The Case for Global Public Investment: Redesigning Development Assistance in Ethiopia

Technical Note

By: Ethiopian Economics Association (EEA)

Technical Team

Semeneh Bessie

Adem Feto

Mengistu Ketema

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ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
COVID-19	Coronavirus disease – 2019
CRGE	Climate Resilient Green Economy
DI	Development Initiatives
EEA	Ethiopian Economics Association
EWG-GPI	Expert Working Group on Global Public Investment
GDP	Gross domestic product
GPGs	global public goods
GPI	Global Public Investment
IDP	internally displaced persons
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
LDCs	Least developed countries
ODA	official development assistance
SDGs	Sustainable Development Goals
SSA	sub-Saharan Africa
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
WB	World Bank

1. INTRODUCTION

In the 21st century, globalization and the advancement of research and technology have simplified communications and the lives of people around the globe. At the same time, and sometimes because of this, people in the world are facing multiple challenges due to transboundary problems like the coronavirus disease (COVID-19) pandemic, climate change, and conflict; commonly referred to as "The Global Triple C" challenge. Furthermore, the failure to secure a more equitable and effective allocation of resources to achieve the global common agenda demands global cooperation and solidarity.

Many countries have been independently allocating huge resources to tackle these global manmade and natural catastrophes. However, one country cannot single-handedly tackle these challenges and hence global cooperation is required. On the other hand, nations also rely on developmental and humanitarian aid and assistance to combat the effects of global emergencies, yet funding of this nature has failed to bring reliable and long-lasting solutions.

Despite the attention given by world leaders to combatting these global problems, the challenges remain. For instance, the impact of climate change has become one of the most serious threats to the global economy. It seems it will continue to be the largest threat in the future worldwide, substantially affecting developing countries. Climate change has been disrupting the global economy, triggering food insecurity, and exacerbating poverty in Africa. The World Economic Forum (2021) estimated that global warming due to climate change will reduce 18% of world gross domestic product (GDP) if no proper action was taken by 2022. According to the 5th Intergovernmental Panel on Climate Change (IPCC) assessment report, Africa is particularly vulnerable to climate change.

To tackle climate change and its negative impacts, world leaders held a conference (COP15) in Copenhagen in 2009 and they collectively agreed to allocate huge resources in the form of aid. However, the conventional aid-based financing system has failed to address the challenges of climate change and other transboundary global contests. Moreover, recurrent drought triggered by climate change has become a major challenge in countries like Ethiopia. This requires world leaders, policymakers and financiers to think of a new, inclusive and dynamic means of international development finance that takes into account a globally ambitious, long-term and reliable investment in global public goods (GPGs).

In a similar vein, the recent COVID-19 pandemic triggered a global economic crisis. The 2022 World Bank report showed that the COVID-19 crisis had a dramatic impact on global poverty and aggravated inequality across countries. The report revealed that global poverty has increased for the first time in a generation, and disproportionate income losses among disadvantaged populations has led to a dramatic rise in inequality within and across countries due to the pandemic. The economic impacts of the pandemic were especially severe in Africa where income losses caused by the pandemic worsened some preexisting economic fragilities. For example, the pandemic led to an increase in public expenditure, public deficit, external debt and the debt service ratio in Ethiopia (Geda, 2021).

Since the pandemic severally damaged less prepared low-income countries, scholars have debated the conventional aid-based development financing system that centers on "give and take" narratives. Nchofoung et al (2022) criticized the current aid architecture, positing a popular quote: "Teach me to fish instead of giving me fish". The current public finance model is wrong and relies on donors' interest. The quote tells us about the need for a concrete, inclusive, longer-term and more reliable public finance system that enhances collective decision and investment in the GPGs, capital and infrastructure they require.

Conflict also has cross boundary social, economic and political effects. A case in point is the Russia-Ukraine war. The war has been crippling not only the two countries' economies but has also had a devastating effect on the global economy, impacting the prices of fuel, food and fertilizer.

In terms of approach, the existing development financing model is not only skewed in the interests of developed nations but also applies top-down decision-making that cannot fit to the 21st century development and financing requirements. The World Bank (WB) has also criticized aid-based development as it failed to ensure ownership, and hence resulted in fragmentation and weak impact at the sector level in Africa (World Bank, 2000).

According to Clark, former New Zealand Prime Minister and former UNDP Administrator, "aid" is outdated and ineffective and we require transformation in current international cooperation to finance global goods. On top of that, scholars argue that aid made recipient countries dependent. The aid approach has not provided a solution, has not taken people out of poverty, and has not brought about long-lasting and sustainable development. The bottom-line with aid is that it is not jointly owned by the recipients and donors, not mutually decided, and not considered as an investment by developing countries. The motivation of this paper is to discuss new modalities that transform the thinking, ownership, decision, and evaluations.

To address these daunting challenges and escape out of the problems, a new funding model is crucial. In order to mobilize the necessary finance, collective actions and strengthening solidarity of global leaders and policymakers is also fundamental. Hence, policymakers, development partners and funding organizations should devise an innovative, inclusive and suitable new funding model. This new model could be a Global Public Investment (GPI) modality. To this effect, the Ethiopian Economics Association (EEA), in collaboration with Development Initiatives (DI), has taken the responsibility to institutionalize and localize the concept and practices of GPI at institutional and national level.

This technical note is prepared with the general intention to create awareness, improve ownership and socialize the concept of GPI and its application in Ethiopia. It is prepared to address the following specific objectives:

1. Describing the trends of development aid in Africa and Ethiopia;
2. Reviewing, documenting, and analyzing the existing conceptual, theoretical and empirical evidence on GPI; and
3. Identifying the main challenges and opportunities of aid in Africa and Ethiopia.

2. APPROACHES OF THE STUDY

The study reviewed the available conceptual, empirical and theoretical literature focusing on the quest for development assistance and the case for shifting to GPI. It presents the basics, principles, and approaches of GPI; benefits of GPI; and other related issues. In addition, available secondary data were utilized to indicate the extent and trends of development assistance in Africa and Ethiopia.

The findings could provide an opportunity for a discussion among the public sector, private sector, non-state actors, academia, donors, and mainstream and social media that would potentially enhance visibility, socialization and uptake of GPI in Ethiopia.

3. FOREIGN DEVELOPMENT AID: HISTORY, IMPORTANCE, AND CHALLENGES

3.1. Trends and Experiences of Development Aid in Africa

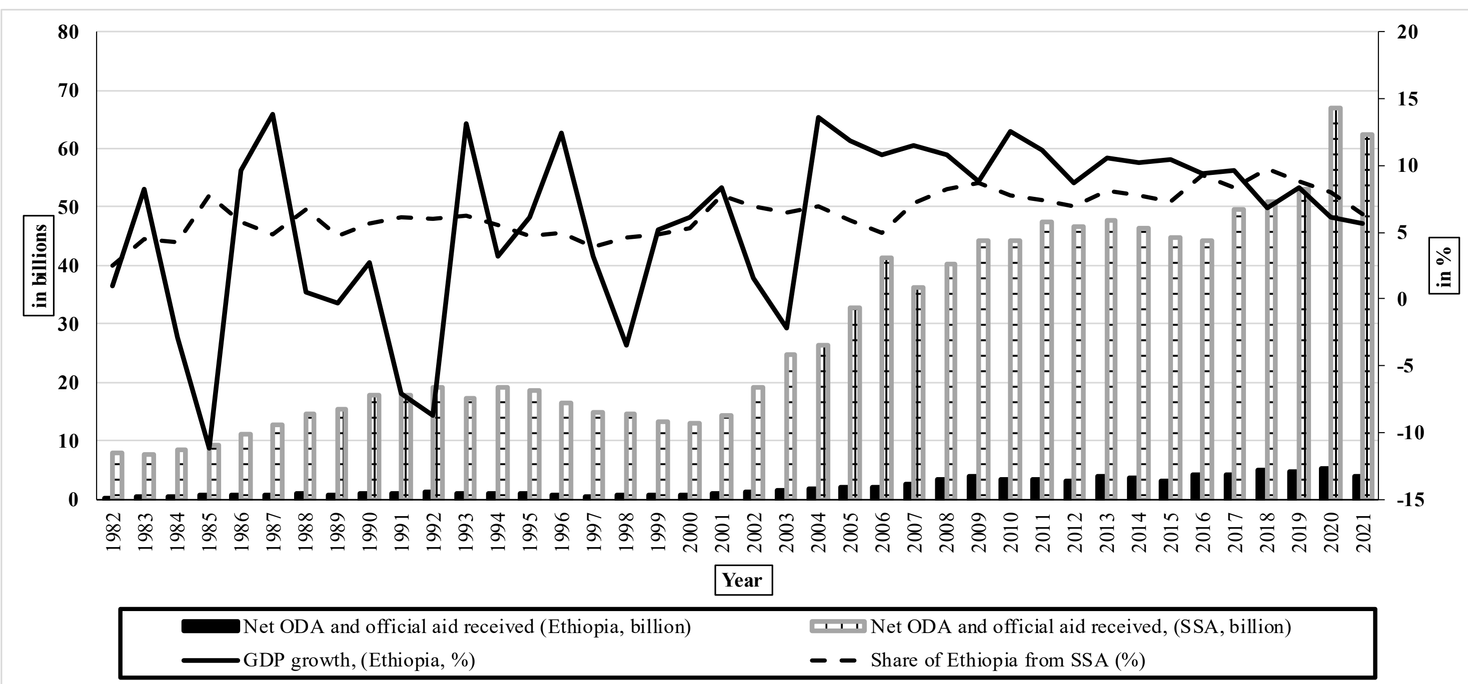
In the last six decades, total global aid has grown more than four-fold, from US$38 billion in 1960 to US$185.9 billion in 2021. Similarly, aid to African countries amounted to US$60.5 billion in 2021, or 33.6% of total global aid. In 2021, 20.7% of global aid went to low-income countries, 27.0% to lower-middle income countries, 11.7% to upper-middle income countries, and 0.1% to high-income countries (World Bank, 2023).

In terms of sectors, the health sector received the largest proportion, 18.3% of aid (US$34.9 billion). In 2021, 13.9% of aid was humanitarian (US$26.5 billion). From 2020 to 2021, total aid increased by 8.5% in real terms. Some of this increase was due to spending related to COVID-19 (including vaccines). Excluding COVID-19, it increased by just 5.2%. The United States alone provided US$2 billion in humanitarian assistance to the people of Africa in response to the catastrophic drought and flooding that continued to affect countries across the continent. The trend in general shows that aid to African counties continues to increase over time.

There are four lines of research on the impact of foreign aid on economic growth. One view is that foreign capital inflows are both necessary and sufficient for economic growth in developing countries. The second collection of studies contends that external capital has a major detrimental impact on recipient countries' economic growth. The third point of view holds that foreign aid has no effect on economic growth. The fourth point of view is that the quality of the recipient country's institutions and economic policies, that is, integrated monetary, fiscal, and trade policies, may influence the relationship between foreign aid and economic growth.

Figure 1 presents the net official development assistance (ODA) and official aid received by Ethiopia and sub-Saharan African (SSA) countries, GDP growth rate of Ethiopia and the Ethiopian share of aid compared to SSA. In the time period between 1982 to 2021, aid to Ethiopia increased from US$0.2 billion to US$4.0 billion, and from US$7.9 billion to US$62.3 billion for SSA countries. Ethiopia's share compared to SSA is 6.4%. Ethiopia's share remained stagnant against the GDP growth rate of the country. Furthermore, Figure 1 shows that aid and economic growth have no relationship. Other factors, other than aid, could be more important in determining the economic growth of the country.

Figure 1: Net ODA and Official Aid Received, Share of Ethiopia from SSA, GDP Growth



Source: Authors own computation Based on World Bank's World Development Indicators (2023)

3.2. Challenges of Aid-Based Development Assistance in Africa

There are two broad ongoing academic debates regarding the effect of development aid in Africa: the positive and negative impacts of aid. Large bodies of academic literature have devoted reporting on the advantages of aid in Africa in general, and in Ethiopia in particular. Fungibility[1], corruption and rent seeking, and lack of absorption capacity and donor conditionalities are some of the unintended effects of development aid in Africa (Jensen, 2010).

According to Dambisa Moyo (2009), money in the form of aid from rich countries has harmed Africa, trapping many African nations in a cycle of corruption, slower economic growth and poverty. She pointed out that over US$1 trillion have been pumped into the African continent in the last 50 years. Africa has not enjoyed welfare improvement from aid (Pearse, 2021). The World Bank report showed that aid to sub-Saharan African countries has been less effective in promoting economic growth and development (World Bank, 1991). The report shows that over 75% of the global population living in poverty were in Africa in 2022. Moyo strongly argued that the benefit from development aid is zero. According to her view, African people are much worse off, and aid helped make the poor poorer, and growth slower. Using empirical evidence, she also argued that the aid approach is not working in Africa and needs to change. Some of the main problems with development aid are that it makes countries dependent, promotes favoritism, fails to meet recipient countries' development priorities, corrupts officials, and that it increased the continent's indebtedness resulting in aid "tying" in Africa (Kwakye, 2010). Many countries in Africa have failed to record any positive connection between aid and economic growth and development.

Indeed, some argued that sadly, the region has fallen behind the rest of the developing world after receiving development aid from western countries for many years (Tigist, 2021). Aprioku (2019), in his empirical analysis, showed that aid is ineffective in addressing the problem of poverty and unemployment in Africa. Alghamdi (2016) explained that reliance on foreign aid creates moral hazards for recipient countries' around accountability, transparency and ethical leadership with aid in Africa (Maipose, 2000). Recently, China has tended to join and support this view, and the

[1] Diversion of resources away from development and social projects.

current 'aid' landscape, has been quickly changing in China from a paradigm of development assistance to development cooperation (Buckley, 2013).

Opponents of development aid therefore call on African countries to explore alternative means of mobilizing resources to finance development challenges. From the African perspective, the current aid approach needs some financial engineering to meet the development priorities of African countries and mitigate the impacts of global challenges.

3.3. Challenges of Development Aid in Ethiopia

Ethiopia's economic growth and development largely depends on foreign aid received from Western countries and multinational corporations. Evidence shows that 90% of African budgets relied on aid. In 2019, Ethiopia received 50% of its national fiscal budget in the form of aid (Ethiopian Business Review, 2023). However, this amount has declined to 14% in 2023 due to the impact of conflict in the Northern part of the country. From this, a larger proportion of development aid is given to Ethiopia by the US, UK and multinational institutions (WB, IMF and UN). Western countries continued to assist least developed countries to implement the Sustainable Development Goals (SDGs) and spur economic growth. Still, LDC economies heavily rely on foreign aid. Since 2020 alone, the United States has provided an estimated US$3.2 billion in humanitarian assistance in response to the conflict as well as an ongoing drought.

Empirical findings show a negative impact of foreign aid in Ethiopia on economic growth in both the long and short term (Gebresilassie et al., 2023). In particular, the aid-based financing system has become less effective in fighting transboundary global common good challenges. Consequently, and despite expectations, foreign aid has failed to bring sustainable economic growth and poverty reduction. For instance, Tigist (2021) suggested alternative sources of financing such as private sector development and entrepreneurship development in Ethiopia. In a nutshell, despite significant assistance received from different countries, poverty, disease, illiteracy, the gender gap, poor governance, and climate change have remained challenges for the country.

4. CONCEPTUALIZING GLOBAL PUBLIC INVESTMENT

4.1. Basics of GPI

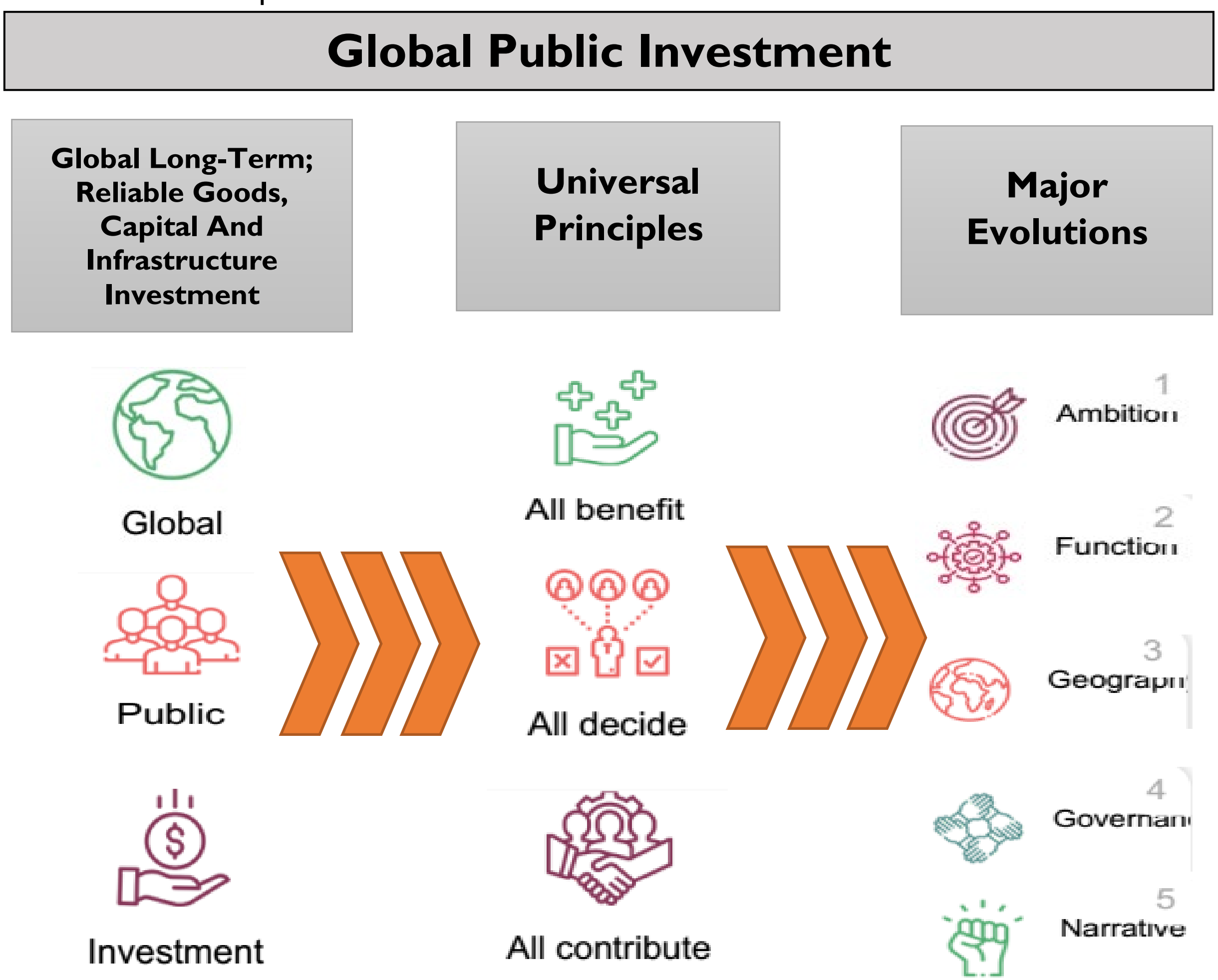
GPI is a simple concept but one with great potential. It is a new funding approach that aims to diversify international public funds, diversify decision-making around funding and create mutual trust and responsibility to mobilize and allocate international public finance (Njenga and Mwangi, 2022). It is a new paradigm that can address current and future public good challenges. Baptiste and Glennie (2022) pointed out that an understanding of GPI among governments and development partners is critical to it playing a role in tackling the challenges facing GPGs and realizing the SDGs. In contrast to ODA or official aid, the concept of GPI recognizes that concessional international public finance should have an ongoing role in responding to current and future global challenges in all countries.

GPI is different from "global taxes" (no state is currently willing to abandon fiscal sovereignty), "innovative" forms of public finance cooperation (such as advanced market commitments and public−private partnerships), and existing forms of concessionary international finance (such as development "aid") of which around 70% is bilateral in nature (Simon Reid-Henry, 2019). Instead, it is a system in which nations commit resources voluntarily to enhance the global commons and finance on domestic public goods such as health systems, infrastructure and basic services provision. GPI has three principles: all contribute according to their means, all benefit according to their needs, and all decide. For this to happen, it requires all countries to work together with no more top-down decision-making and no more patronizing donor−recipient narratives.

As Yasmin and Curtain (2022) noted, GPI is a financial model where all countries pay according to their ability, all receive benefits based on their needs and all have a say in how the money is spent via a constituency-based model. The GPI model has been initiated and developed because of its unique characteristics of fairness in tackling inequality and addressing sustainability to have a critical role in responding to current and future global challenges. Despite its significant contribution, little is known on the concept of GPI in Africa in general and in Ethiopia in particular.

Figure 2 shows GPI's principal components and evaluations towards international cooperation. The left-hand column of Figure 2 indicates the concept of GPI is being developed to make the case that international public finance has a critical role to play in tackling the climate emergency, preparing for the next pandemic, and financing the SDGs. We need a concrete system of meeting our global ambitions through long-term, reliable investment in the goods, capital and infrastructure they require. The middle column of Figure 2 comprises three universal principles (ALL-contribute-decide-benefit), reflecting a more horizontal approach to addressing the world's challenges. It is time for all countries to work together to mark a transformation in international cooperation.

Figure 2: The GPI Principles and Evolutionary Steps in International Public Financing towards International Cooperation



Source: Figure created using Global Public Investment Network icons: https://globalpublicinvestment.net/what-is-gpi/

The right-hand column of Figure 2 shows that five major evolutions are needed for GPI to work (i.e., ambition; function; geography; governance and narrative) and to underpin the next 50 years of development cooperation. The push for *ambition* is move us from a narrow focus on reducing poverty to meeting broader challenges of inequality and sustainability. The *function* evolution refers to shifting away from seeing international public money as a temporary last resort to valuing it as a permanent force for good. The *geography* aspect is a shift away from one directional North–South transfers to a universal effort, with all paying in and all benefiting. The governance evolution would take us from outdated post-colonial institutions to representative decision-making. Finally, the n*arrative* evolution advances a shift from the patronizing language of "foreign aid", to the empowering multilateralism of a common fiscal endeavor.

4.2. The Thinking behind the GPI Principles

The principles of GPI could be applied to create a more effective, equitable and sustainable system of global public financing and coordination for pandemic preparedness. The following 10 points explain the thinking behind GPI:

1. ***Cocreating of GPI:*** According to the Expert Working Group on GPI, cocreation is at the heart of the approach, from defining the problem that it seeks to address and the principles that it sets out as a solution (McCoy, 2022).
2. ***Equality and sustainability:*** GPI is necessary for global equality and sustainability.
3. ***Ambition and thinking outside of the box:*** GPI is an ambitious, out-of-the-box and transformative approach to some of the most pressing problems that international society confronts: from the COVID-19 pandemic to climate change.
4. ***Democracy, inclusivity and multilateralism:*** All countries commit to spending a fixed proportion of gross national income annually. A new system where every country in the world has a stake, a voice, and mutual accountability and structure has become critical. There has to be a mutual system of naming and shaming and penalization for countries which have failed to comply with the GPI principles and values.
5. ***More money:*** GPI can raise radically fresh money for global priorities.
6. ***Collective action:*** All countries contribute according to ability, and all countries receive according to need.

7. ***Revise the paradigm:*** Dismantle the donor–recipient concept (a hangover from the colonial financing system), and enable all countries to contribute and be involved in decision-making.
8. ***Universal contributions:*** GPI moves beyond the broken promises and patronizing language of the current international order, where "donor" countries give to **"recipient"** countries. In its place, it introduces an all-contributor approach to international public finance.
9. ***Ongoing commitments:*** GPI ends the flawed insistence that countries "graduate" after achieving a relatively low level of income per capita. We need to dramatically expand our timescales and begin thinking longer-term.
10. ***Representative control:*** GPI is a more democratic and accountable approach to the way international public finance is governed.

4.3. Contextualizing GPI in Ethiopia

The relevance of GPI to Ethiopia could be mainly around the impact of climate change and the country's development strategy.

GPGs such as global health, the global environment, global peace and security, and global infrastructure, benefit both developed and developing countries. However, these GPGs are threatened by climate change, infectious diseases, financial crises, conflict, inequality, social protection and aid decolonization that can harm developing countries disproportionately. Exploiting opportunities, such as the creation of new vaccines, can also benefit developing countries less than developed ones (Nancy and Diofasi, 2015).

Due to the catastrophic impacts of climate change, world leaders and the international community have agreed to respond to the problem of climate change by adopting the United Nations Framework Convention on Climate Change (UNFCCC) – signed by 154 states – informally known as the Earth Summit, held in Rio de Janeiro in 1992. In 1997, world leaders agreed to the Kyoto Protocol to stabilize the concentration of greenhouse gases, and the continuation of it was agreed in the Copenhagen Accord of 2009, which is accepted as a political declaration. The Paris Agreement held in 2015 at COP21 was an international treaty by 196 parties on climate change that covers climate change mitigation, adaptation, and finance.

According to the African Economic Outlook report (2022), Ethiopia has remained vulnerable to climate change resulting in droughts, flooding, desertification, water scarcity, and increased incidence of pests affecting the agriculture, energy, and health sectors. The 2016 El Niño-induced drought affected about 10.2 million people, required a US$1.9 billion humanitarian response. The Productive Safety Net Programme, adopted in 2005 to reduce vulnerability to climate shocks, covers 8 million–10 million people at an annual cost of US$0.44 billion.

Despite its negligible contribution to global warming, Ethiopia is currently facing serious challenges arising from climate change. It is expected to have severe negative impacts on the livelihoods of smallholder farmers, as the country's economy heavily depends on rain fed agriculture. Climate change affects socio-economic systems such as human health, the environment, agriculture, water supply, sanitation and socio-economic activities in the country. According to the 2022 AfDB report, Ethiopia's economy decelerated to 5.6% growth in 2021 from 6.1% in 2020, due to international and transboundary crises (civil conflict and the effects of COVID-19). In the Borena zone of Ethiopia, around 372,000 people, roughly 30% of the Zonal population, were displaced between March–September 2022 (FEWS NET, 2022) due to the drought. There are over 800,000 residents in the region, and they are facing one of the deadliest droughts the area has seen for years.

In order to mitigate and adapt to climate change, the National Adaptation Plan was launched focusing on the sectors that have been identified as most vulnerable, namely agriculture, forestry, health, transport, power, industry, water and urban areas. However, tackling global climate change is an inherently complex problem that requires robust inter-related policies at international, regional and local levels. The 2011 Climate Resilient Green Economy (CRGE) Strategy adopted by the country provides a framework for lowering greenhouse gas emissions and mitigating the effects of climate change.

In 2020, an average of US$1.7 billion per year of investments were committed towards climate change-related activities. This is about 7% of Ethiopia's estimated climate finance needs (US$25.3 billion) and less than 2% of Ethiopia's GDP in 2020.

As part of the country's green economy initiative, Ethiopia has planted 25 billion seedlings since 2019. On top of that, according to the Prime Minister of Ethiopia Abiy Ahmed, Ethiopia managed to plant more than 560 million trees in just a day (July 17, 2023) mobilizing 34 million Ethiopians to plant trees in over 300,000 hectares of land nationwide. At the COP26 summit, developing nations requested richer nations to finance developing countries' efforts in mitigating the impacts of climate damage. However, there has been no special reward and recognition from the international financial institutions for the country's positive externality to the environment. This implies that the conventional aid-based donor−recipient public finance model has failed to address and comply with the fairness principle. Hence, this paper argues that Ethiopia should look for a more reliable, sustainable, and concessional international public financing system known as GPI.

5. GPI: BENEFITS AND REQUIRED PREPAREDNESS

5.1. The Role of GPI to Finance the SDGs

In line with the SDGs, Ethiopia has created an ambitious Ten-Year Development Plan (PDC, 2021) and Homegrown Economic Reform Agenda (HGERA, 2019). The implementation of these plans would strongly rely on donors' aid from multinational corporations. Although the WB and other international development partners used to finance Ethiopia's development arenas such as rural land certification, multinational corporations such as the IMF and WB lack appetite to finance Ethiopia's current development endeavors, probably for political reasons. This could be a good reason to look for a more reliable, transparent and suitable source of development financing, rather than relying on old-fashioned, donor−recipient bilateral collaborations.

The GPI approach is, therefore, the best bet for modernizing international public finance for the 21st century as the current system of "aid" is outdated and ineffective. As a result, a sound, politically attractive and feasible approach has to be adopted to socialize and localize the ideas of GPI across countries. In line with this, in 2022 the Expert Working Group on GPI came together to address the challenges of the COVID-19 pandemic, and outlined an eight-step framework. This includes:

1. creation of the idea
2. validation
3. defining the problem
4. seek solutions
5. organize dialogue

6. deliberation of the experts' ideas
7. global consultation
8. on-going co-creation

This framework can be adopted for the current Ethiopian reality. In light of addressing current transboundary challenges, Ethiopia needs to promote the GPI scheme to meet the objectives of the SDGs by 2030. The GPI framework can be realized in Ethiopia via organizing continuous discussion forums.

5.2. Why is GPI Important for Africa?

Africa is the world's eighth largest economy, and it aims to become the world's third largest by 2063. Despite ample resources, Africa has been suffering with global social, economic and environmental challenges. African countries are unable to finance their own development. Indeed, now it has become clearer than ever that serious structural changes are needed to safeguard communities in Africa and around the world. In addition, the world's financial architecture to support growth and development has several structural problems. For example, Africa is the only region that does not have its own Monetary Fund, meaning African countries can only turn to the IMF as a lender of the last resort (Chacha, 2022).

Moreover, the COVID-19 pandemic and other global health events have begun to challenge this limited understanding, especially when applied to key public goods issues, such as infrastructure, health and climate change. In general, the current system of development cooperation has failed to lift African countries out of poverty. Therefore, GPI would mean a better public investment approach that works for everyone. According to Mavis Owusu-Gyamfi, Executive Vice President of the African Center for Economic Transformation "The GPI approach enables Africa to become a key player in global cooperation rather than being perceived as a recipient of aid".

The world's system of financing public goods and common challenges is not working for the African continent. From climate change to health vaccine inequity, African countries bear the impacts of a global system which it is unable to influence to respond to its own needs and preferences. This is despite the fact that African needs and priorities are well defined and known through Agenda 2063, its six frameworks and 15 flagship projects. To solve the problems facing Africa in a more sustainable manner, a new financing approach is required. With the COVID-19 crisis spurring desire for a significant transformation in how global objectives are funded, and with the climate crisis in full swing, it is time for African governments, businesses and citizens to insist on better partnerships to leverage its own significant domestic and regional efforts. Recently, scholars, government officials, business people, academics, think tanks and civil society representatives tend to agree with the benefits of GPI.

5.3. Why is GPI Necessary for Ethiopia?

Many global cooperation efforts do little to include developing countries in priority setting and decision-making. The late Prime Minister of Ethiopia, Meles Zenawi, represented African countries at the Copenhagen climate change talks, and demanded that the rich world compensate Africa. Since Copenhagen, Ethiopia has adopted the CRGE. Development financers are often reliant on the goodwill of advanced economies. It is clear that the current system of addressing global challenges and financing public goods in Ethiopia has also remained ineffective. A case in point is the lack of priority in financing climate change by multilateral institutions. This is despite the significant investment by the Ethiopian government in massive plantation. The country has not received the right compensation for initiating the green legacy and planting about 25 billion trees across the country from 2019 to 2022. To the contrary, the country has been hit by serious drought triggered by climate change. In effect, the country's natural resources and livelihood assets have been depleted due to continued climate change. As a result, food insecurity and poverty have been widening in the country. Due to global shocks, a large number of livestock has died, and millions of people have been displaced and are in need of urgent humanitarian assistance. In the face of a ravaging global pandemic, and recurring drought triggered by climate change, it has become more critical than ever that the country should have quick, effective and coordinated means of financing its response via the international community.

Ethiopia greatly contributes to controlling terrorism, it is home to many internally displaced persons, and it invests in the environment. And yet the world, particularly the current IMF and WB financing system, fails to support it in responding to shocks, or encourage the country's efforts. Hence, it can be concluded that the current public financing model is not fair and no longer fit to respond to the existing global challenges effectively. The current context in Ethiopia demands the need for increased concessional funding to fight communicable diseases and enhance climate adaptation and mitigation. Therefore, it is essential to have more ambitious goals and think outside of the box in order to engage effectively with climate finance at global, regional and local levels.

5.4. Preparedness in Implementing GPI

With the current discourse on global financial architecture reform, change is imminent and GPI provides the much-needed solution. For instance, Simon Reid-Henry (2019) highlighted management complexity, revenue-sharing, systems-coordination and legal compliance as major challenges.

There are, however, practical challenges that may slow down the effective implementation of GPI. Political commitment is one of these barriers, and it needs to be consolidated into a coherent plan of action to make GPI a reality. GPI would demand similar but differentiated responsibilities from all stakeholders, rich, poor and middle-income nations alike. It needs to be clear how this can be done practically.

Since GPI is a new initiative, it may take time and effort to transform from the old-fashioned aid approach to this new approach. The means and methods for governments, organizations and individuals to promote GPI need to be established. More specifically, the following barriers need to be properly communicated and addressed:

- The first main barriers are around collective action, the "Free Rider" and "Weakest Link" problems in particular. Free-riding is the most common problem that public goods-type provision faces at the international level: the incentive for some not to contribute to realizing a particular global good because such goods are, by their nature, available to all. This makes it impossible to exclude non-contributors from consuming the good in question.
- The second most commonly raised objection to the feasibility of GPI is the issue of selection. In other words, how do we agree on outcomes and how do we prioritize among them?
- The third potential problem of GPI is political feasibility in implementing and administering formal structures of international cooperation. The more new organizations that need to be established and legitimized, especially at the global level, the less likely the chance of success.

- Finally, there is the issue of demonstrable effect: how can contributors be confident that they really are getting something back from what they pay into the scheme?

6. CONCLUSION AND RECOMMENDATIONS/IMPLICATIONS

6.1. Conclusion

This technical note is prepared by the EEA to trigger discussion on the concept of GPI in Ethiopia. This note provides background on aid flows and the adverse impacts of the current aid architecture. The paper has argued that the current donor–recipient development financing system in Africa in general, and the aid-dependent development approach in Ethiopia in particular, has failed to address transboundary global challenges. As an alternative public finance model, some countries are inclined to support GPI. According to the EWG-GPI (2020), Indonesia, Mexico, Uruguay, Norway, Sweden, and Chile support GPI as a more reliable, inclusive, flexible and sustainable source of public funding.

GPI principles can guide the mobilization of public money from all countries to invest in public goods and services that have global benefits to prevent or respond to environmental and health catastrophes, international war and conflict in our planet.

Ethiopia has made profound investment in public goods to combat global problems, including climate change, infectious disease, and terrorism. As part of the green economy and SMART agriculture, Ethiopia has been carrying out huge tree plantation projects that could reduce the impact of climate change. Though the country has contributed to reducing climate change through massive reforestation and afforestation, the current aid-based global financial system did not properly recognize Ethiopia's efforts and compensate the county for investing in such vital GPGs. Since GPI is a new initiative, it may take time and effort to transition from the old-fashioned aid approach to the new approach. However, there should be means and ways for governments, organizations and individuals to promote GPI.

The analysis argues that the more flexible approach of GPI should be promoted and adopted in Ethiopia, replacing historical donor–recipient relationships. Such an approach would require much stronger international cooperation, which would ultimately lead to a better distribution of resources and sustainable development in the post COVID-19 world.

6.2. Recommendations/Implications

Based on the findings from the desk review, GPI is a compelling concept that can fit to the current socioeconomic and political context of Ethiopia. It is a feasible means of addressing the problem of "the end of old-fashioned aid scheme". More specifically:

- It provides an alternative that can bring about an end to the language of 'donors' and 'recipients', of 'aid' and 'charity'. It provides an opportunity to start talking about public investment for the common good.
- Ensure that the governance in international organizations reflects a shift towards inclusive decision-making, so that net-recipients of funds are equally involved as net-contributors in governance.
- Shift the focus of international organizations towards the broad SDG mandate e.g., in Ethiopia, covering inequality, sustainability and all the areas in which international public money can be useful.

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