



*Workshop for Commonwealth and Francophonie senior officials, London,
17-18 January 2005*

Preserving Multilateralism: user perspectives on strengths and weaknesses of major international aid institutions

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Draft

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Preserving Multilateralism: user perspectives on strengths and weaknesses of major international aid institutions

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Background Note for Workshop participants

1. Introduction and purpose

This is a background briefing on some salient features of the multilateral aid system and its strengths, weaknesses and challenges in a rapidly changing global setting. Many participants will be familiar with the basic issues, but may benefit from some additional context from which to spark discussion.

The task which the workshop assigns to the group – to compare the major multilaterals from a recipient country perspective – is not an easy one. Despite a wealth of information on each agency, there is no generally accepted framework for rating their comparative merits consistently.

Qualitative donor ratings by aid recipient governments are valuable inputs, rarely canvassed and more rarely discussed by senior donor officials. But they can be misleading, for example because the recipient, rightly or wrongly, fears retaliation from some quarters or feels their country has leverage only on some aspects of donor behaviour. Cross-country recipient-driven assessments of donor agencies are even scarcer¹. The facilitating role of respected independent observers, such as the co-convenors of this workshop, may be instrumental.

Times of rapid change in the overall aid funding climate—strong decline or, as we may be witnessing now, major increases – are an opportunity to make conscious and non-marginal decisions about its seemingly haphazard “architecture”. Rapid expansion creates absorption difficulties, which some institutions are much better equipped to overcome than others. If the voices of recipients are not heard clearly now, the resulting outcomes may not be what they want or expect.

2. Forces shaping the international aid system

There is no recognizable “architect” for the aid system as a whole, despite the fact that over 70 percent of it is financed by the G8 and that policy influence is still largely aligned with financial contributions, even where formal voting control is not. Few large donors actively coordinate their own inputs

¹ Some recent partial exceptions have been carried out either by Northern NGOs or think-tanks retained by regional bodies, such as ECA. The results from some of these are summarised in Section 7 below.

and requirements across agencies; much less develop a disciplined collective approach to these choices with other donors².

Multilateral replenishment decisions remain, on the whole, disconnected sets of context-specific negotiations, usually yielding marginal adjustments to the previous base. Political attention in member capitals ebbs and wanes, allowing agency management to build *ad hoc* alliances and blocking minorities. This situation makes for great stability, or conversely, inertia. No major aid institution has closed in several decades, while dozens have opened, as aid's share of the global economy has shrunk steadily from the 1980s until recently.

So what is driving current governmental and intergovernmental aid? Four underlying factors can be identified³, some ongoing, and some new:

- *Multiple foreign and security policy objectives*, loosely bundled with anti-poverty goals, with no common weighting system;
- The continued existence of *institutional barriers* insulating aid programmes to different extents from hard budget constraints and political pressure attached to them;
- *Reduced willingness, or ability, to use aid in its current form* at both ends of the recipient spectrum: more advanced countries reject foreign intrusion; weaker countries badly need aid but cannot demonstrate the ability to use it;
- *Symbiotic relationships with private and voluntary organisations*, partly funded by official aid, but competing with it for taxpayer attention.

There are, arguably, two general axes along which future scenarios for the aid system could evolve from this starting point, each with its extreme. On one axis, there is a more fragmented, foreign-policy-driven focus, versus a greater deliberate poverty focus. The second axis scales an aid system more subject to different forms of inter-agency competition or rivalry, versus one less subject to competition and much more directed by a major international collaborative effort, as foreseen, for example, in the 2003 Rome aid harmonisation conference.

By combining elements of these two dimensions, we can visualise scenarios which impact the aid architecture in quite different ways. For the purposes of the workshop, two polar opposites are instructive. In one ("fragmented"), there is a dominance of multiple foreign-policy considerations for aid, especially for fragile states, and agencies are competing overtly for available funding against multiple and inconsistent criteria. In this world,

² Partial exceptions include the Nordic-Plus group of European donors, who with others have sponsored joint evaluations of the performance of multilaterals (eg MOPAN, ref.). And interest in "aid architecture" is clearly rising in Europe, whose majority share of aid is also likely to rise in the near future.

³ This discussion follows Rogerson, Hewitt and Waldenberg, *The International Aid System, 2005-2010, Forces for and against Change*, ODI Working Paper 235, March 2004. See in particular Chapter 7, which develops the scenarios, and Appendix 1, on the changing role of the major multilateral institutions.

multilaterals in general are under pressure but some, by virtue of their financial endowments and flexible governance, adapt much better than others.

In the second scenario (“statist”), benevolent donor interests collude in support the MDG/country-owned model under a coherent global and local governance umbrella in which recipient voices are heard with full force. In this world, the coordinating role of the UN and EC is vastly strengthened, including vis a vis the Bretton Woods institutions and bilaterals, and indeed there is “forced” consolidation of the number of actors at country level. Aid budgets (aligned exclusively with poverty outcomes) are growing fast, but becoming selective, as low-income, aid-dependent countries face effective donor cartels.

Obviously, neither of these extremes is a prediction: elements of both are likely to be present in the future, and other drivers of change will affect outcomes. They are illustrated here to introduce discussion of how recipients may wish the aid system to evolve, and in what real-life constraints.

The rationale for having aid agencies at all, as against relying on direct money transfers between donor and recipient treasuries, is linked to the agencies’ role as mediators between the different preferences of different donor and recipient constituencies⁴. If there were full and costless information, trust and mutual accountability, this argument goes, we would not need such intermediaries. Their know-how, only a small part of which is proprietary, could be made available in other forms on the open market and much simpler and more stable arrangements for resource transfer could be designed and enforced.

Through this lens, multilateral agencies have distinct advantages over bilaterals. They allow a channel for collective action which contains competition or conflict among donors. They may strengthen the legitimacy and credibility of unpopular programmes (e.g. economic reform). Given economies of scale and scope, they can significantly reduce the costs and increase the credibility of policy-relevant information. Multilateral agencies also provide recipients with a voice in decision-making, however limited that may be.

3. The roles of the main Multilateral Institutions⁵

The European Union/European Commission (EU/EC)

The Commission’s role “is to initiate and formulate the EU’s development cooperation policy for all developing countries as defined in Title XVII of the Treaty establishing the European Community, and to co-ordinate the relations with the sub-Saharan African, Caribbean and Pacific countries (ACP) and the Overseas Countries and Territories (OCT).” The European Community’s development cooperation policy is one of three elements within the broader framework of external relations. It sits alongside the Community’s

⁴ See for example, *Why do aid agencies exist?* Bertin Martens, draft, Nov 2004.

⁵ From web sites and annual reports of agencies. Critical analysis of each category will be presented in the main workshop sessions.

external political and economic (including trade and investment) relations. The European Community has a very substantial role in all three areas. It is the largest trading partner for many developing countries. The EU, as a region, provides more than half of global development assistance: over €28.7 billion in 2002, of which €6.5 billion at EC level. These funds come from the Community budget as well as the European Development Fund (EDF). In order to maximise its own impact within the global development framework, the Community is focusing its assistance in 6 areas where it can add particular value: the link between trade and development; regional integration and cooperation; support for macroeconomic policies and equitable access to social services; transport; food security and rural development; and institutional capacity building in particular good governance and the rule of law.

The United Nations (UN) System

One of the UN's central mandates is the promotion of higher standards of living, full employment, and conditions of economic and social progress and development. As much as 70 percent of the work of the UN system is devoted to accomplishing this mandate. The UN has played a crucial role in building international consensus on action for development. The UN continues formulating new development objectives in such key areas as sustainable development, the advancement of women, human rights, environmental protection and good governance – along with programs to make them a reality. The UN system works in a variety of ways to promote economic and social goals. The UN programmes and funds carry out the UN's economic and social mandate. The UN Development Programme (UNDP), the UN's largest provider of grants for sustainable human development worldwide, is actively involved in attaining the Millennium Development Goals. The UN Children's Fund (UNICEF) is the lead UN organization working for the long-term survival, protection and development of children, focusing on immunization, primary health care, nutrition and basic education. Many other UN programmes work for development, in partnership with governments and NGOs. The World Food Programme (WFP) is the world's largest international food aid organization for both emergency relief and development. The UN Population Fund (UNFPA) is the largest international provider of population assistance. The UN Environment Programme (UNEP) works to encourage sound environmental practices everywhere, and the UN Human Settlements Programme (UN-Habitat) assists people living in health-threatening housing conditions.

Regional Development Banks (RDBs)

There are three main Regional Development Banks that play key roles in promoting the development of countries in their regions. These banks – the African Development Bank, the Inter American Development Bank, and the Asian Development Bank – function similarly to the World Bank in that they provide highly concessional assistance to the poorest countries for both project financing and budget support, and include performance-based indicators in their allocation formulas. These creditors often depend on the policy work and programs of the IMF and IDA to create the development

framework and performance track records on which to base their country programs. The RDBs work closely with the Bretton Woods Institutions to provide the co-financing needed to support the development goals and policy reform efforts of specific countries.

International Development Association (IDA)

IDA supports countries in their development efforts by promoting sound policies to secure the basis for economic growth and poverty reduction. IDA has a role as an instrument for structural and investment climate reform, alongside IMF program focusing on macroeconomic stability. IDA and IMF assist governments to establish a policy and fiduciary framework that is expected to promote the effective use of aid flows from other development partners. IDA is the world's largest source of concessional financial assistance for the poorest countries and invests in basic economic and human development projects. IDA's resources are provided in the form of zero-interest loans and some grants. Grants go mostly to poor post-conflict and debt-distressed countries.

4. Recent aid trends and roles of major multilaterals

In recent years, aid flows have seen significant shifts. Overall ODA levels (from DAC donors) have been increasing again after having dropped during the 1990s. In 2002, net ODA from DAC members stood at \$58.3 billion reflecting an increase from \$52.3 billion in 2001 and the recent low of \$48.5 billion in 1997.⁶ These flows are expected to increase further, as donor countries start delivering on the commitments made at Monterrey.⁷ Of the \$58.3 billion, 70 percent was in the form of bilateral ODA and 30 percent was delivered as contributions to multilateral institutions. This 70-30 ratio for bilateral and multilateral ODA has remained virtually constant since 1995. What has changed, however, is the nature and sectoral composition of aid, as explained below.

Over time, bilateral ODA has moved towards a stronger emphasis on grants, with the amount of bilateral aid in the form of grants rising from 89 percent in 1995 to 98 percent in 2002. In contrast, thirty years ago, grants were only 66 percent of bilateral ODA. There has been also a change in the composition of these grants. Bilateral ODA has shifted further towards special purpose grants such as technical cooperation⁸, emergency and debt relief which often carry less flexibility in their use and/or do not necessarily transfer real resources of equivalent value.

⁶ Non DAC ODA stood at \$3.2 billion in 2002.

⁷ Preliminary data show a total of \$68.5 billion for 2003, and forecasts for 2006 reach \$77 billion. See *Global Monitoring Report 2004*. Development Committee, April 2004.

⁸ *2003 Development Co-operation Report*. Development Assistance Committee, OECD, 2004. This trend is partly attributed to the growing share of social sectors in ODA, where technical cooperation inputs are more common.

The 2004 Global Monitoring Report estimates that only a third of bilateral ODA goes for “structural” development program and project expenditures, which however overwhelmingly dominate multilateral assistance. That suggests multilateral institutions provide almost the same amount of program and project aid as bilateral donors. This is important because, as the Global Monitoring Report points out, “more aid will need to be provided in forms that can flexibly meet the incremental costs of achieving the MDGs, including providing a higher proportion directly to countries in the form of cash, supporting good policy performance with predictable and longer-term aid commitments, and allowing for the financing of recurrent costs where country circumstances warrant.” Technical cooperation is complementary, to the extent that it transfers useful knowledge and skills, creating enabling conditions which raise the effectiveness of program and project expenditures.

Table 1. Official Development Assistance from DAC Donors to Developing Countries and Multilateral Institutions, 1996-2003 (millions of US\$)

	1996	1997	1998	1999	2000	2001	2002	2003
Official Development Assistance (ODA)	55,591	48,465	52,087	53,233	53,749	52,435	58,292	69,029
1. Bilateral ODA	39,088	32,397	35,207	37,843	36,064	35,124	40,752	49,812
a. Grants	36,553	31,296	32,480	33,931	33,040	33,522	39,813	50,965
of which: Technical Co-operation	14,142	12,888	13,056	13,036	12,767	13,602	15,452	18,366
b. Bilateral loans (net flow)	2,535	1,100	2,727	3,912	3,024	1,602	939	-1,153
2. Contributions to multilateral institutions	16,503	16,068	16,880	15,390	17,685	17,311	17,540	19,217
of which: UN	4,383	3,885	4,249	3,654	5,185	5,233	4,634	4,705
EC	4,727	4,860	5,002	5,017	4,950	4,946	5,695	6,834
IDA	3,992	4,062	4,155	2,834	3,672	3,599	3,279	3,120
Regional Development Banks	1,578	1,551	1,895	1,860	2,187	1,491	1,813	1,734
Supplementary information								
ODA Effort Measured as a % of Donors GNI	0.25	0.22	0.23	0.22	0.22	0.22	0.23	0.25

Source: OECD DAC website, December 2004

The bulk of multilateral ODA flows through the UN system, EC, Bretton Woods institutions (Bank/IDA and Fund), and Regional Development Banks (RDBs) such as the AfDB, AsDB, and IDB.⁹ The assistance provided by multilateral institutions to countries eligible to ODA is relatively evenly split between loans and grants. DAC donor contributions to multilateral institutions have held steady in recent years (Table 1). Over time, however, donor contributions to multilateral institutions have generally seen a shift away from IDA and the RDBs towards the UN and the EC (Figure 1).

⁹ DAC’s terminology classifies AsDB, AfDB, and IDB as Regional Development Banks as opposed to Multilateral Development Banks. We use the MDB term to encompass the entire set of institutions, including IDA and non-concessional loan windows such as IBRD.

The multilateral banks have however been able to generate a significant proportion of their resources from repayments on existing loans. For example, though donor contributions to IDA have held roughly constant or fallen slightly, disbursements from IDA to recipient countries have somewhat increased, accounting for about 35 percent of gross multilateral disbursements (Table 2). Conversely, UN system agencies as a group disburse less than they receive. This is both because, unlike the banks, they have no independent income source to cover administration, and more significantly, because some of them are primarily sources of advice in kind, not financial intermediaries.

This picture significantly underestimates the role of the non-concessional windows of the MDBs, such as the main World Bank window (IBRD), and regional equivalents, as well as the IMF. By definition, when operating in upper-middle income countries as well as by virtue of their market-related terms, these are not scored as ODA but clearly have a major role in the “aid politics” of middle-income countries, and in global net flows. Repayments to the World Bank, unlike to IDA, virtually cancel out new disbursements, which means that on a net basis, the RDBs as a group becoming steadily more significant for middle-income countries. By that standard, the EU is already the single largest net source of funds to middle-income countries, and likely to remain so.

Figure 1: Multilateral ODA to and from UN, EC, RDBs, and IDA (millions of US\$)

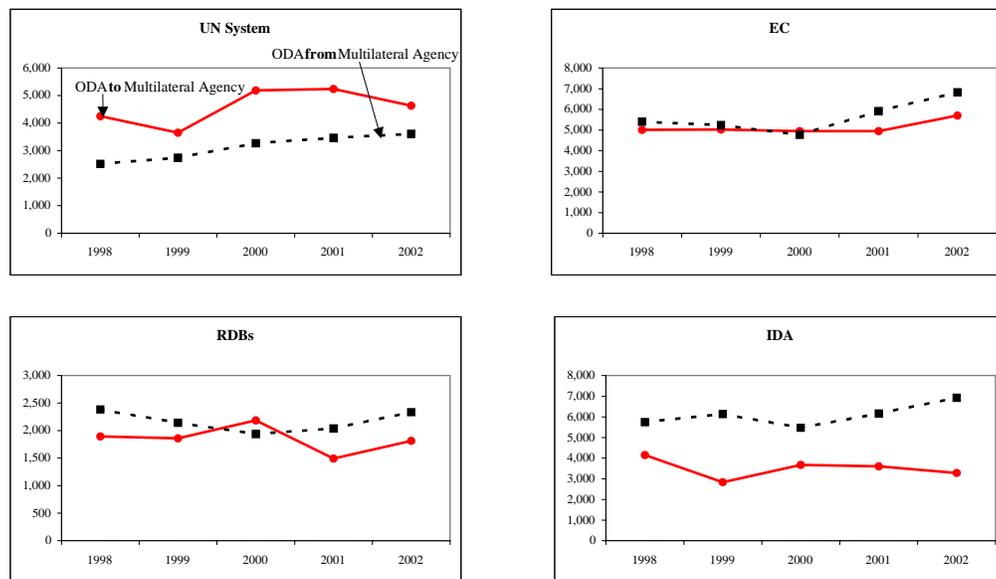


Table 2: Gross Disbursements of Concessional Finance (loans and grants) a/

(in millions of US\$)	1998	1999	2000	2001	2002
UN System	2,521	2,741	3,272	3,462	3,608
UNDP	604	508	390	282	275
UNICEF	484	564	576	600	567
UNFPA	214	185	133	311	310
WFP	270	354	357	379	351
UNHCR	236	253	493	545	633
UNRWA	298	286	301	359	392
Others	415	591	1,022	986	1,080
European Commission	5,396	5,238	4,763	5,908	6,831
Regional Development Banks	2,383	2,142	1,937	2,040	2,334
AfDF	624	516	360	464	741
AsDF	1,149	1,114	1,135	1,031	1,168
IDB	610	512	442	545	425
IDA	5,742	6,135	5,468	6,160	6,923
Total	16,042	16,256	15,440	17,570	19,696

a/ Annual data is on a calendar year basis. Country coverage for institutions is not identical.
Source: 2003 DAC report.

In terms of sectoral distribution of ODA, recent years have witnessed a shift away from productive sectors such as industry and agriculture, and an increased focus in the social sectors (Table 3). Social infrastructure and services have been an important area for all donors, given that the needs are immense, and the objective of attaining MDGs all too imminent. IDA devotes 40 percent of its resources to this area, with the RDBs, UN, and bilateral donors providing upwards of 30 percent of their support in this category.

In parallel with social sectors, an important focus of RDBs, IDA and EC has been on economic infrastructure and production sectors, as compared to bilateral donors and UN agencies. EC and IDA provide 14 percent of their resources for structural adjustment and programmatic assistance. The EC also provides significant resources to “food aid” (10 percent) and “emergency and distress relief” (18 percent). Unsurprisingly, the UN is the dominant agency in terms of providing food and other relief aid (over 60 percent of resources).

Table 3: Sectoral Distribution of ODA (1998-2002)

(in percent)

Sector	Bilateral	UN a/	EC b/	RDBs c/	IDA
SOCIAL INFRASTRUCTURE AND SERVICES	32	33	16	38	40
Education	7	3	2	8	9
Health	4	5	4	6	6
Population Programs	3	18	1	0	4
Water Supply and Sanitation	5	1	3	9	5
Government and Civil Society	6	4	5	7	7
Other Social Infrastructure and Services	6	1	2	8	10
ECONOMIC INFRASTRUCTURE	18	0	23	27	23
Transport and Storage	9	0	16	15	11
Communications	1	0	0	0	0
Energy	5	0	4	7	6
Banking and Financial Services	1	0	1	3	4
Business and Other Services	2	0	2	2	2
PRODUCTION SECTORS	8	1	9	12	11
Agriculture, Forestry, and Fishing	6	0	4	10	10
Industry, Mining, and Construction	2	0	3	3	1
Trade and Tourism	1	0	1	0	1
MULTISECTOR	8	4	4	15	7
OTHERS	34	62	48	7	19
Structural Adjustment	1	0	14	3	14
Food Aid excluding Relief Food Aid	3	25	10	0	0
Other General Programme & Commodity Ass.	4	0	5	0	0
Action Related to Debt	10	0	0	1	0
Relief Food Aid	1	0	0	1	0
Non-Food Emergency and Distress Relief	6	33	18	0	2
Administrative Costs of Donors	2	3	0	0	0
Support to NGOs	2	0	0	0	0

a/ includes UNDP, UNICEF, UNHCR, UNFPA, and WFP data only (1999-2002). UNDP and UNICEF based on commitments, UNFPA, UNHCR, and WFP based on gross disbursements.

b/ European Development Fund less European Investment Bank assistance.

c/ Includes AsDF, AfDF, and IDB's Fund for Special Operations.

Source: OECD DAC

5. "Special purpose vehicles" and threats to conventional multilaterals

Although they did not yet capture a prominent share of ODA in 2002, the rapid recent rise in visibility of global thematic funds, such as that to combat Aids, TB, and Malaria (GFATM) raises important issues for recipients and for the future of the multilateral system. GFATM is only the most visible example, along with its longer-established parallel in the environment arena, the Global Environment Fund (GEF), of a whole category of new international aid ventures. Many of these do not have fully independent legal status from their sponsors, but serve as transit points for significant amounts of ODA. They often have distinct management and governance structures, but hardly ever direct in-country representation.

Moreover, while some of these were formed in response to global public goods issues such as environmental commons and communicable diseases, others collect resources at the supranational level but channel them

directly into country programs, with benefits at the family, community and national levels. An example is the Education for All Fast-Track Initiative (FTI), designed to accelerate primary school completion in low-income countries, which assists individual countries through a common analytical and funding framework.

These “special purpose vehicles” could be a minor consideration for this workshop, but for three related concerns. First, their recent growth has been explosive: GFATM for example did not exist three years ago, but now manages pledges of some \$6 billion and has aims extending well beyond that. Such growth is connected to the visceral political appeal in donor countries of well-focussed, single-issue responses to powerful advocacy campaigns, as against more diffuse, less tangible approaches based on recipient ownership. The litmus-test global issues may change, and past enthusiasms may not be sustainable, but such political pressures will inevitably re-surface in other forms.

Second, it is not easy to integrate such devices well into recipients’ national strategies and budgeting frameworks, especially when they are based on cross-country competitive tenders on a project-by-project basis. They need to be adapted better to the current consensus model on aid effectiveness, which already faces a daunting coordination task.

Third and most important, if ODA rises by even 3 percent per annum in real terms overall, much faster for large donors committed to reach the UN 0.7 percent target in the next decade (like the UK and France), the “classic multilaterals” like IDA, the EU, the RDBs and the UN may have serious trouble maintaining their shares of donor aid. This is because they are constrained by burden-sharing formulas to temper their ambitions for growth – they can go no faster than their least enthusiastic large contributors want. Also, and this is especially true for multiyear negotiations such as those for the EDF, their funding windows may not be flexible enough to adjust to a rapidly changing external context.

A real pledging increase of say 20 percent over five years sounds generous, but actually only barely maintains the previous share of ODA for the average donor. For those whose ODA: GNI ratios are set to rise strongly, and who also, for the most part, care about multilateralism, it implies an eroding share. By default, if “conventional” multilaterals do not meet this challenge (perhaps by developing new offshoots of their own), new and special-purpose vehicles will grow even faster, or the overall multilateral share will fall.

6. Division of labour at the country level and “comparative advantage”

Underlying the aggregate aid figures and trends highlighted above is a more complex set of issues that has shaped recent debates about the country and global aid architecture. A new development consensus has ostensibly emerged, based on a partnership approach characterized by country ownership, streamlined conditionalities and selective, performance-based aid

allocations. The harmonization of donor policies and procedures, and their alignment to support national poverty reduction strategies are seen as fundamental steps towards increasing the effectiveness and impact of development assistance towards reaching the MDGs. Progress towards these goals is still very uneven among countries and donors, but significant improvements are noticeable in several countries – despite well-established incentives to the contrary.

Given the large number of institutions providing development assistance (see list at Annex 4), improving the effectiveness of the system as a whole will depend crucially on assessing the actual value added of each one of them in terms of contributing to the stated goals of sustainable development and poverty reduction in developing countries. This in turn should lead to specialization and consolidation, whereby each institution would focus more and more on the areas where it is best equipped to contribute. A summary view of the existing areas of involvement in the global aid architecture (see Table 6) shows some of the overlaps and the overall lack of specialization. Most agencies are involved in similar areas, with all the inefficiencies that this implies.

Table 6: Existing Division of Roles in the Global Aid Architecture

Type of assistance Donor	Special Purpose Funds				Projects & Programs		
	Humanit Assistance	Emergency & Reconstr	Technical Assistance	Debt Relief	Project Finance	Sector Support	Budget Support
Multilateral							
UN	✓	✓	✓	-	✓ ²	-	-
IDA	-	✓	✓	- ¹	✓	✓	✓
RDBs	-	✓	✓	✓	✓	✓	✓
EC	✓	✓	✓	✓	✓	✓	✓
Bilateral							
DAC	✓	✓	✓	✓	✓	✓	✓

¹ No direct funding, but assistance in organization; ² Limited support

The concept of comparative advantage, however, is not an easy one to unravel. According to basic economic thinking, in order to increase economic efficiency and maximise output, each agency should focus on the areas where it has a relative comparative advantage in terms of cost or capacity (production opportunities). In the more complex world of development assistance, comparative advantage may stem from a range of different factors:

- a) **Mandate:** the nature of each institution (multi- vs. bi-lateral, governance structure, grants vs. loans-based, statute, etc.) determines and limits its possible role in the overall aid architecture;
- b) **Capacity/knowledge:** the resources available to each institution in terms of technical expertise, production of and access to specific knowledge, participation in knowledge networks, etc. will also influence its positioning *vis-à-vis* other agencies;

- c) Cost structure: comparing cost effectiveness measures for different institutions in different areas (sectors, aid instruments, tied or untied aid, etc.) provides an indication of comparative advantage in the “production” and delivery of aid resources;
- d) Results record: past successes and failures in reaching stated objectives and achieving desired impact in specific sectors also highlights what each agency does best, or at least better than other agencies;
- e) Trust of partners: this is an example of “soft” comparative advantage that can be very important. A relationship of trust and cooperation with a recipient government, or in donor coordination fora, is clearly a very important asset for an aid agency, which will influence its potential role in the overall aid architecture, both at local and at international level.

Also, a sensible division of roles may have to be based on relative as opposed to absolute comparative advantage, and is likely to be constrained by other considerations such as the need for visibility of donor interventions, political imperatives, and the increasing concentration of donor efforts in well performing countries.

These factors are likely to interplay in a variety of different ways. For example, multilateral institutions may have a clearer development-oriented focus (as opposed to the to foreign policy objectives often pursued by bilateral agencies) and access to a wider range of knowledge skills and technical expertise. However, bilaterals could have a comparative advantage in specific sectors where they have developed a particular competence, rely on historical ties with a particular country for engendering trust and cooperation, or be able to tackle thorny governance issues such as corruption in a more direct way.

At the same time, while the World Bank, say, may have more clout and better capacity in analyzing and shaping recipient governments’ economic policies, the UN, with its more open governance structure and its capillary presence at country level, may be relied upon by those same governments to assess and monitor the possible impact of reforms, or proposing alternative solutions. In this as in other matters, there may be tradeoffs between efficiency and legitimacy. Ultimately, useful lessons can only be drawn from looking at specific country level cases, some of which we hope to help build up from participants’ experience.

7. Other performance criteria for judging multilateral aid from a recipient perspective

More concrete discussions about donor performance at country level, which shed some light on some of the more technical aspects of the issue of comparative advantage, can be found in recent reports published by two Northern development NGOs. Oxfam GB and Debt Relief International have attempted to develop indicators of donor behaviour which could assist recipient governments in assessing the relative costs and benefits of dealing with a series of bilateral and multilateral aid agencies.

The survey of donor practices carried out by Oxfam focused on five main variables, namely (a) simplifying reporting requirements, (b) delivering aid on time, (c) committing for the long-term, (d) fitting in with the government budget cycle, and (e) imposing minimal conditions. Among the multilateral agencies, the EC scored well on reporting requirements, but quite poorly on timely delivery of aid. The World Bank, on the contrary, was judged too heavy on reporting and conditionality requirements, but fared very well on long-term commitments and delivering on time and though the budget.

Debt Relief International embarked on a much more comprehensive exercise, based on its capacity building activities in 12 HIPC countries in Sub-Saharan Africa. A number of characteristics of donor policies and procedures were taken into account, and objective measures of donor performance developed against each one of them.

The preliminary results are shown in Tables 7 and 8 below.

Table 7. Ranking of donors on policy criteria

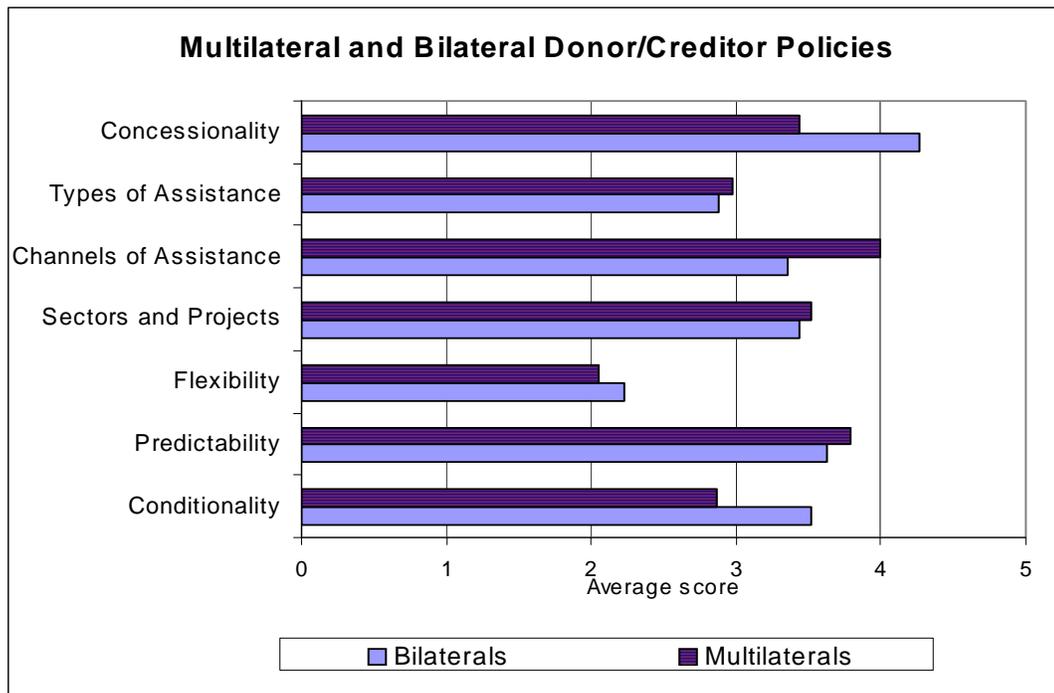
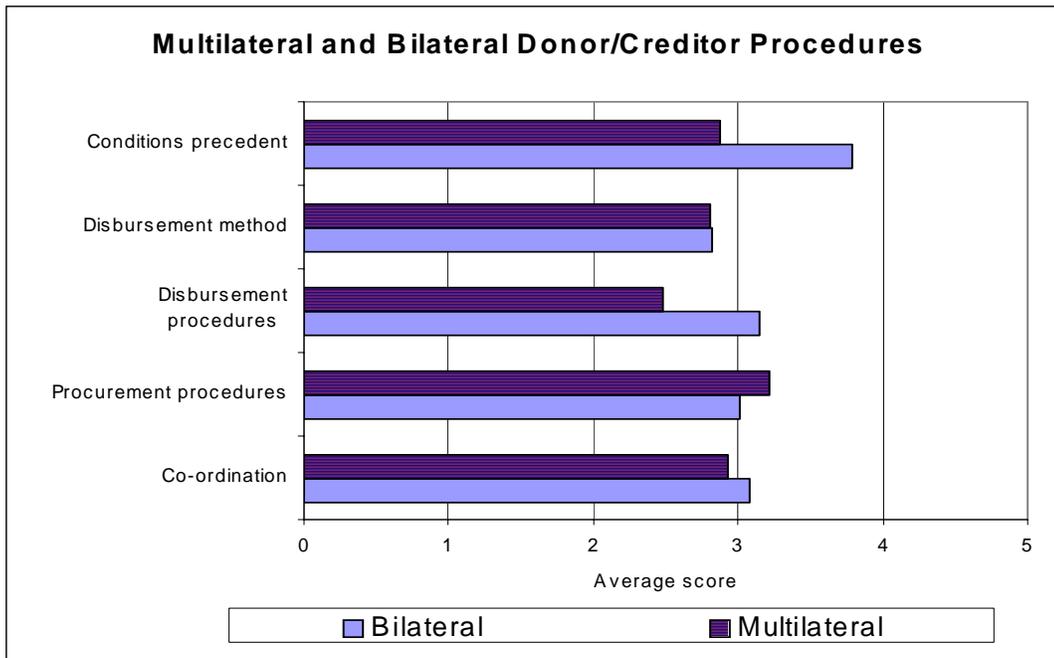


Table 8. Ranking of donors on procedures criteria



These efforts represent important steps forward in promoting reciprocal accountability. However, their narrow focus on technical matters mostly related to financial management and general policy concerns leaves a lot of room for further discussion on the wider implications of comparing donor performance and comparative advantages at the country level.

8. General questions for discussion

The workshop will include individual sessions on each major multilateral aid agency, and further information on their relative strengths and weaknesses at country level.

For now, participants may want to reflect on a few broader questions, keeping in mind, as a loose organising framework, the range of scenarios and players discussed above.

- 1) *What attributes of aid are of greatest value from your perspective?*
- 2) *What costs and risks are inherent in the aid relationship?*
- 3) *What are the pros and cons of greater multilateralism?*
- 4) *Which multilaterals best fit your country's ambitions, and why?*
- 5) *If you could change anything to improve that fit, what would it be?*

And finally,

- 6) *How much stake and voice do you feel you have in major future decisions on the shape and governance of international aid? How could you become more engaged?*