

MULTILATERALISM

This background document intends to open the discussion on effective multilateralism in Spanish aid. Firstly and generally, it gives some definition of what multilateral aid is, it outlines arguments of comparative advantages between multilateral and bilateral aid and it presents a set of instruments with which donor countries can influence multilateral organisations. Secondly and turning to the Spanish reality in 2006, it outlines some key characteristics of the Spanish multilateral aid, recalls the commitments of 2004 when the current government took office and presents some questions for discussion.

What is multilateral aid?

According to the definition of the Organisation for Economic Co-operation and Development (OECD) aid classification

“...**multilateral contributions** are those made to a recipient institution which: (1) conducts all or part of its activities in favour of development; (2) is an international agency, institution or organisation whose members are governments, or a fund managed autonomously by such an agency; and (3) pools contributions so that they lose their identity and become an integral part of its financial assets. ... If, however, the donor effectively controls the disposal of the funds by specifying the recipient or other aspects of the disbursement (e.g. purpose, terms, total amount, reuse of any repayments), then the contribution should be classified as bilateral...”¹

Hence, “multilateral” contributions are only those which are given centrally and without imposing conditions on the International Organisation. On the contrary, “multi-bilateral” contributions are those given to multi-lateral organisations for execution of specified programmes. Often these involve hidden conditionalities such as to take on staff from the donor country as project leaders. For all the member countries in the Development Assistance Committee (DAC) the aid breakdown is roughly 30% multilateral, and 70% bi-lateral.

Multilateral organisations are organisations emerging from treaties between governments. There are three types of multilateral organisations:

International Financial Institutions (IFIs): such as the World Bank (WB) and the International Monetary Fund (IMF), as well as regional banks such as the Inter-American Development Bank (IADB), the African Development Bank (AfDB) and the Asian Development Bank (AsDB). Lately, a number of multilateral funds have been established such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and the Global Environment Facility (GEF), amongst others. Many of these are managed by the IFIs. The particular voting system of the Bank and the Fund gives significantly more power to the contributing nations. Therefore, there is an ongoing discussion about their legitimacy.

Non-Financial Organisations (NFOs): these are mainly the United Nations and their affiliate and specialised organisations such as UNDP, UNICEF, WHO, UNHCR

¹ <http://www.oecd.org/dataoecd/36/32/31723929.htm#8.9.10>

etc.² There is a wide variety of mandates ranging from service provision, to policy development and standard setting. However, each of these organisations fulfils its mandate under the legitimacy of the United Nations which is, in theory, a rule-bound organism based on the consensus of all member states.

Regional Organisations: the EU is the prime example of this. Another example would be the African Union (AU) or Latin American regional organisations such as the Organisation of American States (OAS), the Rio Group, the Andean Community or Mercosur. In the development discourse, that looks into relations between donors and recipient states, the European Commission is better referred to as a 'supranational' organisation, particularly as it is perceived as an external actor in recipient states.

There are distinct advantages to spend aid multilaterally:

1. Leaving much of the international politics aside, multilateral channels could be, in theory, a method for an international redistributive system based on rights/entitlements, needs or willingness to transform development finance into poverty reduction. It could, thus, replace – or counterweight – the bilateral system which is ultimately based on charity and the political decision of donor countries of where to invest. Bilateral aid – inasmuch as it be submitted to a discourse of poverty alleviation and mechanisms of control - keeps being threatened to be misused for national interest and post-colonial relations. Bilateral aid takes place in a Westphalian world of sovereign states whereas multilateral aid is an emerging feature of a negotiated and rule-base global governance.
2. By pooling funds, multilateral aid can decrease the transaction cost for the recipient government and contribute thereby to the harmonisation within donors and alignment with recipient government policies. Some large multilateral organisations or specialised international organisations can invest more funds in research and evaluation.

In contrast, bi-lateral agencies claim to have more insider knowledge due to historical linkages, to be more flexible, as opposed to the large bureaucratic apparatus' of many multilateral organisations and to foster the coherence between development and other policies in the donor countries.

Who does what best?

If, say, Mrs. Camara in Côte d'Ivoire steps out of her house and sees the potholes in the road, that prevent her from getting her harvest to the market and reaching the health clinic in time to cure her sick son, to whom shall she appeal to for the reconstruction of the road? To the government? To the donor? Which donor? Should all donors be expected to do everything? Should donors specialise on the comparative advantages? A very simple question – although seldom asked or answered– is: What are the comparative advantages of each funding approach? What kind of aid is best handled multilaterally and what kind is better managed with a bilateral approach?

Against the backdrop of increasing interdependencies of foreign, development and security policies, Faust and Messner of the German Development Institute identify three agendas of burning urgency: (1) the "MDG agenda" with its goal on poverty reduction; (2) the "security agenda" with the goal of global stabilisation, and (3)

² United Nations Development Programme (UNDP); United Nations Children's Fund (UNICEF); World Health Organisation (WHO); United Nations High Commissioner for Refugees (UNHCR).

the “Rio-agenda”, aimed at providing global goods such as environmental protection, a global financial architecture, world trade and so on. As a solution to these challenges, Faust and Messner propose a strategic division of labour: they advocate that the multilateral organisations tackle the poverty agenda, that the supranational EU address the security agenda, and that bilateral cooperation deal with the challenges of “Rio”³. This is clearly a visionary but rough plan but it does pose the question of who does what best. Another option to stress comparative advantages between agencies would be to specialise in sectors: from a technical point of view, why should each European agency have a health, an education and an infrastructure expertise? In a competitive market, agencies would have sought for their respective niche⁴. For now, there is little reasoning about the comparative advantages of why aid should flow through bilateral, supranational or multilateral channels and where efficiency and impact is greatest.

An Overseas Development Institute (ODI) study by Rocha Menocal proposes a set of criteria which could enlighten decisions about where to invest. Among these, she names mandate, capacity/knowledge, cost effectiveness, results record, and trust of partners. Comparing the World Bank with UNDP, she proceeds that there might be a trade off between effectiveness and legitimacy⁵.

Examples for influencing multilateral organisations

While channelling large amounts of money through multi-lateral organisations, donor countries do not want to lose their influence. There might be a genuine interest in improving the capacities and effectiveness of these organisations in their respective mandates – such as poverty reduction, gender equity, child mortality etc. – or less indisputable goals such as the promotion of a specific societal model such as a social-democratic welfare state or – maybe more controversially – commitment to the, say, war against drugs. Leaving these considerations aside, there exists an arsenal of strategic tools to gain influence in the policy making and implementation of multilateral agencies. Among these are:

- Expert placements in senior positions, staff exchange and junior professional programmes;
- The preparation of ‘framework agreements’ or ‘institutional strategy papers’ and the signing of conventions between international organisations;⁶
- MOPAN – the Multilateral Organisations Performance Assessment Network – is a soft mechanism of nine donors that compiles in-country experiences and feed them back. Each year three multilaterals are assessed;⁷

³ Jörg Faust & Dirk Messer, ‘Europe’s New Security Agenda – Challenges for Development Policy’, Deutsches Institut für Entwicklungspolitik, Bonn: 2004

⁴ This is part of the argument behind the Walmart /corner shop allegory Maxwell uses: Simon Maxwell, ‘Where Europe Stands in the New Aid Architecture and Why We Need a New €5bn European MDG Fund’, ODI Opinion paper 70, 2006, http://www.odi.org.uk/publications/opinions/70_eu_mdg.pdf

⁵ Alina Rocha Menocal, ‘The Future of Aid: User Perspectives on Reform of the International Aid System’, London: 2006 (mimeo) <http://futureofaid.net/files/DhakaBackgroundPaper.doc>

⁶ As an example, search for DFID’s Institutional Strategy Papers at <http://www.dfid.gov.uk/pubs/default.asp>

⁷ MOPAN members are Austria, Canada, Denmark, Finland, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom. See MOPAN Survey 2005 http://www.sida.se/shared/jsp/download.jsp?f=MOPAN_2005_Synthesis_Report_final_version.pdf&a=18403

- MEFF – the Multilateral Effectiveness Framework of the Department for International Development (DFID) – is a rather ‘hard’ mechanism of the British government that assesses the organisational effectiveness of supported multilaterals by measuring their adherence to results-based management methods;⁸
- There is an ongoing discussion about the possibility of having a joint European seat in the World Bank;⁹
- Multi-bi-lateral cooperation might trigger new research and programmes that are then taken up by the organisation. To do so, a strategic focus, concentration on some core issues, systematic evaluation and gathering of best practices are needed. However, this form of cooperation is administratively cumbersome.

The Spanish contribution to the multilateral aid system

An analysis of the action in multilateral aid channels shows the following:

- The responsibility for managing multilateral funds is mainly distributed between three ministries: Economy, Industry/Tourism/Commerce and Foreign Affairs. The Interministerial Commission for International Cooperation (CICI) is meant to coordinate these ministries towards a unified action in multilateralism. Institutionally, this appears difficult to integrate under a single strategic focus, despite the coordinating role of the SECI (Secretaria de Estado de Cooperación Internacional) assigned to it by the Spanish Law of International Cooperation (1998).
- Administratively, the contributions to multilateral organisms form part of a specific credit line, the so-called FAD (Fondo de Ayuda al Desarrollo), to which also belong elements of tied aid meant for the promotion of Spanish exportation. There are calls to rearrange this rather arbitrary congregation of aid instruments.¹⁰
- In relation to other member states, Spain contributes comparatively a large amount to the European aid budget as a proportion of its development spending (26 % of all Spanish ODA in 2004). This is, however, due to the obligatory contribution to the FED which are negotiated between the EU member states. As aid levels rise, will this share be maintained?
- There is little contribution to the NFIIIs (2,8 % of total ODA in 2004) and these contributions are both split amongst many multilateral agencies and managed by eight respective responsible ministries.
- In the recent years, there have been significant commitments to multilateral funds, such as the Fast Track Initiative for Education, the GFATM, the UN Peacebuilding Commission, the European Investment Bank and a bilateral fund to Africa managed by the World Bank.
- There was a steep increase in multi-bilateral spending managed by the AECI, from 11m EUR in 2004 to 52m EUR in 2006. Some of these programmes have become more strategically focussed.¹¹

⁸ Frequently asked questions on MEFF <http://www.dfid.gov.uk/news/files/meff-faq.asp> and MEFF methodology <http://www.dfid.gov.uk/pubs/files/meff-methodology.pdf>

⁹ EURODAD 2005: ‘European Cooperation at the World Bank and International Monetary Fund – A question of harmony?’, Brussels: 2005, <http://www.eurodad.org/articles/default.aspx?id=683>; see also: Lehtinen / Sindzingre, ‘European Coordination in Multilateral For a: The case of the World Bank’, ECDPM dp 47, Maastricht: 2003 (available at www.ecdpm.org)

¹⁰ See for example the Draft Law Proposal of the Parliamentary Group Izquierda Verde – Izquierda Unida – Iniciativa per Catalunya Verds 23. Dec. 2005, Num 255-1 www.congreso.es/public_oficiales/L8/CONG/BOCG/B/B_225-01.PDF

¹¹ As defined above, multi-bilateral financing is not multilateral funding according to OECD reporting standards. Figures in www.aeci.es/03coop/3coop_sect/1multilat/1oii/index.htm

Commitments made in the Government's *Master Plan 2005-08*

The Plan Director 2005-08 lays out the following objectives for a strategic multilateralism:¹²

- An (1) increased and (2) more focussed, criteria-based contribution to multilateral organisations;
- Better coordination between the ministries involved in managing multilateral aid;
- A more strategic involvement in to relation to IFIs;
- Promotion of more Spanish citizens in multilateral organisations;
- Greater government accountability to the parliament on their actions in multilateral organisms.

This forum invites all participants to inform about good practices where there is still room for improvement.

Towards a new efficient multilateralism of aid?

This section presents some key questions to foster debate:

- If the selection of multilateral engagement was to be criteria-based, what would the criteria be and how this be reflected in funding? What are the reasons to invest in IFIs, EU, UN, Regional Banks?
- Is there a strategic mechanism to influence multilateral organisations either politically (e.g. concepts of poverty) or managerially (e.g. results focussed management approach)? Does Spain intend to become part of or align itself with initiatives such as MEFF or MOPAN?
- Given the shift towards channelling more resources through multilateral means (harmonisation, absorption etc), what will be the strategic investment in "staff development" to ensure the overseeing and influence in multilateral programming? How is this linked to the reform of the AECI? What are the incentives in the AECI to cooperate with multilaterals in the recipient countries? Are bilateral and multilateral aid connected? How?
- What is the role of multilateral aid within the overall multilateral strategy of the MAEC? How does SECI coordinate the Unit responsible for the multilateral strategy in the Spanish Ministry of Foreign Affairs - Directorate General for United Nations, Human Rights and Multilaterals (NUDHOM)?
- Within the whole government, how is coherence established between the main ministries (SECI, Economy, Commerce)? Why and how do other ministries manage multilateral funds?
- Is there a strategy to promote the multilateralism of aid to citizens?

Links

Spanish Representation in International Organisations:

www.maec.es/es/MenuPpal/Paises/representacionesante_oi.htm

Ministry of Economy and Finance:

www.meh.es/Portal/Areas+Tematicas/Financiacion+internacional/

Ministry of Commerce:

www.mityc.es/es-ES/Ministerio/Estructura

¹² MAEC Ministerio de Asuntos Exteriores y Cooperación Internacional. Plan Director 2005-08, p. 119



AECI – Agencia Española de Cooperación Internacional:

www.aeci.es/03coop/3coop_sect/1multilat/

More information and links in the FRIDE commentary on multilateralism:

<http://www.fride.org/eng/File/ViewLinkFile.aspx?FileId=961>

Critical discussion on the International Finance Institutions:

www.brettonwoodsproject.org

Discussions on the European Union's Aid System:

www.ecdpm.org

www.concordeurope.org

Foroaod – Spanish Development Aid

FRIDE organised the project "Spanish Development Aid - Mid-term Review and a Proposal for a Participative Consultation" between June 2006 and April 2007. This project aims to develop a consultation process about the current Spanish government's development cooperation policy. We have created a forum for participation and debate, in order to assess the Spanish development cooperation reform agenda and to identify the main achievements and shortcomings in operationalising the initiatives based on the principle of "More Aid, Better Aid". A set of recommendation guidelines were developed, through participative methods, with the objective of putting into practice the aspirations of the Spanish development cooperation policy.

www.foroaod.org