

Multilateralism: The International Aid Agencies, Their Owners And Competitors: Do We Need Them All?

ODI, London, 21 January 2004

1. The international aid system is not really a "system". The systematic approach that was present at the creation of the UN and the Bretton Woods Institutions, has been overgrown by a thicket of agencies with similar missions and overlapping competencies. No doubt there are too many of both multilateral and bilateral aid agencies. But the issue would be to find consensus on which ones should go and which ones should grow.
2. Are the multilaterals the better donors? They enjoy a presumption of impartiality, evenhandedness and absence of national interests of donors, also of efficiency as compared to many parallel bureaucracies in donor countries. This is probably what led the Secretary General of OECD in 2002 to the "provocative, even radical suggestion" to "channel all financial aid through multilateral development institutions, especially the World Bank and regional banks which have demonstrated capacity". Unsurprisingly, the suggestion triggered a scandalized reaction in the DAC High-Level Meeting of that same year.
3. The suggestion for a Mega World Bank may also have been a remote reflection of the debate of the late 60's when the Pearson Commission called for more funding of the multilateral aid institutions, in particular the World Bank. At that time, some 10% of ODA were channelled through the multilaterals. Today this share stands at around 30%, much more that the Pearson Commission might have had in mind. However, this may represent a peak. According to our statistics, the share in total gross ODA fell from 30 to 28% in 2002 and some spotty indications point to further shifting back in favour of bilateral aid.
4. Are these signs of a "new bilateralism"? I doubt it. But surely the bilaterals are not an endangered species. The DAC, where the bilaterals work together, started with nine members (including the European Commission) in 1960 and has now 23. And there are many emerging donors outside the DAC albeit at ODA levels

below 0.1% of GNI: there are other OECD donors like Korea, and new donors who at the same time continue to be recipients like India or China. And the EU accession countries, maybe for the sake of the “acquis communautaire”, are each creating their own aid administrations. The interests that drive countries to establish bilateral aid activities – even with limited funding - seem to be irresistible. Powerful foreign policy and/or commercial incentives are at work, deriving strength from historic, regional or colonial, and cultural ties with selected recipient countries. To some extent, extending aid is tantamount to asserting national sovereignty.

5. At the same time, however, national assertiveness can and does work also in favour of multilateral funding. Having a notable share in the Fund and the Bank, providing sizable contributions to UN activities or Global Funds or World Bank Trust Funds, underpins the international role of countries. This motivation has at times openly been invoked in DAC Peer Reviews. In the long term, multilateral funding may even represent the more attractive option for countries whose aid administration is limited in size and which may not be able to manage properly the ODA increases which some of these countries are committed to. Sending a check to the World Bank’s HIPC Trust Fund is indeed much easier and probably more efficient than disbursing the same amount through the design and management of adequate programs and the selection suitable recipients. The real competitors of international aid agencies would then be those major donors – in size rather than relative GNI share – that have elaborate delivery systems in place.

6. All of these donors, big or small, competitors or not, are also owners of the multilateral aid institutions, as members of the UN and as shareholders in the development banks. Of course, they are not the exclusive owners, but their shares or voluntary contributions confer them a decisive edge.

7. Do donors use this power in a concerted manner? Yes and no. Yes, when they get together to negotiate replenishments, i.e. on the financing side. No, when it comes to develop coherent approaches to substantive frontier issues of aid policies. In this respect, a lot of leeway is left to the multilateral banks by Finance Ministries or to the UN institutions, members of the UNDG, by Foreign Ministries. Aid agencies or ministries are not always consulted. There are only shaky bridges

between these communities. The Development Committee is one of them, but until very recently, it met at Heads level only and it still is very much in the hands of the IMF and World Bank bureaucracies. The DAC, for its part, has IMF, World Bank and UNDP as observers, so they know what we do, but may be far from taking ownership for it. So, for the time being, there is no such thing as concerted "bilateral leadership" in the multilateral bodies.

8. With all the disconnect between multilaterals and bilaterals, I would claim that there is a clearly integrative momentum going on at the level of policy implementation and aid delivery. The MDGs, the Monterrey Consensus, Doha, Johannesburg, have done a lot to enlist the donor community, both bilateral and multilateral, on common objectives. In the follow-up, improved aid effectiveness, results orientation, harmonisation of donor procedures and donor alignment around PRSPs, have been recognized as areas where impact can only be achieved when all actors work together. Visible signs of this improved co-operation are: the Rome Declaration on Harmonisation, the joint work of the multilateral banks and the DAC on results-based management and the visible buy-in of the Banks in the DAC Working Party on Aid Effectiveness and Donor Practices.

9. One substantive area that is escaping a structured debate between bilateral and multilateral aid agencies are single-issue funds like the Global Fund for Aids, Tuberculosis and Malaria or other attempts to mobilize funding for specific "Global Public Goods". Obviously, they are inspired by a philosophy that is at odds with the paradigm of holistic support to developing countries on the basis of their own established priorities. There is no doubt, on the other hand, that thematic funds are a powerful means of mobilizing public support in the North and, hence, will remain a feature of national and international politics. For the time being, I do not see a suitable forum where the tensions and synergies between what you might call vertical and horizontal funding, or specific and comprehensive aid approaches, are discussed in a meaningful way. This is an example where bilateral and multilateral aid agencies are not competitors but share common concerns.

10. My overall conclusion is one of pedestrian dialectics: if multilateral and bilateral aid agencies describe the thesis and anti-thesis, then the synthesis is

increased co-ordination and collaboration. It's happening on implementation of agreed policies, but we need to find better joint fora also for the adjustment of such policies or, indeed, the elaboration of new policies addressing frontier issues.