework is not static and has been adjusted several times. There is currently debate in the DAC on how official development assistance that promotes the Sustainable Development Goals can be defined and reported going forward. The Government will contribute to constructive development of the ODA regulations in order to meet the needs of developing countries and help to achieve the Sustainable Development Goals.' In the central government budget for 2018–2019, the Norwegian Government emphasised that it would be 'unfortunate' if efforts to combat epidemics and pandemics, as well as CO2 emissions, could not be funded because they did not satisfy the OECD DAC's ODA criteria.

Concomitantly we have a clear political goal of contributing to GPGs. This presents us with a number of dilemmas for future development cooperation.

First, this could entail a potential tension between donor countries and recipients. There is little doubt that GPGs have a significant positive impact on poor countries and groups.³⁰ However, as long as much of the international work on global public goods arises from an ODA setting in which partner countries do not enjoy the same decision-making authority as donor countries, we cannot be certain that they would have placed emphasis on the same global public goods. For example, it could be argued that economic development may take more of a detour when development cooperation also has to provide GPGs: emission reductions or research on COVID-19 are undoubtedly positive for Malawi, Madagascar and Bangladesh, but the direct effect on these countries' economic development will likely be weaker and slower than when supported with instruments for

30 That is why, in recent years, an increasing number of new and innovative forms of financing have attempted to increase the production of GPGs – usually organised through multilateral institutions and so-called vertical funds (Davies 2014).

direct economic growth. In a longer sustainability perspective, however, there is less tension between efforts to produce certain GPGs and poverty reduction since nature conservation and climate change mitigation will be crucial for the development and welfare of many poor countries where natural capital is an essential part of the economy.

Secondly, the investment in GPGs may result in less aid to the world's least developed countries. A likely scenario is that countries that want to spend more of their international investment on combatting climate change will divert aid away from the poorest countries towards middle-income countries, even though the marginal effect of a few extra millions in climate aid is probably small (Kenny 2020).³¹ The White Paper *Common Responsibility for Common Future* emphasised that the effect of investment in GPGs will 'be greatest if the investment is made in

31 Kharas and Rogerson (2017) point out that part of the reason for this is that climate financing in general (excluding development assistance) has proved to be insufficient. Meanwhile, middle-income countries already bear much of the extreme poverty already, and most of the 'new poor' in the wake of the COVID-19 pandemic will be in middle-income countries (Gavas and Pleeck 2021).

middle-income countries' (Report no. 24 to the Storting (2016–2017): page 73). This shift will in turn lead to another dilemma: in the long run, various populous middle-income countries will no longer be able to receive ODA since their GNI per capita will exceed the limit for receiving such support.³² Nevertheless, these countries will remain key partners in the production of GPGs whilst simultaneously hosting a substantial part of the world's poorest.

A third dilemma in terms of aid-financed investment in GPGs is that many people's consumption of GPGs in poor countries is at the mercy of national and regional public goods. The absence of national public goods such as effective administration, democratic processes, adequate health systems or the rule of law, can be an obstacle to goods for which a global goal has been set – and for

32 As early as 2014, the OECD estimated that 28 countries with a total population of over two billion people would cross this threshold by 2030 (OECD 2014). After the COVID-19 pandemic, it is expected that more countries will be 'de-classified' and relegated, at least in the short term (Prizzon and Pudussery 2021). The fact that development assistance decreases when a country's GDP grows has often led to pressurised public finances as these countries lack good tax systems (ibid.)

which there are solutions.³³ For example, the knowledge and technology exist to stop a number of infectious diseases, but this potential GPG does not necessarily help the population of DR Congo or South Sudan. The smallpox vaccine was developed in 1796, yet it was not until 1980, almost 200 years later, that some of the most difficult contexts in the world received the vaccine. In other words, for the most vulnerable, it was the collective interaction – the organisation, coordination and implementation of the vaccination efforts in challenging conditions – that was crucial, not the vaccine itself. In this sense, ODA can be viewed as a support for national goods, and thereby indirectly supporting GPGs, which is more in line with the original mandate of development assistance.³⁴ This also applies in part to digital public goods, which can be regarded as tools, or developing enablers, for generating other

33 According to Report no. 27 to the Storting (2018–2019: 35), it is also in Norway's interest for the international community to ensure that human rights are respected in other countries.

34 According to Barret (2014), climate adaptation and traditional approaches to 'development' have the same objective. For example, industrialisation – understood as the economy's diminishing dependence on agriculture – will be particularly important when the agricultural industry in low- and middle-income countries is fragile and reduced in the face of climate change.

goods in food security, knowledge dissemination and global health.

Finally, the delineation of boundaries for reporting ODA will become increasingly blurred. These boundaries are not clear even in today's discussions on ODA.³⁵ This is not just a challenge for those who manage development assistance funds, it is also a democratic question concerning the transparency surrounding public spending. An ever-expanding grey zone will make it more difficult to distinguish, report and assess the effectiveness and goal achievement of the contributions.

35 Lack of reporting and information on the financing of GPGs is a paradox as long as critics claim that the financing of GPGs occurs at the expense of more traditional ODA (Davies 2014). The lack of data and reporting when it comes to GPGs in both the UN context and at the development banks is well known, and is one of the reasons why the work with TOSSD (Total Official Support for Sustainable Development), as well as the UN's established working group for measuring development support (WG MDS) were initiated. The analysis of how the world is to achieve the SDGs is therefore stunted by the inadequate supply of data and documentation (related to, for example, research, global norms, cooperation, etc.) (Bejraoui et al. 2020).

In summary, it can be said that 70 years after the introduction of development assistance, there are still no real alternatives to ODA in terms of concessional public finance for development. Although ODA has several weaknesses, it is still one of the most flexible and solidary forms of development financing available. Lofty visions of 'catalysing' additional, more innovative and larger forms of financing (e.g. the 'Billions to Trillions' initiative launched by the World Bank in 2015) have not delivered anything close to what is needed to achieve the SDGs.³⁶ The same 'toolbox' is still being used in an attempt to address a growing number of different goals and considerations in a rather precarious political balancing act.³⁷ This in

36 Prior to the COVID-19 pandemic, the UN estimated that the gap between available funding and achievement of the SDGs in developing countries was somewhere between USD 2500 and 3000 billion annually (UNCTAD 2014). Following the pandemic, the OECD estimates that this gap may have increased to USD 4200 billion annually (OECD 2020). Although Norway's extensive use of thematic funds aims to 'catalyse' private funds, this has not yet happened (Norad report 1/2019).

37 In recent decades, we have therefore seen a softening of the definition of 'development assistance', which has meant that a number of costs related to administration, asylum seekers and refugees, student exchange programmes and attitude campaigns in donor countries have been included in the development assistance accounts (Hynes and Scott 2013; Rogerson and Ritchie 2020). This is one of the reasons why the relatively limited development assistance discourse in donor countries has often been more about the donor countries' expenditure than the recipient countries' benefits and actual results (Kenny 2020).

turn forms the basis for several of the ever-recurring problems related to development aid effectiveness, such as donor coordination, lack of transparency, lack of ownership and short-sightedness.

HOW MUCH AID GOES TO GLOBAL PUBLIC GOODS?

Since there is no internationally accepted method of calculating the financing of GPGs, Norad's statistics section has used a method devised by *Development Initiatives* to calculate the percentage of Norwegian development assistance targeting GPGs.³⁸ This assessment covers only bilateral contributions, which in 2020 totalled 70 per cent of total aid. It does not include core funding to multilateral organisations – some of which work on GPGs. The total amount of aid flowing to GPGs is therefore assumed to be higher than indicated in the assessment. For example, the financing of GAVI, the Vaccine Alliance, the Global

38 No category in OECD DAC's statistics system, or consequently in Norwegian statistics, provides an overview of how much development assistance goes to GPGs. Ideas about what constitutes a GPG differ, and this also has implications for how they are assessed. The method adopted entails a number of challenges and potential sources of error, and different methods may result in different findings. The results must be interpreted with considerable caution. The calculation is an adapted version of Development Initiatives' article from 2016: 'Measuring aid to global public goods (GPGs)'. Bristol: Development Initiatives. <https://devinit.org/resources/measuring-aid-to-global-public-goods-gpgs/>

Fund, the Global Environment Facility and the Green Climate Fund amounts to more than NOK 3 billion in core funding in 2020, and it could be argued that this should be recognised as investment in international if not global public goods within health and climate.³⁹ As long as the justification of the financing of multilateral organisations is largely based on the need for a 'rules-based world', it may also be natural to include this kind of financing in future GPG accounting.

39 According to Sandberg and Andresen (2010), the Norwegian contribution to the establishment of GAVI was the first clear trend towards health becoming a more strategic consideration in a broader approach to globalisation. Meanwhile, GAVI is very much an instrument for safeguarding health needs in low- and middle-income countries and thus not a typical GPG – more a regional public good.

Even though Germany, Japan and the United States contribute most in absolute figures (Figure 2a), Norway is the country channelling the highest percentage of bilateral contributions to GPGs (Figure 2b).⁴⁰

Figure 2a: Official development assistance to GPGs from DAC members, 2018.
15 largest DAC donors. Gross disbursements 2018. USD mill.

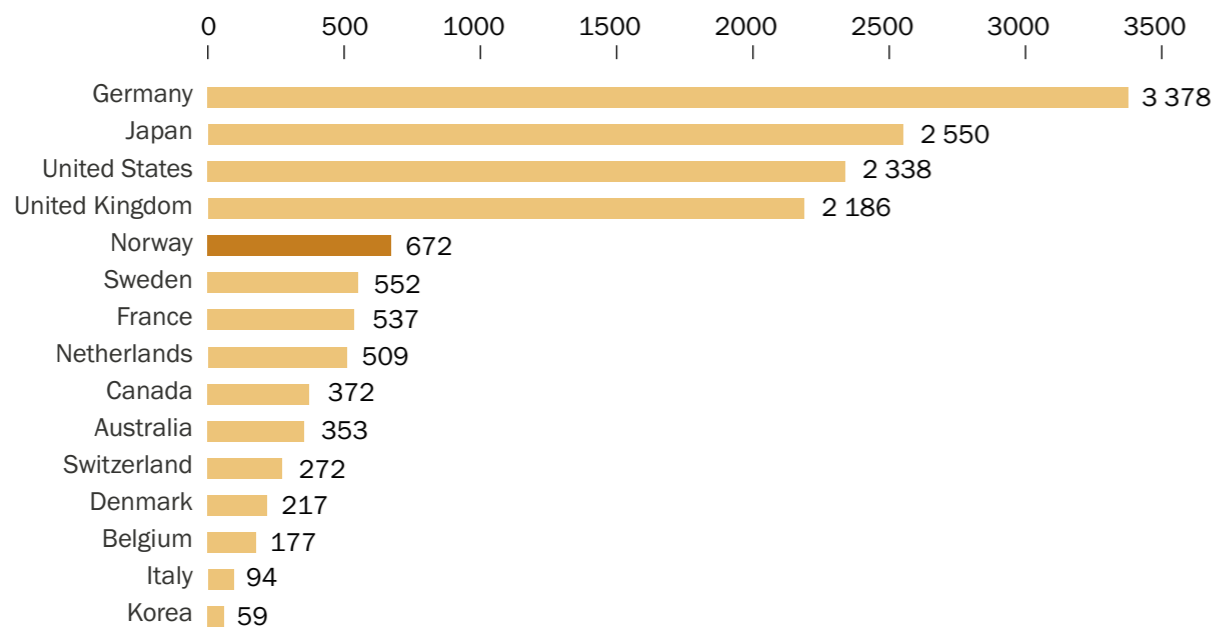
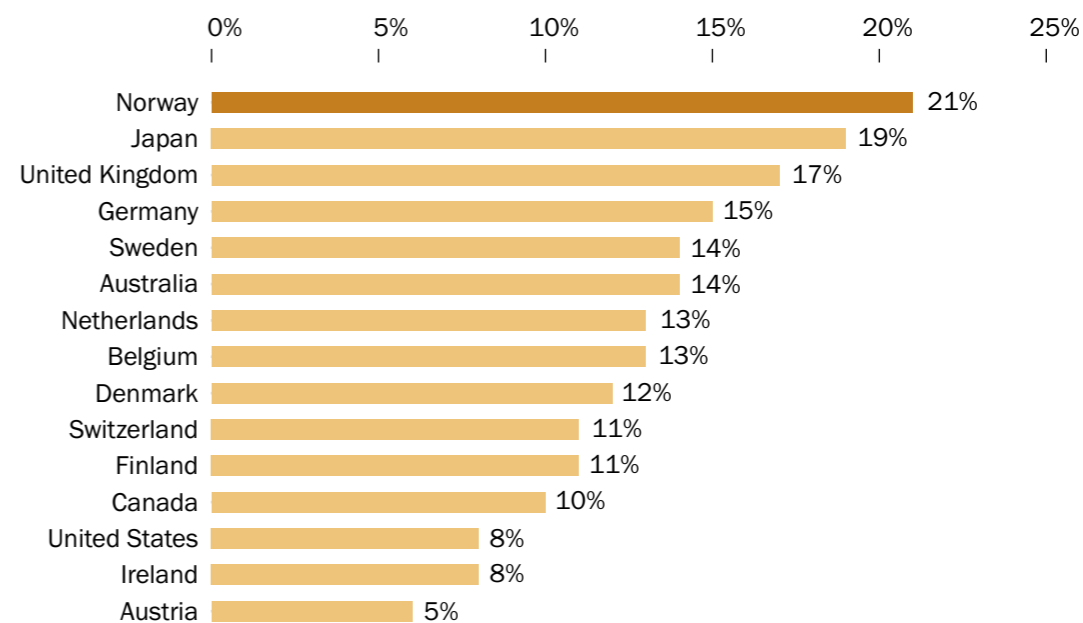


Figure 2b: Percentage of bilateral assistance to GPGs, 2018
15 largest DAC donors as a percentage of bilateral ODA 2018.



40 In accordance with OECD DAC statistical definitions, bilateral ODA includes all ODA from a donor country except for multilateral core contributions.

Since 2020 proved to be a special year for development funding on account of the COVID-19 pandemic, bilateral contributions to GPGs are presented for the six-year period 2015–2020. The mapping shows that contributions to GPGs have stood at approximately 20 per cent of bilateral funding in recent years (see Figure 3).

In 2020, a total of 22 per cent of bilateral contributions targeted GPGs – a slight reduction from 24 per cent in 2019. The reduction is not representative of Norway's total development aid to GPGs because in 2020, support for climate initiatives was more often given via core funding than bilateral funding. For example, core funding to the Green

Climate Fund increased at the expense of bilateral funding to climate initiatives. The mapping of bilateral funding does not capture this change. Figure 4 provides an overview of bilateral contributions to GPGs compared with other support, including multilateral core funding.

Figure 3: Bilateral contributions to GPGs

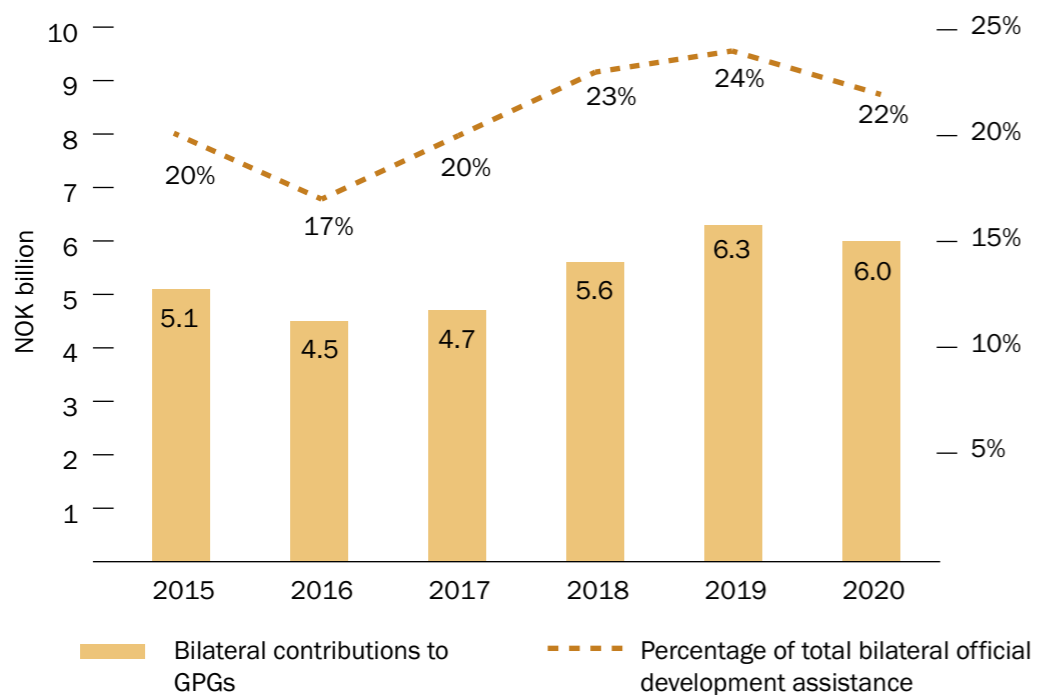
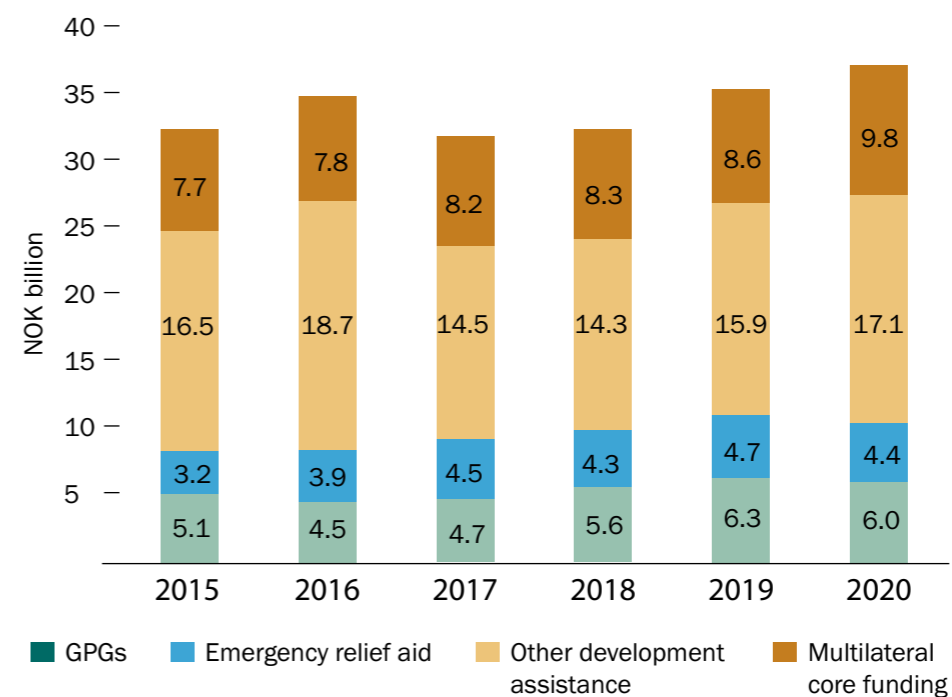


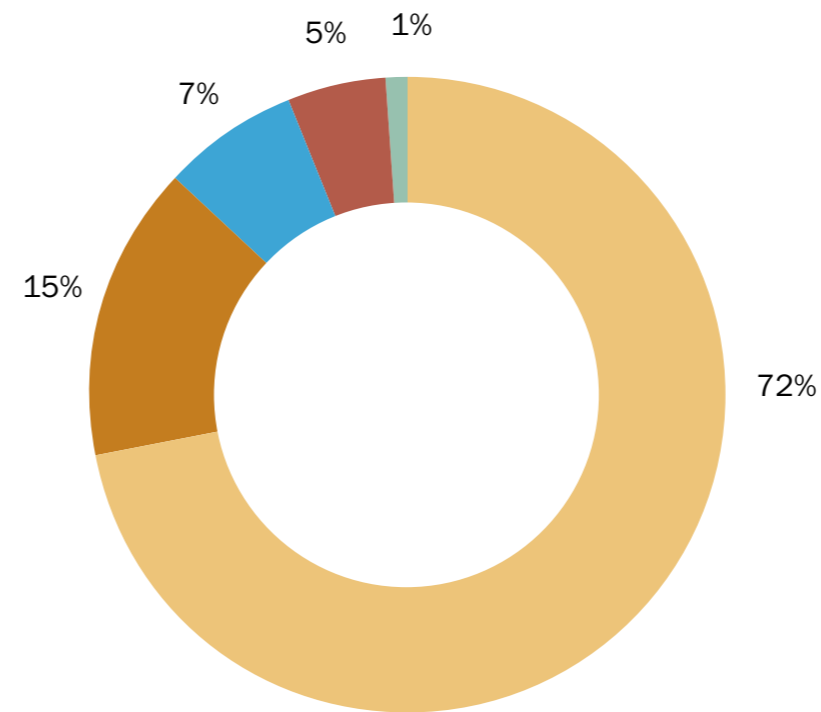
Figure 4: Bilateral contributions to GPGs and other development aid



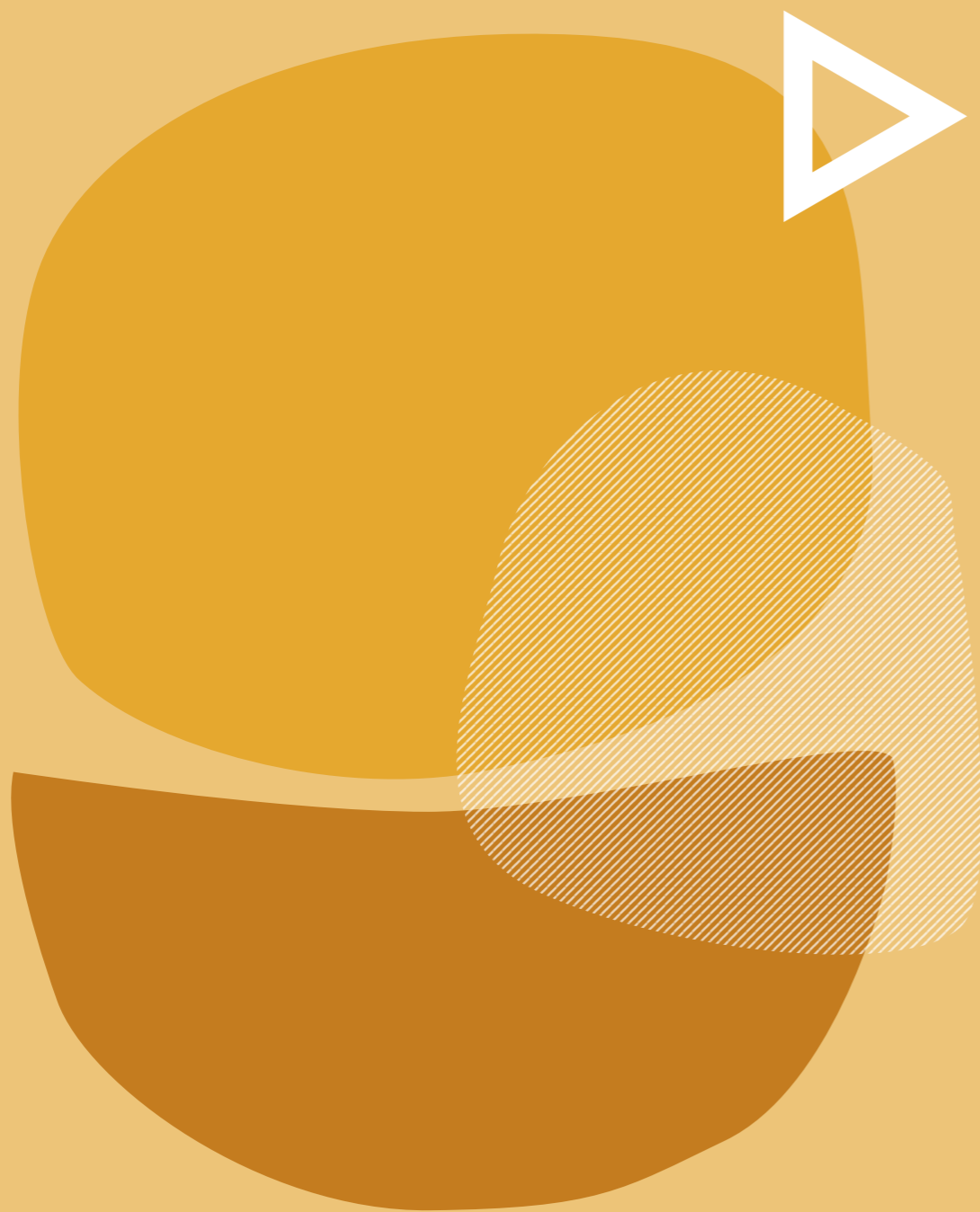
The figure includes total official development assistance excluding administration

Climate and the environment is the thematic area that receives the bulk of the funding for GPGs (72 per cent in 2015–2020), followed by global health (15 per cent in 2015–2020). The percentage for global health was naturally much higher in 2020 (29 per cent) than in previous years.

Figure 5: Bilateral assistance to GPGs, by thematic area, 2015–2020



-
- Climate and the environment
 - Global health
 - Peace and security
 - Research
 - Trade, transport and communication
-



The Road Ahead

The Road Ahead

So far, this report has set out and discussed how the overarching theme of GPGs has impacted on development cooperation in recent years. A remaining consideration is what implications this has for Norwegian development cooperation going forward. We need to look ahead in order to be better equipped to help address the main development issues in the future.

COVID-19 has clearly shown how different political driving forces (solidarity, commercial interests, interest-based policy, health policy) can coalesce in the desire to produce a global public good (Kharas et al. 2020). In point of fact, GPGs broaden traditional interest-based policy and create new synergies between different domestic sectors and development cooperation.⁴¹ Meanwhile, it is vital to acknowledge the different premises of different policy areas. However, as a result of under-supply and lack of a coherent approach to GPGs, these global challenges have primarily been addressed through ODA alone. Consequently, traditional development assistance is in danger of becoming further undermined.

41 While this report views possible implications from a development aid policy perspective, earlier reports and white papers have examined the implications of GPGs from an interest-based perspective: 'As a consequence of globalisation and Norway's heavy dependency on global public goods, it is necessary to abandon a narrow interpretation of Norwegian interest-based policy' (Report no. 15 to the Storting 2008–2009: 85).

The costs of the pandemic (global recession) are estimated to be somewhere between 100 to 200 times the estimated cost of adequate emergency preparedness (Soucat and Kickbusch 2020, IMF 2020). Moreover, Norwegian white papers emphasise that 'transformational change of society is needed' if we are to limit global warming (Report no. 27 to the Storting 2018–2019: 47). These two facts reflect the need to examine how we can move forward from the ODA framework that has guided development cooperation since the post-war era. As in the case of COVID-19, insufficient provision of GPGs will entail ever-growing costs in the future (Kaul et al. 2003; Conceicao 2003). There is an argument in the literature that the cost of a joint all-out effort to adequately provide individual GPGs pales in comparison to the cost of constant 'corrections' due to continued under-provision and the self-reinforcing negative effects that may lead to a catastrophic collapse in the long term. Since the provision of GPGs

has often been initiated by crises, their cost has largely been regarded as an attempt to avert further crises (Desai 2003; Kaul and Le Goulven 2003). By way of illustration, most people would agree that national defence spending is not sufficient to ensure the public good of peace, but that it helps to avoid crises (ibid.).

By providing public goods prior to a possible supply crisis, the costs can be regarded as investments that yield a return in the form of development. CEPI, the Vaccine Alliance, is based on this precautionary 'nip it in the bud' principle.

In the last 20 years, a number of international initiatives, reports and processes have investigated how GPGs challenge and complement existing development aid cooperation.⁴² Therefore it is no longer seen as radical to envisage the possibility of a gradual change of course aimed at creating an equally binding international collaboration related to global challenges – which may take generations to solve – without it negatively affecting the current needs addressed by development cooperation (Kharas et al. 2020).

42 See background report and Selbervik and Hagen (2021). Both reports are in Norwegian.

The way the SDGs complement the ODA's objective of development and poverty alleviation – means that we are not approaching the end of international development cooperation. Rather, we are at the beginning of a more wide-ranging development project that has no end date. The fact that a growing number of developing countries today possess the means to manage their own poverty-related challenges has also been instrumental in helping us to broaden our perspective and the discussion on development. India as a 'developing country' has been a key contributor to CEPI, the Vaccine Alliance, while Burkina-Faso, Burundi, the Central African Republic and DR Congo have all stepped up as donors to the Global Fund to Fight AIDS, Tuberculosis and Malaria (Glennie 2021).⁴³ Nevertheless, the group of countries that were in an extremely fragile situation even before the COVID-19 pandemic, are now experiencing a strong recession driven by the pandemic, the debt crisis, the cessation of investment, high population growth and pressure on natural resources (Thonstad 2020).

43 Even though they are still net recipients of funding, the contributions entail a significant change in the countries' position and role: Home – The Global Fund to Fight AIDS, Tuberculosis and Malaria.

A NEW DEVELOPMENT CATEGORY?

Based on the discussion in this report, we can outline different approaches to clarify the conceptual boundary between ODA, global challenges and GPGs at an overarching level. For Norway, this will primarily mean considering a clearer conceptual division between matters that on the one hand come under aid for the eradication of poverty and on the other hand global investments based on global common interests.⁴⁴ A clearer distinction between the issues and an enhanced knowledge base can form the platform for a more comprehensive and strategic approach.⁴⁵ For example, a growing body of research and literature is attempting to apply the public goods concept and game theory insights to the challenging collective work of following up the international

44 This is not a new idea, see for example Kaul and Le Goulven (2003: 357). But the fact that the idea was put forward almost 20 years ago only serves to underline the need to review a diagnosis that was made when the challenge was less severe than it is today.

45 A more detailed assessment could examine options for different institutional models, potentially with their own mandate, which can be managed in individual portfolios. A more logical work distribution will be based on an assessment of the actors best suited to perform the tasks most effectively (new initiatives will most probably emerge in individual sectors, for example health and climate, where most progress has been made on establishing basic principles).

agreements of recent years (Agenda 2030, the Paris Agreement, the Sendai Framework for Disaster Risk Reduction, and the Global Compact on Refugees).

— **Development assistance targeting the eradication of poverty** stems from the core objective of development assistance and will be cultivated as such. The funding is ODA and is channelled towards mechanisms and areas proven effective in combating extreme poverty. Geographically, it would target the poorest countries in the world.⁴⁶ For Norway, this may mean developing a concentrated and deeply engaged bilateral component in development cooperation that by and large will successfully adhere to the principle of 'leave no one behind'.⁴⁷ For a number of years, approximately half of Norway's aid contributions have flowed to the world's least developed countries (LDC).

46 Naturally, humanitarian assistance will also be included in this category. The report assumes that Norway will adhere to the OECD DAC's standard for what is regarded as development assistance, but it could also be argued that the poorest populations should also be included (regardless of what country they are in).

47 Norway could concentrate this contribution on a handful of countries where investment could be greater and more long-term. See also Engberg-Pedersen (2015): No. 9 2015: Norwegian Aid – Squaring the Circle of Impact, Interests and Politics. Civita.

Redefining our development cooperation could alter this composition. A politically anchored decision to support a few selected but challenging contexts may entail more resources for analysis and contextual understanding, greater acceptance of risk with several kinds of interventions and more room for adaptation. This category will also include the GPGs that poor countries themselves regard as crucial. This includes GPGs with clear relevance to development that poor countries would like to prioritise but cannot sufficiently address. Since Norway's contribution to development is largely limited to investment and financing, as a main rule investments should be made in poor countries. However, this should not exclude the option of financing development-related global public goods where these can be provided most effectively and appropriately, for example through joint procurement or market shaping. In other words, the aim is to further strengthen the innovation and the methodological pluralism we have seen in development cooperation in recent years. The difference lies mainly in a stronger geographical delimitation. The most important criterion for selecting development-related GPGs will be conditions, goods and services with great effect in poor countries especially vulnerable to –

and inadequately equipped to deal with – emerging global challenges. In line with Kenny (2020), the litmus test for whether ODA should fund GPGs must be whether the investments bring such important national benefits to developing countries that they would prioritise these regardless of the global benefit.⁴⁸

— **Global investments:**⁴⁹ investments based on common global interests. Although they can include ODA, these investments primarily supplement development assistance and should be made through initiatives and in countries where they will have the greatest effect – not where the needs are greatest. A guiding principle for this financing category might be to differentiate investments that fail the litmus test and are characterised by strong Norwegian or global interests – where it is not possible to find a suitable compromise within the ODA regime – and keep them separate.

48 Exemplified by investments in solar, wind and hydro power as alternatives to fossil energy.

49 As pointed out by Glennie (2020), 'investment' implies that certain returns are expected in the form of development that satisfies common interests – rather than 'aid', which leaves an impression of being granted absolution or showing charity.

Apart from ODA, no separate financing alternative has existed for Norwegian funds earmarked for global challenges and GPGs. The usual thinking in the development policy debate has been that global considerations beyond aid should be addressed through 'policy coherence for development'. However, the policy coherence agenda has not gained sufficient ground. Concessional investments with a separate mandate where Norway contributes to shared investment in GPGs can complement this agenda and should be considered. Even though different kinds of development finance have complemented ODA in recent decades, they remain quite different from concessional public finance (Glennie 2020) and are therefore not interchangeable and also inadequate. Foreign aid's unique flexibility, availability, complementary role and concessional basis – as well as commitment to internationally negotiated goals – may therefore constitute a model for a potential new funding 'pot' for global challenges. In light of the COVID-19 pandemic, Norway has also found that financing global goods of interest to both Norway and poor countries cuts across different ministries and mandates. By involving and coordinating the line

ministries in efforts to produce the GPGs within their remit, the aim is to develop a more comprehensive portfolio of Norway's global investments in the future. The private sector will be a key partner in these efforts – perhaps to an even greater degree than is the case for the traditional ODA.

A more precise distinction between different development policy categories does not mean 'either-or', but should be viewed as a complementary strategic course of action. For example, several thematic areas and sectors such as infectious diseases, marine plastic litter and nature loss demand full-scale interventions, from national initiatives in poor countries to global efforts that are more difficult to incorporate into the realm of foreign aid. Various GPGs may also have completely different and very complex provision paths and incentive structures.

One of the ideas behind this report is to trigger long-overdue innovative thinking in relation to the different nature of development problems, and Norway's qualifications for addressing these effectively. A new model will have to assess a number of questions and

make a rigorous selection of which GPGs Norway should work on, what the desired goals are, and how Norway can work most effectively (development cooperation, diplomacy or a different kind of concessional finance). We must also conduct a critical review of the countries and regions that can most effectively promote the production of GPGs if they receive funding. Partnerships must build on mutual interests, incentives and equality. It cannot merely be assumed that giving climate-related assistance to middle-income countries that potentially can make the largest reductions is the most effective measure. Measures must be effective and well implemented. In addition, commitment to global investments must be viewed in combination with financial policy instruments such as taxation, subsidies, regulations and property rights and efforts at home. For example, international regulations on the use of plastic in a few products is just as important as aid-financed projects in individual countries in terms of providing the global public good that sustainable oceans represent.



Marine litter represents a challenging issue in the demarcation between ODA and GPGs. Norwegian efforts not only target global systemic challenges and the system of international agreements, but also national issues linked to waste management in partner countries:

[The Norwegian Development Program to Combat Marine Litter and Microplastics - regjeringen.no.](https://www.regjeringen.no/en/dep/utd/press/2018/06/20180614-the-norwegian-development-program-to-combat-marine-litter-and-microplastics)

The differentiation suggested above can result in a more finely meshed system in terms of effectiveness that has a better overlap with the highly differentiated portfolio that Norwegian development cooperation represents today.⁵⁰ On the other hand, it could be argued that by differentiating efforts, we risk losing important perspectives from both camps. For example, all parties to the Paris Agreement pledged to ensure that finance flows are in line with the emission targets, and to promote a 'climate-resilient development'. If our development cooperation is not informed and shaped in line with efforts to safeguard GPGs such as natural diversity and a stable climate, but rather supports a development trajectory that entails substantial emissions and loss of nature, development cooperation risks becoming inconsistent, and countries may be 'locked' in a short-term and unsustainable development trajectory. This presents a dilemma since low emissions, development and poverty reduction do not necessarily overlap

50 Inge Kaul (2020b) has also spoken in favour of a clarification of international development cooperation due to confusion about the current mandate, initiatives and definitions.

completely. This would mean conflicting goals and a possible loss of effectiveness for poor countries.

However, on account of the insights of Agenda 2030 and the Paris Agreement, it is difficult to envisage that aid from OECD countries will support a 'grey' development trajectory in the coming years.⁵¹ In addition, foreign aid's ability to influence and manipulate the incentive structures of nation-states is very limited; in all likelihood, ODA alone does not push the development of entire countries forward in one direction or another. It is important to note that the suggested differentiation does not mean that a GPG such as climate will no longer be an important consideration in poverty-related development aid. On the contrary, it is becoming ever more important. Sustainability and climate will continue to be integrated into the development aid perspective.

51 Climate considerations have been manifested in Norwegian development assistance for several years. A specific example that is still the subject of debate in the context of the African Development Bank is investment in gas power. Norfund's investments in gas were stopped by the Norwegian Parliament, *Storting*, in 2014.

But investments that also benefit *us* and require more substantial systemic changes have expanded the development discourse and should probably be pursued by other means.

Informants from partner countries emphasised that development aid recipients are in a constant state of transition and donor countries should adapt to this development rather than the converse. The focal idea was that recipient countries would not always be poor and that donors should plan for different future scenarios when they involve themselves. In other words, even though climate adaptation is currently at the top of the agenda in many developing countries, it is likely that low or zero emissions will be the dominant agenda going forward, and this may fundamentally change the partnership.⁵²

52 The informant worked in an important organisation in a recipient country: 'Yes, they may be poor and lack capacity right now, but the vision should not be that narrow. Adaptation may be their priority now, but they don't want to be just a recipient – the transition should be built in. The various futures that are available for them: don't think of poor people as always poor'.

If we assume that development initiatives, which are intended to achieve several objectives simultaneously, are not optimally designed to achieve all of these, there is reason to believe that both foreign aid and GPG provision are weakened by belonging to the same financing model. Foreign aid comes under pressure both thematically and geographically. As such, the main objective of aid, combatting poverty, may be weakened. A concentration of development assistance (suggested above) in line with the principles adopted through the OECD's 'Aid Effectiveness Agenda' at high-level meetings in Rome, Paris, Accra, and Busan will probably make aid more effective and less diluted by other considerations. This may boost foreign aid's original solidarity-based position intended to create local impact and reduce the need to protect ODA from a number of other donor-driven considerations (OECD 2020). Conversely, GPG provision will probably be less effective since funding may not be channelled towards areas in which GPGs are most effectively produced, but to areas where needs are greatest. A separation will most likely mean adopting a different

theory of change and a different set of assumptions than if the initiative was meant as ODA for poverty-reduction. A more rigorous analysis of the provision path of different GPGs and the need for collective action will hopefully provide better answers to what will most effectively contribute to international cooperation. Individual countries' incentives will vary in line with what is needed to produce different GPGs. At worst, the idea that foreign aid should finance GPGs may reduce the pressure for reform in rich countries (e.g. policy coherence for development) and our efforts in finding additional GPG finance.⁵³

53 According to Kaul et al. (2003), financing GPGs through development assistance means failing to recognise the scarcity – and hence the value of – GPGs, postponing necessary reform in rich countries and at the same time violating the principle of equitable redistribution. A focus on cheap cuts in emissions via development aid has probably delayed essential restructuring and green technology in rich countries – which are crucial if we are to reach the goal of zero emissions (see, for example, Holmås 2021). In other words, we need a systemic perspective that looks at efforts domestically and abroad within the same framework. This requires that other ministries' efforts are not demarcated as isolated international projects financed via the development aid budget.

Notably, however, it is not only the tension between a purely poverty-centred orientation and GPGs' more overarching rationale that has engendered our re-thinking of development finance. The enormous scope of actual needs and the finance gap indicate that the total volume of ODA will be insufficient and even the wrong mechanism for addressing these problems. Development cooperation has gradually transitioned from primarily combatting extreme poverty to engaging in a far more complex 'two-front war'. The potential gravity of the GPGs – politically, technically and financially – suggests that management of this should not solely be the responsibility of development agencies but be addressed at the highest level and consequently be handled as part of the line ministries' portfolios (Kaul 2017; Kharas and Rogerson 2017). If the commitment to solving global challenges becomes an integral part of domestic political considerations, a broader integration of the state apparatus will naturally follow, be that in areas such as policy development,

financing or implementation.⁵⁴ Extracting the development discussion from the inherent asymmetry of the ODA regime may pave the way for normalising development cooperation and the relationships between rich and poor countries. In addition, we need to recognize the effects for recipients of ODA: the growing list of development considerations and cross-cutting goals has resulted in numerous boxes to be ticked. Addressing GPGs primarily through aid makes it inevitable that recipient countries must shoulder part of the burden for providing these. One informant emphasised the constant flow of priorities of donor countries and how recipient countries indirectly bore the costs of rich countries' GPG efforts.

Whatever you do, think of the burden for recipients and what makes their ownership easier.

Another informant pointed out the potential for more transparency concerning donors' national interests if a clearer distinction between aid and GPGs existed:

I would really like the honesty. We all have our vested interests. In this game [development cooperation] there are self-interests: let us acknowledge it and build on it. It can enable us to develop a framework that is truly accountable and more transparent.

54 Assuming that the problem of global public goods can be solved by splitting the existing aid 'pot' in two (for example, 0.7 to traditional development assistance and 0.3 to GPGs) represents a potential pitfall. This will possibly only ensure the protection of poverty-oriented aid from further dilution but will be far from enough to address GPGs.

Conclusion

Although the complex issues related to GPGs expose the limitations and dilemmas embodied in today's development cooperation, they also reveal some opportunities. Challenges such as COVID-19, and the range of ambitious objectives in the 2030 Agenda are forcing us to rethink how Norway can mobilise and organise its development efforts. A public goods' perspective helps us to understand and analyse the challenges the world as a whole is experiencing in reaching global goals. As this report points out, a change in Norway's strategic approach to GPGs will contribute to an important clarification of concepts and principles in our approach to development cooperation. Although not fully recognized, we are currently experiencing a suboptimal pluralism, where conflicting targets and considerations are pursued within a seemingly coherent mandate. There are potential gains in effectiveness in a more logical differentiation between aid and the provision of GPGs. However, departing from an institutionalised path that has been trodden by a variety of political parties over several decades always entails a degree of risk.

As such, the intention of this report is not to jeopardise ODA, but to think of ways to complement aid both conceptually and financially.

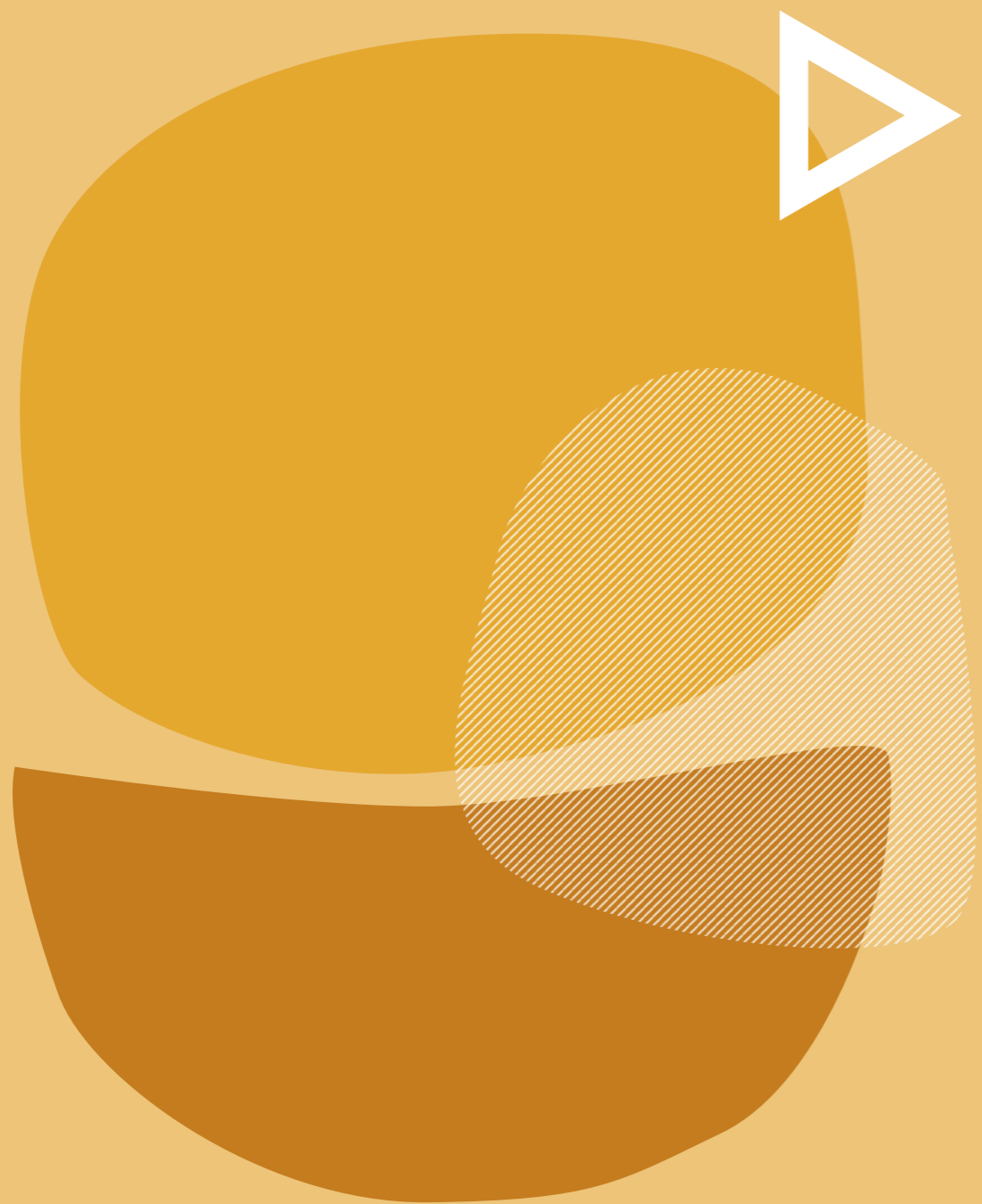
Fewer conflicting goals and interests, clearer mandates and more strategically coherent approaches can remedy some of the current limitations of development cooperation. A number of initiatives have also been proposed at an international level, seeking to put in place new and better suited structures for the future of development cooperation. Several of the initiatives are a response to the common challenges of globalisation in the Anthropocene Epoch. Some of these ideas may potentially result in broader ownership in poorer countries, as the universal nature of GPGs breaks with the inherent asymmetry of the international aid system. Moreover, it may lead to a more wide-ranging development policy discourse and stronger anchoring of this in more affluent countries.

In an increasingly interconnected world, there is little doubt that global challenges and public goods will be dominating issues in the years ahead. As Gavás and Pleeck (2021: 14) concluded in their analysis of trends in development: 'aid [...] comes under intense political pressure to accommodate spending on GPGs'. How, and to what extent Norway's international cooperation

and multilateral institutions will adapt to these trends is unclear. A useful next step will be to further develop this report's initial conceptualisation and assessment of GPGs' impact on aid. In addition, it is recommended that a mapping exercise be undertaken in order to understand the extent to which other sources of public finance, beyond ODA, provide GPGs. This work could form part of the mandate of a broader official committee tasked to assess current and future development financing. This knowledge base can later form the basis for a more comprehensive and strategic approach to GPGs and sustainable development.

On a more operational level, we can make use of the critical element that COVID-19 has brought to the debate on international collaboration and GPGs. The field of health can be used as a pilot area for fostering more comprehensive efforts that reflect the ideas presented in this report. This may result in a more incremental and tangible assessment of how responsibility, budget lines and concerted efforts can be distributed most effectively.

In summary, the goal is a more balanced, equitable and optimal spending of public funds on sustainable development.



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Appendix:

There is no established consensus as to which global public goods (GPGs) should be included in a 'development perspective'. While the Center for Global Development has made recommendations on what can be regarded as 'development-relevant'

GPGs (Ahluwalia et al. 2016), and Davies (2014) has described 'products' that have 'shared benefits' for developing countries in particular, others (including Kaul 2017; Seo 2020; Barrett 2007) take a broader perspective – regardless of the normative guidelines in development cooperation.

The assessment of bilateral contributions to GPGs is based on a method created by Development Initiatives (2016). The method uses variables from DAC statistics and categorises what combinations of sectors, policy markers and geographical focus can be regarded as supporting the different GPGs.⁵⁵

⁵⁵ There are some discrepancies between the methodology presented by Development initiatives (2016) and the methodology applied for measuring Norwegian bilateral ODA to GPGs. We exclude the GPG theme Humanitarian INGOs. Also, we include a share of the annual capitalizations to Norfund (the Norwegian DFI) as targeting GPG theme Climate and environment. Moreover, we make minor adjustments to the criteria for identifying ODA to GPGs (combination of sector, partner, geographical focus).

For example, Row 1 in the table *Policy-marker criteria* shows that initiatives in which *Climate change mitigation* is a main goal are categorised as support to GPGs within Climate and environment. Several changes have been made to this method in order to adapt it to Norwegian official development assistance.⁵⁶

The criteria for mapping support to GPGs represents a rough categorisation, and there are several potential sources of error.

One potential source of error is that the criteria may be too broad and may capture measures that do not represent support to GPGs. Specifically, the criteria may also be too broad to distinguish public goods from other goods, or to separate GPGs from national public goods. One example is that initiatives registered in the sub-sector *Health policy and administrative management* are regarded as support to the public

⁵⁶ The original combinations of criteria from Development Initiatives were included in Appendix 2 pp. 27–28 of their article. In addition to adjusting the criteria, we have included the calculated climate percentage of annual capital deposits in Norfund, based on Norfund's investments in renewable energy.

good of *Global health* if the geographical focus is *Global*, i.e. the initiative is not geographically limited to just one region. This may capture initiatives promoting cross-regional health services that are not necessarily global public goods, which represents a challenge.

Another potential source of error is that the criteria may also be too narrow, thereby omitting support for GPGs. A number of combinations of different criteria exclude aid to individual countries by specifying that the geographic focus must be global or regional. This may mean that the mapping does not capture aid to individual countries that targets GPGs. Additionally, core funding to multilateral organisations making efforts to produce GPGs is excluded since Norwegian aid statistics do not specify in detail what the core funding is to be used for.

In other words, the overview is more restricted than some others because a considerable amount of the funding to climate and global health is excluded.

SECTOR CRITERIA FOR GLOBAL PUBLIC GOODS

DAC Main sector	DAC Sub-sector	Geographic focus	GPG Theme
121 – Health, general	10 – Health policy and administrative management	Global	Global health
121 – Health, general	82 – Medical research	Global	Global health
331 – Trade policy and regulations and trade-related adjustments	40 – Multilateral trade negotiations	Global	Trade and transport
331 – Trade policy and regulations and trade-related adjustments	30 – Regional trade agreements (RTAs)	Global	Trade and transport
331 – Trade policy and regulations and trade-related adjustments	81 – Trade education/training	Global	Trade and transport
331 – Trade policy and regulations and trade-related adjustments	20 – Trade facilitation	Global	Trade and transport
331 – Trade policy and regulations and trade-related adjustments	10 – Trade policy and administrative management	Global	Trade and transport
331 – Trade policy and regulations and trade-related adjustments	50 – Trade-related adjustment	Global	Trade and transport
210 – Transport and storage	10 – Transport policy and administrative management	Global	Trade and transport
151 – Government and civil society, general	13 – Anti-corruption organisations and institutions	Global	Peace and security
152 – Conflict prevention and resolution, peace and security	10 – Security system management and reform	Global	Peace and security

DAC Main sector	DAC Sub-sector	Geographic focus	GPG Theme
152 – Conflict prevention and resolution, peace and security	20 – Civilian peace-building, conflict prevention and resolution	Global	Peace and security
152 – Conflict prevention and resolution, peace and security	40 – Reintegration and SALW control	Global	Peace and security
410 – General environmental protection	10 – Environmental policy and administrative management	Global	Climate and environment
410 – General environmental protection	20 – Biosphere protection	Global	Climate and environment
410 – General environmental protection	81 – Environmental education and training	Global	Climate and environment
410 – General environmental protection	82 – Environmental research	Global	Climate and environment
312 – Forestry	82 – Forestry research	Global	Research
313 – Fishing	10 – Fishing policy and administrative management	Global	Climate and environment
313 – Fishing	82 – Fishery research	Global	Climate and environment
160 – Other social infrastructure and services	62 – Statistical capacity building	Global	Research
111 – Education, level unspecified	82 – Educational research	Global	Research

DAC Main sector	DAC Sub-sector	Geographic focus	GPG Theme
321 – Industry	82 – Technological research and development	Global	Research
311 – Agriculture	82 – Agricultural research	Global	Research
430 – Other multisector	82 – Research/scientific institutions	Global	Research
220 – Communications	40 – Information and communication technology (ICT)	Global	Communication
220 – Communications	10 – Communications policy and administrative management	Global	Communication
220 – Communications	20 – Telecommunications	Global	Communication
140 – Water and sanitation	15 – Water resources conservation (including data collection)	Global	Climate and environment
231 – Energy Policy	82 – Energy research	Global	Research
122 – Basic health	62 – Malaria control	Global/regional	Global Health
122 – Basic health	50 – Infectious disease control	Global/regional	Global Health
122 – Basic health	63 – Tuberculosis control	Global/regional	Global Health

DAC Main sector	DAC Sub-sector	Geographic focus	GPG Theme
122 – Basic health	64 – COVID-19 control	Global/regional	Global Health
152 – Conflict prevention and resolution, peace and security	30 – Participation in international peacekeeping operations	Global/regional	Peace and security
160 – Other social infrastructure and services	63 – Narcotics control	No criteria	Research
410 – General environmental protection	30 – Bio-diversity	No criteria	Climate and environment
410 – General environmental protection	40 – Site preservation	No criteria	Climate and environment

POLICY MARKER CRITERIA FOR GLOBAL PUBLIC GOODS

Policy marker	Score	Recipient level	DAC Main sector (code+name)	GPG theme
PM – Climate change mitigation	Main objective	All	All	Climate and environment
PM – Bio-diversity	Main objective	All	410 – General environmental protection	Climate and environment
PM – Desertification	Main objective	Global	No criteria	Climate and environment
PM Research	Main objective	Global	No criteria	Research