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국제학석사학위논문

**Strategizing Multi-Bi Aid in the Aid System:
A Study of the United Kingdom**

다자성양자원조의 전략화: 영국의 사례연구

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Master's Thesis

**Strategizing Multi-Bi Aid in the Aid System:
A Study of the United Kingdom**

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Abstract

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The emergence of multi-bi aid has brought about changes in the aid system, and while donors continue to increase their multi-bi aid allocations, questions arise on the importance and relevance of this new type of hybrid aid. To explain this phenomenon, the theoretical background is laid out combining the theories of multilateralism and realism to explain the rationale behind multi-bi aid. Through the literature review, the advantages and disadvantages are organised into the perspectives of the donor, multilateral organisation and the recipient to illustrate a comprehensive picture of the actors involved. This paper focuses in detail the motivations underlying the reasons why donors give multi-bi aid, using the case analysis of the United Kingdom. The study shows how the UK strategically positions multi-bi aid to reflect their own aid objectives in the form of earmarked multilateral aid, leaving lessons for not only donors, but also for multilaterals and recipients.

Keywords: Multi-bi aid, Non-core aid, Earmarked aid, Multilateral aid system, United Kingdom aid

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Chapter 1: Introduction

1.1 Background

Entering the new millennium, global awareness of development has substantially increased with new formations of international organisations and new types of aid funding. A variety of development actors, other than the United Nations (UN) family or Bretton Woods institutions have emerged: Non-state actors such as Non-Governmental Organisations (NGO), and private foundations have all contributed to making developmental progress, especially directed towards the Millennium Development Goals (MDGs).

With the breakout of the 2008 Financial Crisis, development funding has been more closely scrutinised. In general, as donor countries are becoming more conscious about aid effectiveness and public opinion on giving aid in times of economic hardship, donor interests and national strategies are more visible than ever. In order to reach specific goals, traditional forms of aid, such as multilateral aid and bilateral are no longer the only options. Multi-bi aid has emerged as a relatively new type of hybrid aid, and is defined as a crossover of multilateral and bilateral aid: the practice of donors giving non-core funding—earmarked for specific sectors, themes, countries, or regions—through multilateral organisations.¹ The increasing amount of multi-bi aid has gained attention within the development landscape, allowing for further debates and literature to rise.

Multi-bi aid started as early as the 1990s as earmarking came about with non-core aid. This rise can be seen to be connected to political power structures and also to new global

¹ OECD (2010), *DAC Report on Multilateral Aid*, p.37

challenges.² As multi-bi aid rises, the motives underlying the decision to choose it over traditional forms of aid have been called into question and it is, in fact, recommended by the global community that multi-bi aid should be reduced and converted to core multilateral aid. Despite this, overall, donor countries are not reducing their share of multi-bi aid and are utilising it for several strategic reasons. The significance of this study lies with this phenomenon of rising multi-bi aid. The market share of multilaterals – composed of both multi-bi aid channelled through multilateral organisations and core multilateral aid – increased from 37 percent (USD 47 billion) in 2007 to 40 percent (USD 51 billion) in 2009, the highest in recent years. The aggregate volume of USD 51 billion of Official Development Assistance (ODA) channelled to and through multilaterals was also a historic high.³ An important aspect is that, with the MDGs set as an agreed global consensus, the post-2015 goals are expected to play an equally important role in the next development phase. Therefore multilateral organisations will be called upon to use their resources effectively, whether they are earmarked or not.

Multi-bi aid has three actors involved: The donor country, the multilateral organisation of implementation, and the recipient country. Each actor has their own perspective and agenda in setting up a multi-bi aid project. There are many different reasons as to why multi-bi aid is given instead of traditional means, and its definitions and utilisation will be further discussed in this paper, with a more specific analysis of how the United Kingdom utilises its multi-bi aid as a form of bilateral aid. The very reasons can at times improve aid effectiveness, allow additional funding to recipient countries, or enlarge the scope of activities of multilateral organisations. However, there are also concerns related to multi-

² Reinsberg, B., Michaelowa, K., & Eichenauer, V. Z. (2015), The rise of multi-bi aid and the proliferation of trust funds. In: Mak, A. (Ed.). *Handbook on the Economics of Foreign Aid*. Edward Elgar, p.3

³ OECD (2011), DAC Report on Multilateral Aid, p.25

bi aid which are also valid and call for various restructuring of donor strategies and procedural reforms of multilateral organisations. This thesis will draw an overall picture of multi-bi aid and then focus on the donor's perspective, specifically the UK as a case study, of giving this specific type of aid.

1.2 Significance of the United Kingdom study

In the United Kingdom, the term “value for money” was coined to measure the effectiveness of aid, as the UK Department of International Development (DFID) defines “we maximise the impact of each pound spent to improve poor people’s lives.”⁴ With this slogan in place, the Coalition government of 2010-2014 pledged to reach the UN recommended 0.7 percent official ODA/GNI⁵ target, and at the same time foreign aid has also vigorously advocated for UK’s best interest. Comprehensive reports of multilateral and bilateral aid have been published, and the assessment results have strongly influenced all forms of aid.

As the main analysis will show, the UK is an interesting case study to cover, since the new value for money principle has strongly influenced all types of UK aid and their respective aid policies. The term ‘strategically’ in the thesis title was coined with the UK in mind, since they are strategically positioning multi-bi aid to make the most out of the aid system, conjoining both the bilateral and multilateral aid system. By combining the results of aid statistics and various UK aid standards, the analysis will show how UK is strategically using multi-bi aid and this study will be able to draw out lessons for other

⁴ DFID (2011), "DFID's Approach to Value for Money (VfM)", Department for International Development, July 2011

⁵ Official Development Assistance/ Gross National Income

donor countries.

1.3 Definition of Terms

In addition to the definition given above, the general understanding of multi-bi aid is that donor governments use multi-bi aid to target their foreign aid to specific countries and development priorities, while in contrast to bilateral aid, delegating responsibility for its management and implementation to the multilateral organisations. Other terms interchangeable with multi-bi aid are *earmarked voluntary contributions* to multilateral organisations and *non-core aid*. They have been labelled multi-bi aid since they show characteristics of both bilateral and multilateral aid.⁶

⁶ Eichenauer, V. and Hug, S., (2014), "*The politics of special purpose trust funds*", Paper prepared for the European Public Choice Conference 2014, p.4

Chapter 2: Literature Review

2.1 Theoretical approaches

The theoretical approach of this thesis explores two theories: Multilateralism and Realism. The theory of multilateralism draws upon the utilisation of the multilateral system and explains the advantages of multilateral aid. However, multi-bi aid consists of two aspects, multilateral and bilateral. The realist perspective is brought in to explain the bilateral part of multi-bi aid. Since multi-bi aid is counted as bilateral aid, it is fitting to look at it closely from the donor perspective. Thus, realism also plays a part since the individual country's strategic concerns are more embedded in multi-bi aid compared to multilateral aid, making the realist prospect equally strong.

Along with the theoretical framework, the literature review is categorised into three main parts: The different perspectives of the donor, multilateral organisation and the recipient. This categorisation frames the many academic literature and reports issued by multilateral organisations or aid agencies such as the Organisation for Economic Cooperation and Development, Development Assistance Committee (OECD DAC), World Bank Group, Korea International Cooperation Agency (KOICA), amongst others. It is difficult to define the absolute advantages and downsides of multi-bi aid since an advantage for the donor country can be a downside for the receiving multilateral organisation. Thus it is important to distinguish the perspective of each party. The following literature review will be able to provide the general landscape for multi-bi aid within the aid system.

2.1.1 Multilateralism

Multilateralism is based on the idea that international cooperation for managing conflict is more effective when a broad consensus among states is reached in the international system.⁷ Ruggie (1993) defines, “what is distinctive about multilateralism is not merely that it coordinates national policies in groups of three or more states... but additionally, multilateralism indicates coordination of national policies on the basis of certain principles of ordering relations among those states.”⁸ This is the broad meaning it holds in international politics. Furthermore, the meaning of multilateralism is the basic core for the creation of many international organisations such as the UN, Bretton Woods institutions, and the World Trade Organisation (WTO). In the context of development, multilateralism refers to the role and use of multilateral organisation to implement developmental work.

When donor countries make the decision to give multilateral aid, there can be several underlying motivations. Milner (2006) writes about the ‘surprising’ phenomenon of donor countries delegating aid to multilateral organisations because it reduces a country's control over its own foreign policy and has the potential to increase “principal-agent problems associated with all spending programs”.⁹ Martens et al. (2002) phrases the question most understandably: “Foreign aid, whether bilateral or multilateral, features

⁷ McLean, I., and McMillan A., ed. (2009), *The Concise Oxford Dictionary of Politics*, Third Edition, Oxford University Press: Oxford

⁸ Ruggie, J. G. (1993), *Multilateralism Matters: The Theory and Praxis of an Institutional Form*, Columbia University Press: New York, p.7

⁹ Milner, H. (2006), Why multilateralism? Foreign aid and domestic principal-agent problems. In: Darren G. Hawkins et al. (eds.) *Delegation and Agency in International Organizations*, Cambridge University Press: Cambridge, p.107

long chains of delegation that cross national boundaries, why should donors add one more link to this long chain: the decision to coordinate and implement policies through an international institution, rather than directly with the foreign country.”¹⁰ Two main motivations for giving multilateral aid instead of bilateral aid is the ‘satisfaction of recipient needs or of donor political goals’.¹¹ In an alternative world, the former may be given priority, however in the current development arena, the latter is a more realistic answer.

The second reason is public perception. Public opinion is generally thought to act as a broad constraint on democratic governments; governments do not want to be seen as “out of step” with their publics.¹² When the public are favourable towards aid policies, bilateral aid may be increased as it is ultimately the form of aid where most influence can be shown. However, when public sentiment is weak for the giving of aid, multilateral aid may be increased. This is the theory proposed by Milner. The public are generally reluctant to give their tax money for aid when it is controlled by their own government due to trust issues. But since multilateral aid organisations tend to have good reputations, giving aid on a more needs-based approach which cannot be directly controlled by any government, it results in the public placing more trust in them in giving higher quality aid. Regarding aid quality, Hoadley (1980) writes about the four quality targets for DAC donor countries.

First, grants are preferred to loans; roughly 84 percent of ODA is supposed to be grants, instead of loans. Second, DAC members should give at least 90 percent of this grant aid

¹⁰ Martens et al. 2002, in Milner, H. and Tingley, D. (2012), The choice for multilateralism: Foreign aid and American foreign policy, *The Review of International Organizations* 8(3), p.314

¹¹ Milner, H. (2006), Why multilateralism? Foreign aid and domestic principal-agent problems, in Darren G. Hawkins et al. (eds.) *Delegation and Agency in International Organizations*, p.108

¹² Milner, H. and Tingley, D. (2012), The choice for multilateralism: Foreign aid and American foreign policy, p.315

to the worst off countries. Third, donors should give less aid that is tied to donor purchases. Last, aid should be given mostly to the very poorest countries to ensure that it is humanitarian aid.¹³

These targets point to the direction that aid should be ‘less political, less commercial, and based more towards humanitarian and recipient needs’.¹⁴ Literature suggests that multilateral organisations are more capable of carrying out aid projects based on the above criteria compared to bilateral aid. Not only this, but in general, it is found that the public also prefers aid that is humanitarian to aid that is political. Lumsdaine (1993) points out, "Publics when asked consistently said aid should go to needy countries that would use it well rather than being used to promote narrow national interest."¹⁵ And a more recent survey (McDonnell, et al. 2003) points out that, "In most cases, the overwhelming [public] support for foreign aid is based upon the perception that it will be spent on remedying humanitarian crises."¹⁶

Other possible reasons for the gain of delegating to multilateral organisations is burden sharing. Through pooled resources from different donors, “the costs of the provision of collective public goods can be shared among countries”.¹⁷ Regarding public goods, the danger is that if states are making decisions, there is a likelihood of shortage of provision as some states can try to free ride on the efforts of others. Multilateral organisations have “the ability to overcome such collective action problems and provide greater amounts of

¹³ Hoadley (1980), Small states as aid donors. *International Organization*, 34, p.132, quoted in Milner, H. (2006), Why multilateralism? Foreign aid and domestic principal-agent problems, p.117

¹⁴ Milner, H. (2006), Why multilateralism? Foreign aid and domestic principal-agent problems, in Darren G. Hawkins et al. (eds.) *Delegation and Agency in International Organizations*, p.117

¹⁵ Lumsdaine, D. (1993), *Moral Vision in International Politics: The Foreign Aid Regime 1949-1989*, Princeton University Press, Princeton, p.43

¹⁶ McDonnell, et al. (2003), in Milner, H. (2006), Why multilateralism? Foreign aid and domestic principal-agent problems, p. 118

¹⁷ Milner, H. and Tingley, D. (2012), The choice for multilateralism: Foreign aid and American foreign policy, p.317

public goods (such as poverty or disease reduction) for more countries”.¹⁸

Milner goes on to explain the two advantages associated with multilateral aid. The first is information.¹⁹ Individual donors lack comprehensive information and it is assumed that multilateral agencies are better at providing information. The second benefit is in the interaction of multilateral organisations with recipient countries since it is less politicised than that of donor countries and recipients.²⁰ In the decision making process of deciding how much of aid goes to which countries and which organisations, domestic politics arise as the decisions are not only made by aid experts, but also politicians and bureaucrats. Politicisation of aid inevitably occurs which can be detrimental to the purpose of giving aid.

With these advantages, it would seem to be the case that multilateral aid would be the most preferable, but still bilateral aid is still the most dominant form of aid.²¹ From this we can conclude that multilateral aid is utilised only under certain conditions. Therefore, multi-bi aid, it would seem, is not in the interest of recipients, although in the process, it could possibly be an unintentional outcome. Instead, from Milner, we can conclude that donor interests are put first when multilateral aid is given, and especially in the form of multi-bi aid, which takes the expertise of multilateral organisation, but under the terms of the donor.

2.1.2 Realism

¹⁸ Ibid.

¹⁹ Milner, H. (2006), *Why Multilateralism, Foreign aid and domestic principal-agent problems*, p.109

²⁰ Ibid.

²¹ Ibid. p. 110

The theory of multilateralism is persuasive in explaining the need and usage of the multilateral system, but it alone cannot fully explain the emergence of multi-bi aid since as bilateral aid, donor interests and strategies can be seen to be embedded. This part of the paper will discuss the traditional assumptions of realism and give an explanation to its relevance in the aid system by applying factors from the theory of realism. Realism seeks to explain the interests, motives and actions of the state, and the theoretical elements will assist in answering the research question.

Realism in the traditional sense refers to several key assumptions:²²

- World politics exists and operates in an international anarchy
- The state is the dominant actor in world politics
- National security and state survival is most important

The realist thought is that the human nature preoccupies humans with their own well-being, and they do not wish to be taken advantage of.²³ Also, international politics are portrayed as ‘power politics’: An arena of conflict and war between states in which the same basic problems of defending the national interest and ensuring the survival of the state repeat themselves continuously.²⁴ Furthermore, structural realists believe that this struggle for survival, security and power creates a zero-sum game; states regard themselves relative to other states in terms of power, security and wealth and always seek to maximise their own gains.²⁵ The continuous appearance of the term ‘national interest’ is the very essence of realism and essentially leads state leaders in their foreign political

²² Donnelly, J. (2008), "The Ethics of Realism", in Christian Reus-Smit, Duncan Snidal (eds.), *The Oxford Handbook of International Relations*, Oxford University Press, 2008, p.150, and Jackson, R. and Sørensen, G. (2010), *Introduction to International Relations*, Oxford University Press, p.59

²³ Jackson, R. and Sørensen, G. (2010), *Introduction to International Relations*, p.59

²⁴ Ibid.

²⁵ Cohn, H. (2008), *Global political economy: Theory and practice*, New York: Longman, p.52

decisions. Thus, state actions are a consequence of national interest and the international structures.²⁶

National interest is what is emphasised when utilising this theory for the background of understanding of the motivations of multi-bi aid. All other actors in world politics, individuals, international organisations, NGOs, are far less important or unimportant. The main point in foreign policy is to project and defend the interests of the state in world politics.²⁷ As states are the main unit of importance, they wish to take advantage of other states and entities, in this case, multilateral organisations, and multi-bi aid is indeed laying down the platform for national interest to be pursued in the activities of international organisations.

Morgenthau's theory on realism well represents the motives of national self-interest that translates into multi-bi aid.

Self-interest is a basic fact of the human condition: all people have an interest at a minimum in their own security and survival. Politics is the arena for the expression of those interest which are bound to come into conflict sooner or later. International politics is an arena of conflicting state interests. But interests are not fixed: the world is in flux and interests change over time and over space. Realism is a doctrine that responds to the fact of a changing political reality.²⁸

Self-interest is shown through keeping the element of bilateral aid within multi-bi aid, and indeed, conflicting interests can be seen through the struggle of donors and multilateral organisations. An advantage for one side can be easily translated into a

²⁶ Jackson, R. and Sørensen, G. (2010), *Introduction to International Relations*, p.74

²⁷ Jackson, R. and Sørensen, G. (2010), *Introduction to International Relations*, p.59

²⁸ Ibid. p.69

disadvantage for the other. To realists, strategic concerns such as national security and self-preservation, are the focus for foreign aid policies. Thus, "foreign aid is perceived as only minimally related to recipient economic development and the humanitarian needs of recipient countries are downplayed".²⁹ In danger, from the development perspective, realist scholars would expect countries in more humanitarian need to be neglected by donor countries if the recipient countries cannot also provide significant gain.

An article by McKinlay (1979), discusses aid policies in the context of foreign policies. It is his argument that the 'humanitarian or welfare interpretation of aid has increasingly come under attack', and furthermore goes on to explain that the United States, the United Kingdom, France and Germany based their aid policies on national interest rather than humanitarian needs in the period of 1960-70. The author writes,

First, it is clear that the amounts of aid received by low-income countries are not proportional to their economic and welfare needs. Second, the major donors have largely retained their aid programmes under bilateral control. Third, it is now generally acknowledged that aid provides the donor with an element of control or leverage over the recipient.³⁰

This view assesses the utility of aid more from the perspective of the donor than the recipient, and "sees aid essentially as a means whereby the donor can pursue its own foreign policy interests".³¹ For the United States, their major interests underlying the commitment of aid was influenced in the "power capabilities of population and

²⁹ Schraeder, P., Hook, S., and Taylor, B. (1998), "Clarifying the Foreign Aid Puzzle: A Comparison of American, Japanese, French, and Swedish Aid Flows." *World Politics* 50(2), p.296

³⁰ McKinlay, R. (1979), *The Aid Relationship: A Foreign Policy Model and Interpretation of the Distributions of Official Bilateral Economic Aid of the United States, the United Kingdom, France, and Germany, 1960–1970*, *Comparative Political Studies* 11(4), p.412

³¹ *Ibid.*

military resources” of the recipient country.³² For the United Kingdom, their principle factors consisted of the “overseas economic and security interests of trade share, security, and former colonial ties.”³³ The author suggests that these factors pointed towards “defining a British sphere of influence”, reflecting their own national interests.³⁴ Scholars agreeing with this thought of chain would argue that aid is given only when it agrees with national interests.

Therefore, discussing elements of realism and taking factors of national interest into account, the focus of the donor perspective is looked at from another angle. The argument of this theory lays the foundations for the reasons and actions for certain state behaviour using the key assumptions. Together with the theory of multilateralism, the theoretical layout gives an adequate introduction to the research questions of why donors opt for multi-bi aid. With the advantages of multilateralism combined with the advantages of bilateral aid, which is pursued by a certain degree of state interest, we see the emergence of the hybrid multi-bi aid, where donors can ‘have it all’.

2.2 Different perspectives of multi-bi aid

Aid in general can have different meanings and understandings from the party that gives aid, to the party that receives aid. Bilateral and multilateral aid has various strengths and weaknesses alone; however, when the two forms of aid are combined, a new set of perspectives are created. The literature review expands into three parts to cover the

³² Ibid. p.418

³³ Ibid. p.435

³⁴ McKinlay, R. (1979), The Aid Relationship: A Foreign Policy Model and Interpretation of the Distributions of Official Bilateral Economic Aid of the United States, the United Kingdom, France, and Germany, 1960–1970, *Comparative Political Studies* 11(4), p.435

different perspectives of donors, multilateral organisations, and recipient countries. An advantage for one side, may be a disadvantage for the other, and in some cases, multi-bi aid can outstrip the advantages of both traditional forms of aid. The three perspectives are illustrated in the table below.

Table 1. Advantages and disadvantages of non-core multilateral aid (multi-bi ODA)

Perspective of	Advantages	Disadvantages
Recipient country	<ul style="list-style-type: none"> - Trust fund steering committee may offer more representative governance arrangements for partner countries than organisation's Board. - Enhanced harmonisation among donors, especially where it replaces parallel bilateral initiatives. 	<ul style="list-style-type: none"> - Trust fund steering committee may offer less representative governance arrangements for partner countries than organisation's Board. - Blurred lines of accountability in disbursement
Multilateral organisation	<ul style="list-style-type: none"> - Increases overall resource envelope of the organisation - If multi-donor, preferable to multiple parallel initiatives - For specific, critical and time-bound purposes, preferable to the creation of a new organisation 	<ul style="list-style-type: none"> - Hollows out governance, bypasses Board decisions - Increases transactions costs (including reporting) - May conflict with the organisation's core policies or strategy
Bilateral donor	<ul style="list-style-type: none"> - Ability to focus on specific sectors, regions, countries (including fragile states) where multilaterals have more expertise or a stronger presence to complement bilateral programming. - Can make contributions more visible - Can circumvent onerous Board decisions - "Pilot" for setting up stand-alone funds or organisations 	<ul style="list-style-type: none"> - Core contributions from donors may subsidise non-core funds' administrative costs - "Multilateralisation" of bilateral aid

Source: OECD (2011), DAC Report on Multilateral Aid, p.29

From the donor's point of view, giving multi-bi aid allows it to "target resources to specific sectors, regions or countries of interest", with increased visibility for reasons

such as mobilising and maintaining public resources for development.³⁵ From a multilateral organisation's perspective, a concerning disadvantage in receiving non-core aid is the danger of shifting its portfolio of activities. Core funding allows multilateral organisations to perform to its strength and multi-bi aid has the potential to disrupt this balance. Additionally increased transaction costs of monitoring and reporting can impose another burden for multilaterals.

Finally, from the recipient's point of view, the administrative arrangements of multi-bi aid may offer less voice to recipient countries in the decision-making process.³⁶ Also pointed out in Table 1 is the concern for the 'blurred lines of accountability'. When there are two donors involved, who takes the final responsibility for the outcome of a multi-bi project? These questions are among the many that recipient countries need to ask when engaging in multi-bi aid schemes. However despite concerns, multi-bi aid may increase the overall amount of aid flow for the recipient country allowing for a wider range of development activities.

2.2.1 Multi-bi aid: Donor perspective

As the theory of multilateralism and realism suggest, the donor perspective is strongly driven by self-interest, which in this case would be the strategy of using multi-bi aid from the perspective of national interest. National interest in this context can be defined in different forms: Utilising aid as a tool to assist foreign policies to influence recipient countries, protecting national security, and securing international reputation, among

³⁵ OECD (2010), *DAC Report on Multilateral Aid*, p.11

³⁶ OECD (2010), *DAC Report on Multilateral Aid*, p.11

others. The literature looks at multilateral aid from the donor's perspectives in various ways. First, there is the view that there are certain strengths unique to multilateral organisations, and donors utilise them to deliver their aid more effectively. On the other hand, multi-bi aid can also be strategically used to overcome structural problems of the multilateral system. Donor interest and goals can also motivate multi-bi aid in the form of scaling up bilateral aid programmes, or to achieve global goals such as the MDGs. Finally, visibility and tracking is another reason for multi-bi aid as donors cannot track the use of core aid once it is pooled into the total funding of multilateral organisations.³⁷ Below is a list of the main reasons that can be assumed from OECD reports and various policy papers for giving multi-bi aid.

Table 2. Reasons for giving multi-bi aid by donors

<ul style="list-style-type: none"> • Politically sensitive and therefore unable to provide bilateral aid • Strategies of donor country and alignment of focus area • To supplement donor country's bilateral aid project • Scale-up of previously successful projects • When difficult to try new bilateral projects or when the scale of the project is large and the donor country wishes to do a test project with a multilateral organisation
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Source: Combined from OECD Reports

As mentioned in the theory of multilateralism, public perception is known to influence the government when deciding to give between bilateral and multilateral aid. The public are aware of the strengths that multilateral organisations have and thus hold an image of trustworthiness. Linked to this kind of branding of aid, by funding through multilateral organisations, donors are under constant pressure to produce positive results to taxpayers. From another angle, if donors acknowledge weaknesses in their own bilateral aid projects, for better results, donor may give multi-bi aid instead of bilateral aid. Without expert

³⁷ OECD (2011), *DAC Report on Multilateral Aid*, p.28

knowledge of a certain field, it is can be beneficial to take advantage of the expertise and experience of the multilateral system. Below are some of the reasons DAC countries quote as advantages for working with multilateral organisations. The advantages include the know-how of multilateral organisations, political neutrality, and reduction of burden for donors, compared with bilateral aid. The priorities in engaging with multilaterals suggest the sectors in which multilateral organisations perform particularly well in.

Table 3. Advantages of and priorities for engaging with multilateral agencies

Advantages of engaging with multilateral agencies	Priorities in engaging with multilateral agencies
<ul style="list-style-type: none"> • Economies of scale • Global governance – setting global development principles and standards • Political neutrality and legitimacy • Abundant resources – capital and know how • Providing advisory and technical assistance • Low transaction costs • Providing public goods 	<ul style="list-style-type: none"> • Effectiveness and efficiency • Achievement of MDGs – especially poverty reduction • Fragile states • Humanitarian crisis • Health – especially HIV/AIDS • Food security • Climate change/environment • Gender equality • Education

Source: OECD (2008), DAC Report on Multilateral Aid, p.34

Other than the reasons mentioned in Table 3, a recent DAC survey showed that the main reason for giving multi-bi aid was “the influence that donors get over multilateral organisations.”³⁸ In the spectrum of donor interests, this can be seen to be a more ‘selfish’ side to multilateral funding. However, at times where core aid is not visible to donors and donors feel that there are inefficiencies in the operations of multilaterals, donors may opt to give multi-bi aid to influence multilateral organisations on their own terms. In other

³⁸ Reinsberg, B., Michaelowa, K., & Eichenauer, V. Z. (2015), The rise of multi-bi aid and the proliferation of trust funds, p.6

words, multi-bi aid can fill in the gap in the multilateral system.³⁹ This type of motivation can be seen as an attempt to overcome the governance and structural problems, or performance issues of multilateral organisations. Again, this can be linked to aid effectiveness since, if multi-bi aid is given for this reason, then it means the donor has prioritised positive outcomes over the donor's personal gains that could have been achieved through bilateral aid.⁴⁰

The scale up of bilateral projects can be another reason since it may be difficult to allocate further amounts of aid from the donor, therefore collaborating with multilateral organisations to carry on with well-working bilateral projects. As stated in the introduction, global consensus and global agendas such as the MDGs can prioritise certain goals amongst others. The rise of multi-bi aid itself is seen to coincide with the appearance of the MDGs, as donors scrambled to make efforts in these internationally acknowledged goals with multi-bi aid, which is counted as bilateral aid by the OECD DAC.

Ultimately, since the funding is sourced from the donor country, multi-bi aid has a tendency to have a strong donor-oriented perspective. The literature deals heavily in this direction compared to the perspective of multilaterals or recipients. However, as discussed in the next section, not all motivations are in the interest of donors; multi-bi funding can also benefit multilateral organisations.

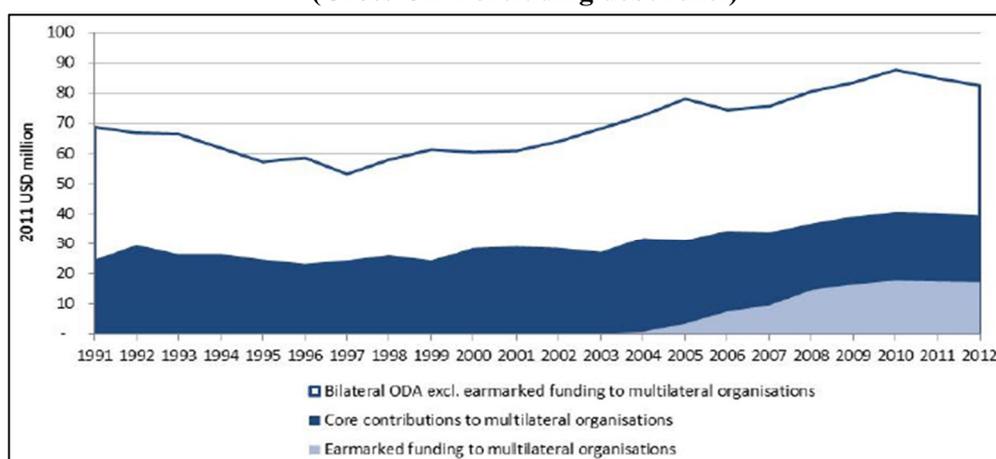
³⁹ IEG (2011), *Trust Fund Support for Development: An Evaluation of the World Bank's Trust Fund Portfolio*, Washington, DC: Independent Evaluation Group, the World Bank Group, p.5

⁴⁰ OECD (2014), *Making earmarked funding more effective: Current practices and a way forward*, Report Number 1, OECD Development Co-operation Directorate, p.10

2.2.2 Multi-bi aid: Multilateral perspective

Multilateral organisations operate on the combination of core and non-core aid (multi-bi aid). Core aid is the basis on which multilateral organisations operate; it covers their expenses of main activities and administrative costs. The growing concern is the trend in the supply of multi-bi aid to multilateral organisations. The multilateral aid report from the OECD finds that the supply of non-core funds is ‘shifting its overall balance of activities’. This could be truer for multilateral organisations whose funding portfolio has a higher amount of non-core aid, such as the United Nations Development Programme (UNDP), whose reliance on multi-bi aid had a dependency rate of around 77 percent.⁴¹ But this is not the sole concern of one multilateral; Figure 1 shows the rapid increase of multi-bi aid to multilateral organisations in recent years (light blue area).

**Figure 1. Evolution of ODA components from 2000 to 2012
(Gross ODA excluding debt relief)**



Source: OECD (2014), Making earmarked funding more effective: Current practices and a way forward, p.8

The worrying factor is that these earmarked resources bring about higher transaction

⁴¹ OECD (2010), *DAC Report on Multilateral Aid*, p.45

costs for multilateral organisations due to the additional monitoring and reporting requirements that is needed to follow up on multi-bi aid projects. In detail, at times, it comes to the situation where core funding is subsidising the activities of non-core funding projects.⁴² A UN report also writes that multi-bi aid projects make it difficult to pursue the strategic objectives of individual multilateral organisations.⁴³

The concern for multilateral organisations is the fact that the supply of non-core aid may outstrip core aid. With the increase in earmarked aid, this trend may decrease core aid which is vital for the foundation and survival for multilateral institutions. The ‘market share’ of multilaterals, consisting of both core and non-core aid, the total inflow of funding to multilateral organisations, increased from 37 percent (USD 47 billion) in 2007 to 40 percent (USD 51 billion) in 2009, the highest in recent years. This is a historically high number of the amount of ODA channelled to and through multilaterals.⁴⁴ One reason given for this phenomenon is the increase in multi-bi funding to global partnerships and trust funds. With a handful of exceptions, the core aid of multilaterals has slowly decreased: Core contributions as a share of total ODA fell to a low of 28 percent in 2009 from a peak of 33 percent in 2001. This means that the increased amount of aid to multilaterals is not due to core funding but multi-bi funding, as explained in the recent reports by the OECD.⁴⁵

However, according to research by Reinsberg and Michaelowa (2014), multi-bi aid does not necessarily mean that traditional aid is being replaced. Rather, the authors note

⁴² OECD (2014), *Making earmarked funding more effective: Current practices and a way forward*, p.25

⁴³ UN (2012), *Analysis of funding of operational activities for development of the United Nations system for the year 2010*, Report of the Secretary-General, Development Cooperation Policy Branch, Office for ECOSOC Support and Coordination, Department of Economic and Social Affairs, United Nations, p.49

⁴⁴ OECD (2011), *DAC Multilateral Aid Report*, p.25

⁴⁵ *Ibid.* p.26

that multi-bi aid and multilateral aid is seen to be in a complementary relationship, since the overall amount of multilateral aid has increased. It is suggested that “multi-bi aid expedites the positive growth trend of multilateral aid”.⁴⁶ Since multi-bi aid is counted as bilateral aid, it is also the opinion of the World Bank that multi-bi aid is likely to be complementary rather than competing with multilateral channels.⁴⁷ Overall, the “positive relationship between multi-bi and traditional forms of aid is driven by the trend-effect, by the association of multi-bi aid with a higher growth in traditional aid types, significantly for multilateral aid.”⁴⁸ But this is one view of multi-bi and further studies are needed to support this claim.

Related to the concern of rising multi-bi aid, in large, the international community calls for the reduction of multi-bi aid. Various governing bodies have called for donor countries to shift their contributions from non-core to core. But multilateral organisations are aware that the shift is not straight forward. As much as the operations and priorities of multilateral organisations have become more complex over the decades, so have those of donor countries.⁴⁹ Multi-bi funds can be utilised as a single project or be pooled for multi-donor funds. As it will be unlikely to cut multi-bi aid projects completely, from the multilaterals perspective, having a handful of multi-donor trust funds is better than having each individual donor set up their own multi-bi aid project in duplicating areas.⁵⁰ On the effort of multilaterals, the World Bank has been reforming their funding pool and recently

⁴⁶ Reinsberg, B., Michaelowa, K., & Eichenauer, V. Z. (2015), *The rise of multi-bi aid and the proliferation of trust funds*, p.22

⁴⁷ IEG (2011), *Trust Fund Support for Development: An Evaluation of the World Bank's Trust Fund Portfolio*, p.xv

⁴⁸ Reinsberg, B., Michaelowa, K., & Eichenauer, V. Z. (2015), *The rise of multi-bi aid and the proliferation of trust funds*, p.22

⁴⁹ UN (2012), *Analysis of funding of operational activities for development of the United Nations system for the year 2010*, Report of the Secretary-General, p.40-41

⁵⁰ OECD definition of multi-bi aid includes earmarked contributions to trust funds, joint programmes, and specific activities within a country programme. (OECD 2012)

have been successful in closing single donor trust funds and shifting them to multi-donor trust funds; 30 percent to 50 percent from five years ago.⁵¹

Agencies such as the World Bank are also trying to ‘match donor interest with Bank priorities’ to better utilise the funds. While this may be bad news for donors, from the Bank’s perspective, taking on multi-bi aid conditioned to match their own priorities and interests, allows them to make use of their expertise in familiar areas. Logically, the outcome of these funding projects will be better and an advantage to all three parties: The donor country, implementing agency and the recipient, increasing aid effectiveness. This strategic alignment could also be seen as a tactical move from the multilateral organisation’s point of view. With the right emphasis and planning, multilateral agencies are able to transform multi-bi projects as an extension of their own projects and for successful cases, are able to take credit for outcomes.

Lastly, as an advantage, multi-bi aid increases the overall portfolio of resources available to multilateral institutions, allowing them to engage in a wider range of activities which might not have occurred without the extension of non-core funding.⁵² This fact is widely recognised within the multilateral organisations themselves. Multi-bi funding has allowed for an expansion of the portfolio of projects for UN agencies and the World Bank Group (WBG). For the UN, this has meant that activities have reached out further than their standard goals, and for the WBG, it has funded countries where funding was previously unavailable.⁵³

⁵¹ OECD (2014), *Making earmarked funding more effective: Current practices and a way forward*, p.30

⁵² OECD (2010), *DAC Report on Multilateral Aid*, p.11

⁵³ OECD (2014), *Making earmarked funding more effective: Current practices and a way forward*, p.24

2.2.3 Multi-bi aid: Recipient perspective

Since multi-bi aid focuses on the giving party (donor country) and the receiving party (multilateral organisation), the recipient perspective is difficult to assess, hence the difficulty in finding previous literature. Nonetheless, a few assumptions of the positive and negative aspects of multi-bi aid can be given from their perspective.

As a positive fact, multi-bi aid can increase the total aid flow to the recipient country as a form of both bilateral aid and multilateral funding. More opportunities may arise from this enhanced portfolio of funds, and multi-bi aid can bring more aid into the country than would have otherwise have been given. It can draw out a win-win situation for all three parties in the case where for non-sovereign states, multilateral organisations do not have the means to give loans or grants, or when donor countries have difficulty in taking the risk of giving bilateral aid. In such cases multi-bi aid can solve both problems by taking on joint responsibility through multi-bi funding.⁵⁴ As mentioned above, the World Bank has been taking steps to shift its single multi-bi project into multi-donor projects. In their perspective it can be better manageable to handle less multi-bi aid projects with many donors, and tie similar projects and similar interests of donors together for both effectiveness and efficiency. It can be seen to be the same with recipients. Rather than different donors coming in with multiple aid projects, whether they are bilateral or multilateral, with multi-bi projects, recipients can benefit from better coordination and harmonisation of donors.⁵⁵ Also considered to be an advantage of multi-bi projects, since it is earmarked specifically to individual sectors or countries, multi-bi aid is well adapted to match country situations which in turn can result in better managed aid projects and

⁵⁴ IEG (2011), *Trust Fund Support for Development: An Evaluation of the World Bank's Trust Fund Portfolio*, p.7

⁵⁵ Ibid. p.8

increase aid effectiveness in general.⁵⁶

However, as a negative aspect, the fact that aid is targeted and reflects donor interests may leave some developing countries in the blind spot. Bilateral aid is increasingly given based on the donor country's political and economic interests, and this in turn can create "aid orphans" if donors give aid too selectively.⁵⁷ Donors frequently cite the scale-up of existing projects as a reason to expand and give multi-bi aid, which means that most of the time, multi-bi aid is highly likely to flow into recipient countries which are already partner countries.

Further to this, multi-bi aid may worsen the situation with more targeted instructions to multilateral organisations. With multi-bi aid projects, the specific Terms of Reference (ToR) are vital in the implementing phases of the project. As the ToR lays out the foundations of which party has certain decision-making powers, recipient parties are often left out of this process (Table 1). The governance arrangements of earmarked funds may offer less voice to partner countries in the decision-making process, limiting their power.⁵⁸ Since the trend of top-down approaches are winding down and local ownership is being recognised as a key factor in the success of development procedures, this arrangement may be detrimental to the overall development process.

With these various advantages and disadvantages for recipient countries, it is difficult for recipient countries to take action in improving their stance in multi-bi aid funded schemes, especially since the ToR are usually discussed with little input from the recipient countries and are dominated by the donors and the implementing multilateral.

⁵⁶ Ibid. p.41

⁵⁷ OECD (2013), *Identification and Monitoring of potentially under-aided countries*. Report, updated for the conference "Fragmentation or Pluralism" hosted by the German Development Institute in October 2013

⁵⁸ OECD (2010), *DAC Multilateral Aid Report*, p.11

Despite this, recipient countries should not by-stand as these projects come into place; rather they should take an active role in assuring that local needs and standards are met, so that their voice will be better heard for future projects to come.

2.3 Concerns with multi-bi aid

With a vast amount of literature discussing the overall benefits and downsides of multi-bi aid for the perspective of donors, multilateral organisations and recipient countries, the literature on multi-bi aid still points out a number of concerns on this alternative type of ‘hybrid’ aid. Concerns that all three parties should be aware of and should be conscious to improve will be dealt in this short section.

Firstly, there are consequences for aid effectiveness. Both donors and multilateral organisations should consider factors such as, to what extent do donor-defined objectives reflect recipients’ needs? How well do they integrate with countries’ own programmes and with core multilateral aid? To what extent do multi-bi aid projects truly complement traditional bilateral and multilateral aid channels?⁵⁹ These are the several issues and challenges that the World Bank has reported in pursuing multi-bi funds. Indeed if multi-bi aid starts to become an independent and separate channel of aid, without consideration for the above questions, it may not be a sustainable type. All aid, whatever their form, should be complementary to achieve aid effectiveness in all parts of the process, from funding to implementation.

Accountability can be lost in the process of multi-bi aid implementation. As mentioned previously in the theory of multilateralism, accountability can be an uncertain aspect

⁵⁹ IEG (2011), *Trust Fund Support for Development: An Evaluation of the World Bank's Trust Fund Portfolio*, p.vii

when dealing with multi-bi aid projects. Lindberg (2009) gives the definition of accountability as, “when decision-making power is transferred from a principal to an agent, there must be a mechanism in place for holding the agent to account for their decision of power”.⁶⁰ In the case of multi-bi aid, this principal agent is easily threatened since there are two ‘donors’ are involved. As Mill (1861) describes, “responsibility is null and void when nobody knows who is responsible... there must be one person who receives the whole praise of what is well done, the whole blame of what is ill”.⁶¹ When the evaluation of a multi-bi aid project is viewed positively, the praise can be taken by both donor and multilateral organisation. However, problems arise when the results are not so positive and then it is difficult to place blame. Is the donor to blame since they are the party to have dictated the terms as to where the aid should go? Or should the multilateral organisation be at blame, since they were the players on the ground to implement the project? The issue is naturally not so straightforward, but it raises the question of how cautious donors and multilaterals should be when planning multi-bi aid projects, to consider all parts of the development process, including the factor of accountability.

Already mentioned but multi-bi aid brings challenges to the management capacity of multilateral organisations, at times also infringing on core aid. Not only management capacity, but general creativity since multi-bi aid could limit the ability of multilateral organisations to create independent knowledge as it opens the door for donor influence.⁶² An advantage of multilateral aid is that it is less influenced by donor’s political agendas, but through multi-bi aid, donors may use it to yet impose their priorities on developing

⁶⁰ Lindberg, S. (2009), *Accountability: the core concept and its subtypes*, Africa Power and Politics Programme, Working Paper, No. 1, DFID, p.1

⁶¹ Mill, J.S. 1861/1964:332, quoted in Lindberg, S. (2009), *Accountability: the core concept and its subtypes*, Africa Power and Politics Programme, p.7

⁶² The 1818 Society (2012), *The Key Challenges Facing The World Bank President: An Independent Diagnostic*, World Bank Alumni Association, p.4

countries in a less obvious way.⁶³ For multilaterals, to keep up with certain criteria's of reporting and monitoring, multi-bi aid increases transactions costs and can possibly distort priorities.⁶⁴ Most worryingly, multi-bi funds can “erode the capacity of core funds to effectively monitor and disseminate information, which requires institutions with a sufficient degree of independence.”⁶⁵

Lastly, aid fragmentation has been discussed as a problem for both multilateral institutions and recipient countries, both being on the receiving end of funding. The increasing number of multi-bi aid programmes, especially in the form of new trust funds in itself “represent a proliferation of donors leading to an even more fragmented international development system.”⁶⁶

As discussed, the literature deals with multi-bi aid from different angles and multi-bi aid is seen to be a double-sided coin. Unpredictable to multilateral organisations, but a flexible means to donors, the majority of multi-bi aid schemes will be difficult to appease all actors involved. The literature does dwell on a general overview of multi-bi aid but since it is a donor-oriented type of aid, there are gaps to be filled on the perspective of the donor. Therefore, this thesis will continue to delve deeper into the motivations of the donor and analyse this based on a country study of the United Kingdom. This review has laid down the basic framework of existing literature and the next chapter of the analytical framework builds upon this chapter. Deeper analysis will draw out how multi-bi aid is

⁶³ Sépibus, J. (2014), *The Green Climate Fund: How attractive is it to donor countries?*, NCCR Trade Working Paper, Working Paper No 2014/19, National Centre of Competence in Research on Trade Regulation, Swiss National Science Foundation, p.8

⁶⁴ Reinsberg, B., Michaelowa, K., & Eichenauer, V. Z. (2015), *The rise of multi-bi aid and the proliferation of trust funds*, p.7

⁶⁵ Sridhar and Woods (2013), quoted in Sépibus, J. (2014), *The Green Climate Fund: How attractive is it to donor countries?*, p.8

⁶⁶ Reinsberg, B., Michaelowa, K., & Eichenauer, V. Z. (2015), *The rise of multi-bi aid and the proliferation of trust funds*, p.6

utilised by donor countries and will thus strive to contribute to the existing literature on the motivation and utilisation of multi-bi aid.

2.4 Research question

Research question: *Why do donors opt for multi-bi aid?*

The literature review is limited since the appearance of multi-bi aid is relatively short compared to traditional channels of aid. Although the general literature draws on the advantages and disadvantages of multi-bi aid, a more thorough categorisation of the underlying reasons for donors selecting multi-bi aid is needed. As mentioned, multi-bi aid is a very much donor orientated type of aid, and it is up to the donors whether this trend of increasing multi-bi aid will continue. In order to answer the research question, the following hypothesis and sub-hypotheses are set:

Hypothesis: Multi-bi aid is more effective than multilateral aid for the development priorities of the donor country

- Multi-bi aid is more effective than bilateral aid, when the organisational strengths of the multilateral organisation are utilised

- Multi-bi aid is more effective than multilateral aid, when the donor's development objectives are not reflected in the multilateral organisation's focus and organisational weaknesses exist

Within the framework of this hypothesis, several aspects can be dealt with. Differently phrased, this hypothesis is asking the question why donors give multi-bi aid instead of bilateral aid and multilateral aid. Through the hypothesis, it can be shown that there are

specific benefits of multi-bi aid compared to both kinds of aid, but with more focus on multilateral aid since fundamentally, the aid is channelled through the multilateral system. The case study of the United Kingdom will be discussed to analyse this question in detail. If it is found that the benefits of multi-bi aid are significantly greater, the potential phenomenon will be that multi-bi aid will continue to increase and become a mainstream ODA delivery channel. However, since the selection of multi-bi aid varies upon several different reasons, often the situation is that multi-bi aid is given on a case-by-case basis. In this sense, the UK is a suitable case selection to analyse, since certain rules and standards can be identified. Using the analytical framework, the analysis will focus on answering the research question, and examine what kind of lessons can be drawn for the future of multi-bi aid.

Chapter 3: Analytical framework

3.1 Overview of OECD DAC multi-bi aid structure

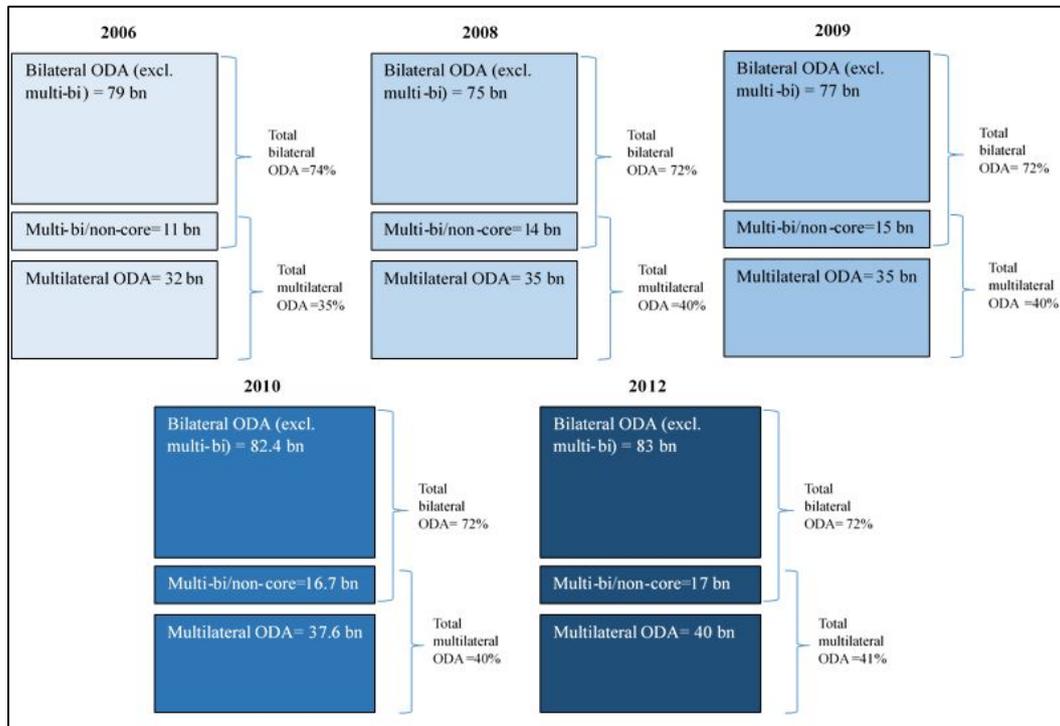
The overall flow of multilateral funding, including multi-bi aid is increasingly rising. Between 2007 and 2012, funding to multilateral organisations grew in real terms by 31 percent, and this rise is mainly due to an increase in multi-bi aid.⁶⁷ Multi-bi aid itself can be seen to be a ‘powerful method to mobilise resources’ especially when there are humanitarian emergencies or new development challenges.⁶⁸ However, following on from the concerns addressed above, an additional type of funding can create fragmentation between donors and amongst multilateral organisations themselves. Nonetheless due to the various advantages of multi-bi aid, the implications of this type of aid is mostly beneficial to the donor. Therefore this framework will build upon the motivations of the donor and analyse multi-bi aid from the perspective of the donor. The reasons why donors opt to give multi-bi aid instead of multilateral or bilateral aid are categorised into three parts, which put together, can address the research question as to why donors give multi-bi aid.

First the overview of the ODA composition of DAC countries is shown to see how much multi-bi aid takes a share of the whole aid system.

⁶⁷ OECD (2014), *Making earmarked funding more effective: Current practices and a way forward*, p.5

⁶⁸ Ibid.

**Figure 2. Gross ODA disbursements for 2006, 2008, 2009, 2010, 2012 in USD
(excluding debt relief, contributions from EU institutions)**



Source: Combined from OECD multilateral aid reports

Seen in Figure 2, from 2006 to 2012, multi-bi aid was initially at USD 11 billion in 2006 and this amount increased to USD 17 billion in 2012. While the percentage for bilateral aid is steady at 72 percent, the total percentage of multilateral ODA has slowly increased, reflecting the rise in both multilateral and multi-bi aid. Table 4 breaks down the composition of bilateral aid, multilateral aid and multi-bi aid for DAC member countries. This table was a useful indicator when selecting the case study country also, since it was important to select a country that utilised multi-bi aid actively and had a high percentage of multi-bi aid.

**Table 4. DAC members' use of the multilateral system in 2012
(Gross ODA excluding debt relief)**

Country	Bilateral Aid (%)	Multilateral aid (%)	Multi-bi aid (%)
Australia	63	15	22
Austria	36	57	7
Belgium	51	42	7
Canada	41	29	30
Czech Republic	29	70	1
Denmark	60	28	12
Finland	43	39	18
France	64	35	1
Germany	64	32	4
Greece	33	67	0
Iceland	52	19	29
Ireland	51	34	15
Italy	22	75	3
Japan	70	23	7
Korea	67	25	8
Luxembourg	56	30	14
Netherlands	56	30	14
New Zealand	73	19	8
Norway	53	25	22
Poland	29	71	0
Portugal	68	30	2
Slovak Republic	24	76	0
Spain	43	51	6
Sweden	49	31	20
Switzerland	66	20	14
United Kingdom	41	37	22
United States	69	17	14

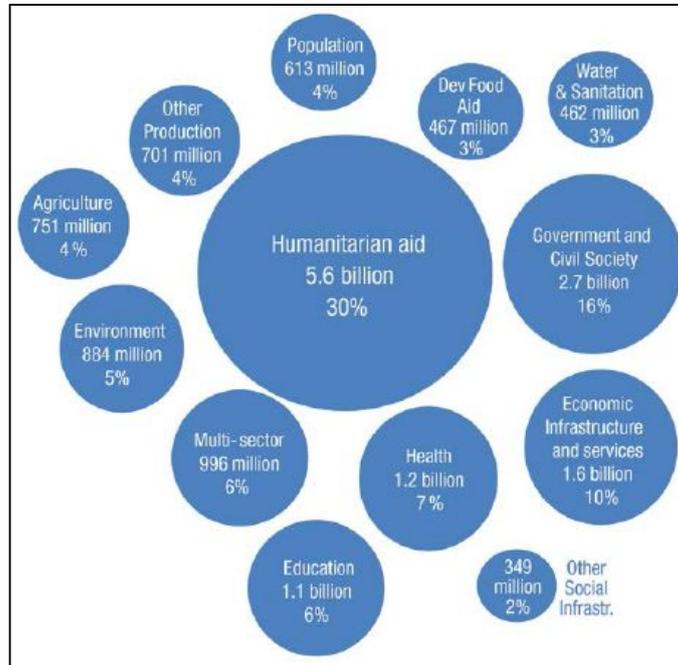
Source: OECD (2014), Making earmarked funding more effective: Current practices and a way forward, p.14

The table shows that Canada (30 percent) and Iceland (29 percent) are the top donors of multi-bi aid, and Australia, Norway, and the United Kingdom are third with 22 percent of their aid channelled as multi-bi. The rest of the DAC members vary with Greece and Poland having zero percent of multi-bi aid and other members allocating an average of approximately 9 percent of multi-bi aid.

Next is the breakdown of the sector allocation of multi-bi aid. Shortly discussed in Table 3, multilateral organisations are utilised in certain sectors more than others.

Generally speaking, these sectors are where the strengths of multilateral organisations stand out; many are cases where the reach of bilateral aid is difficult to coordinate.

Figure 3. Sector breakdown of earmarked funding from DAC members in 2012

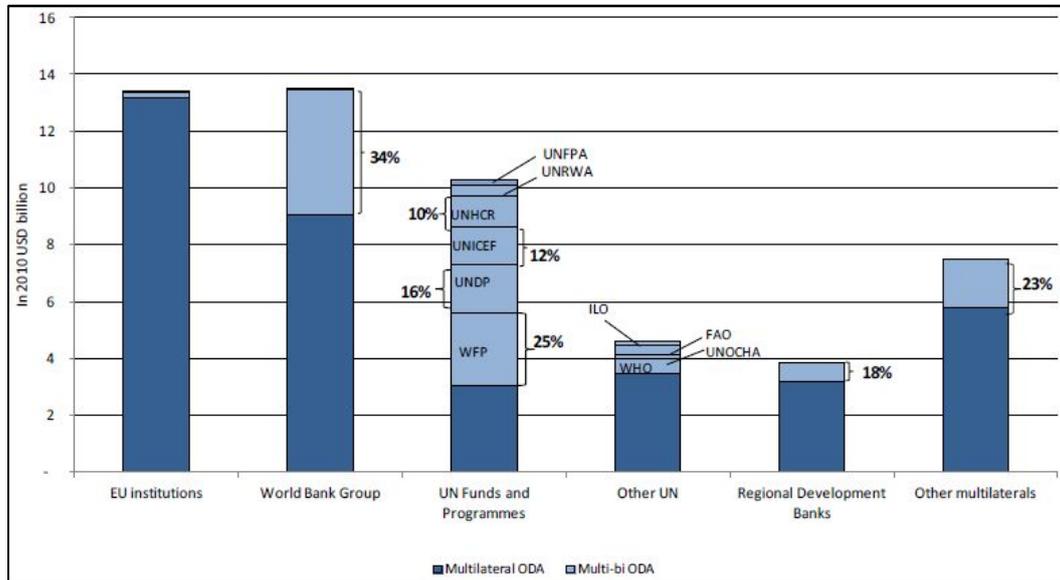


Source: OECD (2014), Making earmarked funding more effective: Current practices and a way forward, p.9

As anticipated, the humanitarian aid sector stands out, accounting for 30 percent of all multi-bi aid in 2012. When aid is given for specific humanitarian purposes but there are multiple donors, and both donors and multilateral organisations recognise the efficiency in coordinating through one channel, rather than each bilateral donor giving aid separately. Humanitarian aid includes emergency response, reconstruction relief and rehabilitation, and disaster prevention and preparedness.⁶⁹

⁶⁹ OECD (2010), *DAC Report on Multilateral Aid*, p.41

**Figure 4. Total use of the multilateral system, gross disbursements in 2009
(Excluding EU Institutions as a donor)**



Source: OECD (2013), DAC Report on Multilateral Aid, p.17

For humanitarian aid, the OECD reports point out that earmarked non-core aid is the “single most important channel of humanitarian aid.”⁷⁰ In Figure 4, the third column, UN Funds and Programmes shows the highest flow of proportion of multi-bi aid, and for funding for organisations such as the World Food Programme (WFP), their funding alone represents a quarter of the total amount of non-core humanitarian aid.

Below is a table of the main reasons why donors choose a certain type of aid delivery channel.

⁷⁰ OECD (2010), *DAC Report on Multilateral Aid*, p.12

Table 5. Criteria for selecting type of aid

Bilateral aid	<ul style="list-style-type: none"> - Bilateral aid is more closely tied to donors' interests - In many countries, specific ceilings exist with respect to multinational aid and funding lines are controlled by different line ministries - Provides the opportunity to circumvent sometimes sluggish multilateral processes - Increases the visibility of the contributions - Generally provides more financial flexibility to donors
Multilateral aid	<ul style="list-style-type: none"> - Preferred form of aid if a country cannot achieve particular goals when working alone - Multilateral institutions make the achievement of certain goals easier by reducing transaction costs, pooling information and monitoring the recipients of aid more effectively - Considered better at providing information - Less politicised - Maximize donors' influence by providing a united front to recipients (good "value-for-money") (Jackson 2012) - Allow burden-sharing and can be used to pool resources for the provision of public goods or the prevention of public bads
Multi-bilateral aid	<ul style="list-style-type: none"> - Earmarking allows donors to reap the benefits of delegation while limiting the disadvantages associated with it - Use the expertise of multilateral aid institutions without renouncing the ability to specify the goals that have to be achieved and thereby to ensure that aid is closely aligned with their preferences - Takes the advantages of bilateral and multilateral aid from the donor perspective

Source: Sépibus, J. (2014), The Green Climate Fund: How attractive is it to donor countries, p.7

Focusing on multi-bi aid, again the reasons listed show a very donor oriented perspective and the advantages are very much in the favour of donors. Multi-bi aid, as a relatively new type of aid has allowed donors to "track results more easily, to have a greater say over the use made of their contributions and to raise the visibility of their

contributions in the eyes of domestic constituencies”.⁷¹ The general reasons are listed for a background, as a means to look at how these reasons translate into concrete policies and guidelines for when a donor decides to give multi-bi aid.

3.2 Tool of evaluation: Categorising the “Why?”

Over the past few decades, donor countries and private donors diversified taking different shapes and sizes. Traditional measures to classify donors and recipients cannot be used as an accurate measure due to such diversification. In a sense, based on the recipient’s point of view, there are many choices to choose from: Bilateral aid, multilateral aid, NGO funding, private foundation funding etc. Multi-bi aid is another form of these alternative forms. It swiftly increased and has become a strong resource of funding, despite the many disadvantages and complications that this type of voluntary funding possess for the management of multilateral organisations.⁷² Even with concerns, if the end result is more effective development, then this can be an advantage to both donors and recipients.

However, the very nature of which multi-bi aid has emerged can restrict this kind of thinking. Instead, when multi-bi aid is selected as the means to deliver aid or a certain project, usually it is selected as it is more beneficial or suitable for the donor country. Milner (2006) writes in *Why Multilateralism*, about the fundamental reason for giving multilateral aid in the first place, which suggests that it is strategically chosen for the

⁷¹ Sépibus, J. (2014), *The Green Climate Fund: How attractive is it to donor countries?*, p.8

⁷² OECD (2014), *Making earmarked funding more effective: Current practices and a way forward*, p.32

donor's needs.⁷³ But this does not necessarily mean that multi-bi aid infringes on aid effectiveness. Naturally each case will be different but the general trends and outcomes of multi-bi aid projects will be further discussed with the United Kingdom case analysis.

The research question is clear: *Why do donors opt for multi-bi aid?* Through the literature review, different aspects of multi-bi aid has been dealt with. Concerning the donor's perspective, the literature can be divided into two main motivations of giving multi-bi aid. The first is donor interest led multi-bi aid, and the second is multilateral system led multi-bi aid. By looking at donor's motivations from these two angles, it is possible to see and predict when donors are likely to give multi-bi aid, and for what reason. With this framework in place, other countries outside the case analysis can also be examined and be a useful indicator for other donors, as well as multilateral organisations when predicting the incoming of voluntary non-core funding.

3.2.1 Donor interest led multi-bi aid

The keywords for examining donor interest led multi-bi aid is 'effectiveness' and 'efficiency'. The objective and deliberations to make sure aid is used effectively and produce positive results has become a major focus of donors.⁷⁴ This trend leads to a more rigorous evaluation of development aid, along with the assessment of the types of funds and which is considered to be more effective. For example, this trend reflects the UK aid philosophy, value for money which was introduced in 2010. It focuses on maximising aid results gained with the UK taxpayer's money. 'Effectiveness' in the context of value for

⁷³ Milner, H. (2006), *Why multilateralism? Foreign aid and domestic principal-agent problems.*

⁷⁴ DFID (2011), *DAC Report on Multilateral Aid*; Sépibus (2014), *The Green Climate Fund: How attractive is it to donor countries?*

money is a relative term, not a universally understood definition, concerning the UK's objectives. The UK lays out in detail what they refer to as 'effectiveness' in their value for money report which is discussed in detail in the next chapter.

Another form of maximising results from the donor's perspective is seen through the findings of Eichenauer and Knack (2014). The research paper looks at the three largest donors of trust funds: The United Kingdom, the Netherlands and the United States. It is found that the United Kingdom and the Netherlands give more aid to poorer countries and to those with good institutions. Good institutions and good governance is another increasingly visited term used by organisations such as the World Bank and UN, and donors refer to good institutions to seek a level of confidence. Recipient countries with 'better' institutions and good governance are likely to be more successful in using aid for positive results. More relevantly, the UK provides multi-bi aid to those who are already supported bilaterally, which is already allocated based on donor's strategic interest, and also with those who vote in line with the UK at the UN General Assembly.⁷⁵

The OECD report (2014) also lays out multiple reasons why donors would give multi-bi aid and why these motivations are leaning towards donor interests.

Table 6. Main motivations for using earmarked funding

<ul style="list-style-type: none"> ✓ Visibility of funding ✓ Gaining additional influence in shaping a multilateral organisation's development agenda ✓ Multi-bi aid provides a means to align an organisation's agenda to their own priorities ✓ Multi-bi aid is perceived as a means to achieve better oversight, harmonisation and co-ordination

Source: OECD (2014), Making earmarked funding more effective: Current practices and a way forward, p.15

⁷⁵ Eichenauer, V. and Knack, S. (2014), "Bilateralizing" multilateral aid? Aid allocation by World Bank trust funds, Swiss Network for International Studies, p.14

To elaborate, DAC members report that multi-bi aid is utilised to address priorities that they feel, are not sufficiently covered by core funding. As mentioned, multi-bi aid can be used as a tool to influence multilateral organisations, and this influence is used to shape organisations' agendas that donors believe do not adapt fast enough to emerging challenges, or specific thematic or geographic priorities.⁷⁶ But donors acknowledge that, at the same time, these priorities have more weight as multilateral projects, as they “would not be achieved as effectively without the legitimacy and international relevance granted by these organisations”.⁷⁷

Regarding better oversight and communication, donors point out that multi-bi aid is effective in overseeing implementation and results of their own funding. Extra monitoring and reporting is seen as a favourable function of multi-bi aid. The double-sidedness of this factor is that the donor's desire to control the use of funds can also be linked to aid effectiveness.⁷⁸ This is especially important when trust towards multilateral organisations is low and “when a donor feels that a multilateral organisation's quality assurance systems are not sufficiently robust”.⁷⁹

Overall, these reasons have been mentioned previously in the literature review, but the distinguishment of motivations is again emphasised to categorise them into the analytical framework for the analysis of the UK case study, and to generalise the appearance of what donor interest led multi-bi aid looks like.

⁷⁶ OECD (2014), *Making earmarked funding more effective: Current practices and a way forward*, p.15

⁷⁷ Ibid.

⁷⁸ Sépibus, J. (2014), *The Green Climate Fund: How attractive is it to donor countries?*, p.7

⁷⁹ Ibid.

3.2.2 Multilateral system led multi-bi aid

The above section lays out donor interest led multi-bi aid which tends to focus on the donor's needs and priorities, or tries to overcome the shortcomings of multilateral aid through various conditions and restrictions. The second motivation of giving multi-bi aid has been categorised as multilateral system led multi-bi aid. This motivation is led by the advantages of the multilateral system: Advantages that donors know they lack, or are unique to multilateral organisations, and therefore donors operate through multi-bi aid to strategically take advantage of the multilateral system.

Firstly, donors use multi-bi aid to complement their bilateral programmes when, “their own aid agencies do not have sufficient presence or expertise in countries to implement programs effectively”.⁸⁰ An advantage of several UN organisations, such as the UNDP, is that they have country offices that are strategically located worldwide and their reach is extensive. Bilateral donors can therefore opt to give multi-bi aid to take advantage of the multilateral's global reach. Having the knowledge of operating on such a large scale and in diverse areas, by working with multilateral organisations, donors gain the opportunity to learn from multilateral organisations and scale-up their own bilateral efforts. For smaller donors, multi-bi aid is seen as a “way to benefit from the expertise and professionalism of multilaterals' fund management, including financial controls, management oversight and investment management”.⁸¹

Secondly, global consensus and global agendas such as the MDGs can prioritise certain goals amongst others. The branding effect of multilateralisation carries strength to both

⁸⁰ OECD (2010), *DAC Report on Multilateral Aid*, p.40; OECD (2011), *DAC Report on Multilateral Aid*, p.29

⁸¹ OECD (2014), *Making earmarked funding more effective: Current practices and a way forward*, p.15

the recipient country and also to the taxpayers in the donor country. With legitimately recognised goals such as the MDGs, or global pledges for efforts such as climate change, it is difficult for a single donor to bring a significant amount of change that is visible to those outside the development field. By bringing in big partners such as multilateral organisations, legitimacy and greater impact is given to the funding. In this way, multi-bi aid can assist bilateral donors in meeting pledges that require greater implementation capacity than they possess, through the advantages of the multilateral system (Table 3).⁸²

Lastly, other benefits include multi-donor arrangements. Not extensively dealt with in this paper, but earmarked aid can also be managed through multi-donor funds by some multilateral organisations. In this case, multilaterals gather earmarked aid with similar objectives and causes, and manage them together. From the donor's perspective, they also report that this type of multi-bi aid can be a way to "reinforce co-operation with like-minded donors on specific issues, bring in specific expertise from various donors, and harmonise efforts in the field."⁸³

For sure, there are advantages of the multilateral system that are appealing to donors and there are many benefits that donors attain by using the strategic position of multi-bi aid. By looking at the different angles of why donors give multi-bi aid, a sufficient amount of evidence is given to support their motivation. Despite voices of criticisms and multilateral's calling for lower percentage of multi-bi aid, if the advantages of giving multi-bi aid persist, then the increase of multi-bi aid will also be likely to persist.

⁸² OECD (2014), *Making earmarked funding more effective: Current practices and a way forward*, p.15

⁸³ Ibid.

3.3 Methodology

Based on the proposed framework of donor motivations to give multi-bi aid, this research proceeds to a qualitative case study of the UK and their utilisation of multi-bi aid. Also, the UK's multi-bi aid trend will be analysed, as the country is considered an appropriate example that strategizes multi-bi aid within their aid system to maximise their aid deliverance. Among the many donor motivations, the UK case study will focus on specific UK aid objectives and strive to seek certain patterns for generalisation for other donors to follow.

Focusing on a single case study has allowed room for comprehensive research into the aid data and documents of DFID which has contributed to the depth of this research. The justification of selecting the UK is laid out in the beginning of the analysis. The analysis is conducted with the research question as the main focus, while striving to answer specific parts of the hypothesis and the sub-hypotheses. Since the hypothesis, *Multi-bi aid is more effective than multilateral aid for the development priorities of the donor country*, cannot be proven to be true in absolute terms, the sub statements have allowed certain conditions to arise, and the UK case study will see if these conditions hold.

While the analytical framework is constructed on donor motivations, this research acknowledges that other perspectives of multilateral organisations and recipients are equally important and if dealt with in this paper, it would have allowed for a wider overview of multi-bi aid. However, the author has chosen to focus specifically on the donor motivations since multi-bi aid originates from donors and the future direction of this form of aid relies heavily on donors decisions.

Overall, the impact that multi-bi aid has on not only the donor, but the multilateral

organisation and the recipient will be dealt in the conclusion to raise questions for future research and emphasise the complexity of three different perspectives.

Chapter 4: Analysis of the United Kingdom

4.1 United Kingdom case selection

Regarding the selection of the United Kingdom as a detailed case study, an explanation is required as to why this country was an appropriate research subject. Several reasons explain why studying the UK is significant in terms of understanding multi-bi trends and also answering the research question, why donors give multi-bi aid.

Firstly, in 2011, the Coalition Government pledged to give 0.7 percent of GNI as ODA by 2013.⁸⁴ And as of 2013, the OECD DAC reported that five countries exceeded the 0.7 percent ODA/GNI target: Denmark, Luxembourg, Norway, Sweden, and the United Kingdom for the first time.⁸⁵ Taking a step further, the UK has recently passed a bill that binds by law its international commitment to continue the 0.7 percent ODA/GNI target every year.⁸⁶ In order to keep their pledge, the UK has ambitiously increased its total amount of aid which is vividly seen in the OECD DAC statistics. In 2013, out of the 29 OECD DAC countries, 17 countries reported an increase in aid. The average was at 10.19 percent increase, whereas the UK increased its aid by 27.8 percent: The second highest after Japan.⁸⁷ However, looking at the brief explanation given, Japan increased their aid due to “increases in debt forgiveness and bilateral lending”, whereas the UK raised aid “as it put into place firm budget allocations to meet the 0.7 percent ODA/GNI target”.⁸⁸ With the UK positioned as the first G7 nation to reach this goal, the UK has made

⁸⁴ DFID (2011), *Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisation*, p. i

⁸⁵ OECD (2013), Table 1: Net Official Development Assistance from DAC and other donors in 2013, OECD Statistics

⁸⁶ “UK passes bill to honour pledge of 0.7% foreign aid target”, The Guardian, 9 March 2015

⁸⁷ OECD Newsroom, “Aid to developing countries rebounds in 2013 to reach an all-time high”

⁸⁸ Ibid.

immense efforts to reach this goal, and by looking at the overall composition of bilateral, multilateral and multi-bi aid, it holds meaning to look into the role that multi-bi aid has played in the increase of aid.

Secondly, with its status as the most recent country to reach the 0.7 percent GNI target, the UK has also continuously increased their multi-bi aid percentage, giving reason for further analysis into this trend. Statistics in the OECD earmarked funding report shows that the UK is ranked third in terms of multi-bi aid percentage among the 29 DAC members, with multi-bi aid making up 22 percent of its aid system.⁸⁹ Canada has the highest with 30 percent, second is Iceland with 29 percent, and third is UK, Australia and Norway, all with 22 percent of multi-bi aid. The table below looks at the amount of aid Australia, Canada, Norway and UK give.⁹⁰ Although the evaluation of the increase and decrease in the amount of aid is more important, at a glance in absolute numbers, the UK is the biggest donor in terms of volume among the four countries.

**Table 7. DAC Gross Multilateral and Non-Core Multilateral ODA Disbursements
USD millions (excluding debt relief)**

Donor	Total bilateral aid			Of which channelled through multilateral (non-core)*			Total core multilateral aid*		
	2006	2008	2010	2006	2008	2010	2006	2008	2010
Australia	1,519	2,361	3,234	243	563	813	327	337	585
Canada	2,433	3,263	3,912	559	814	1,367	1,141	1,428	1,282
Norway	2,422	2,993	3,544	822	983	1,035	769	928	1,019
United Kingdom	5,763	7,260	8,200	1,374	1,554	2,961	3,766	2,134	3,775

* Excl. to EU Institutions. (Source: OECD DAC Report (2008; 2010; 2013) p.28; p.103; p.64)

From the above table, the change in multi-bi aid can be calculated in percentage. This

⁸⁹ OECD (2014), *Making earmarked funding more effective: Current practices and a way forward*, p.14

⁹⁰ Iceland is excluded due to lack of data, since it became a DAC member in 2013

is a more accurate indicator of the trend of multi-bi aid in each country. Therefore, Table 8 below shows the change in multi-bi aid percentage from 2006 to 2012.

Table 8. Percentage of Multi-bi Aid from 2006-2012

Donor	Multi-bi aid (%)			
	2006	2008	2010	2012
Australia	13	21	21	22
Canada	16	17	26	30
Norway	26	25	23	22
United Kingdom	14	17	25	22

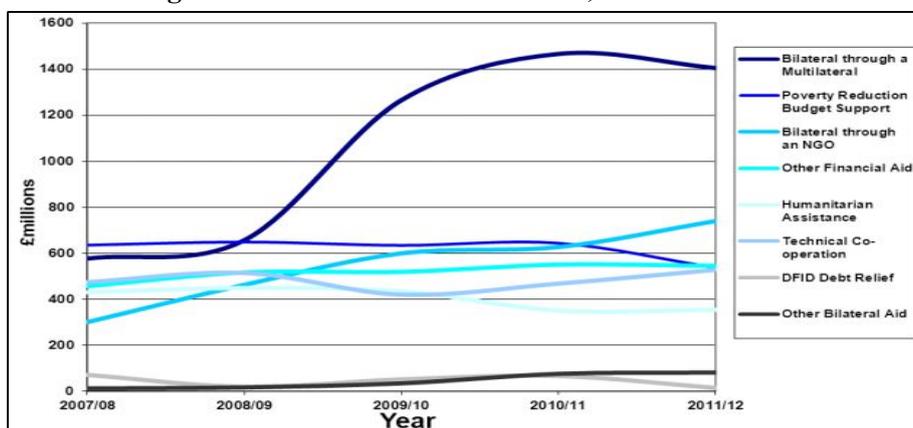
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From this table, we can see that Norway has held a certain level of earmarked aid since the figures are consistent in the mid-20 percent range, although the trend in Norway seems to be that multi-bi aid is decreasing from 26 percent in 2006 to 22 percent in 2012. On the other hand, Australia and UK have increased their multi-bi aid by a similar percentage over the years; from 13 percent to 22 percent, and 14 percent to 22 percent, respectively.

Thirdly, within the UK itself, the composition of bilateral aid can be seen in Figure 5.

Figure 5. DFID Bilateral Assistance, 2007/08 – 2011/12



Source: DFID (2012), Statistics on International Development 2007/08-2011/12, p.13

Most interestingly, the increase of multi-bi aid compared to other forms of bilateral aid is quite remarkable. Although there has been a slight decrease in the recent years, the trend of multi-bi aid in the UK has interesting and meaningful value in interpreting international trends overall for multi-bi aid. The contrast in the amount of aid that was allocated to multi-bi aid, rather than other forms of bilateral aid, or even multilateral aid, considers the UK a suitable country case study to evaluate the strategy of multi-bi aid of an importantly positioned OECD DAC member.

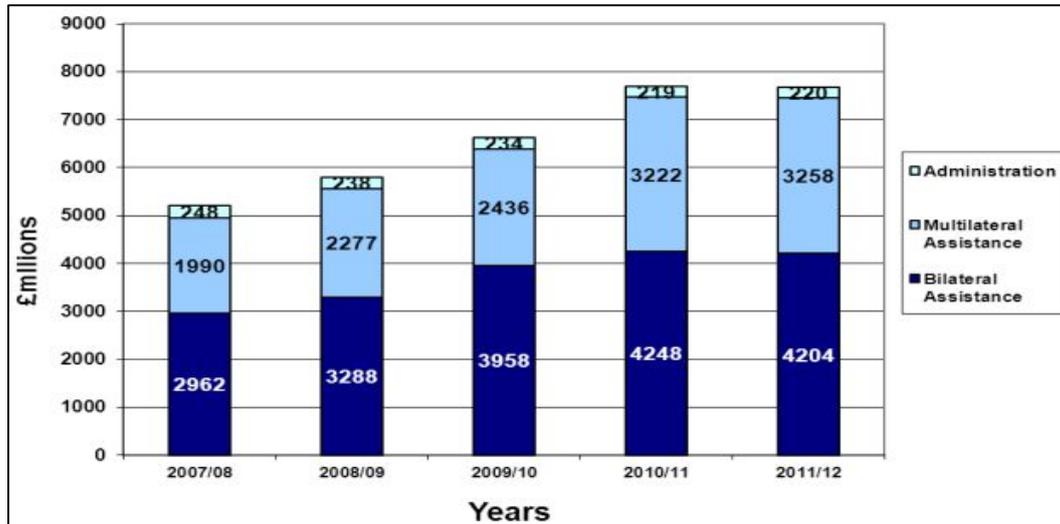
4.2 Aid structure overview

The overview of the UK aid landscape is recognised as strong, and many international actors view the Department for International Development (DFID) as a valuable and influential partner in development assistance. Among the OECD DAC countries, the UK was the second largest donor in terms of volume in 2013, with the United States as the largest donor.⁹¹ With a strong record of providing foreign aid, this overview will look at the UK aid structure of bilateral and multilateral aid, and the sectors that UK aid focuses on.

The UK overall has a portfolio of balanced bilateral and multilateral assistance (Figure 6).

⁹¹ DFID (2014), *Statistics on International Development 2014*, Department for International Development, A National Statistics publication, October 2014, p.17

Figure 6. DFID Programme, 2007/08 – 2011/12



Source: DFID (2012), Statistics on International Development 2007/08 - 2011/12, p.10

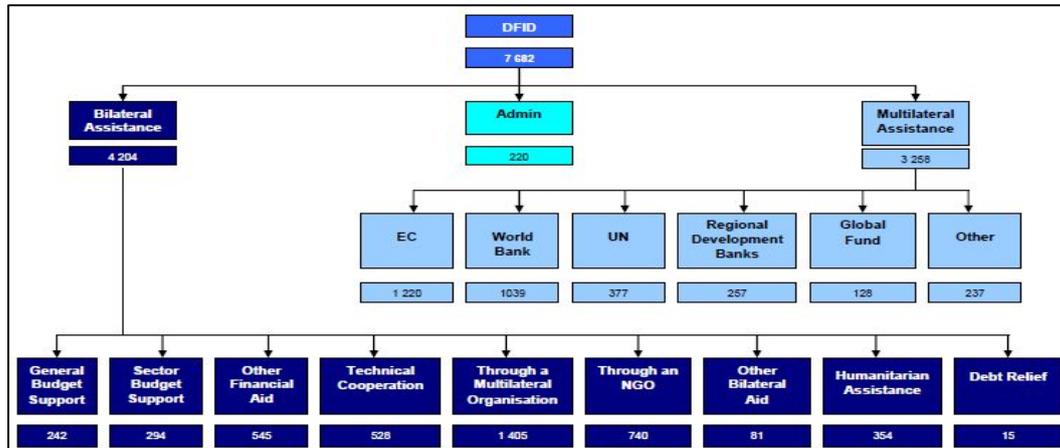
In the composition of bilateral aid, in 2011/12, a third of bilateral aid was given as multi-bi aid (GBP 1,405 million). With the issue of the Bilateral Aid Review, from 78 recipient countries in 2010/11, only 28 countries were left in 2012. The reason given was to design a new approach, ‘identifying and scrutinising from the bottom-up results that UK assistance could achieve in each country’.⁹² Under the slogan, ‘better targeting of UK aid’, a focus on results from the UK value for money approach, DFID would be able to ‘better align budgets and objects based on the results’.⁹³ Figures show that, Pakistan (GBP 412.1 million), Ethiopia (GBP 357.3 million) and Nigeria (284.4 million) would be the largest recipients of DFID bilateral aid in 2014/15. All three countries are conflict affected and fragile states.⁹⁴ The breakdown of bilateral and multilateral aid can be seen below.

⁹² DFID (2011), *Bilateral Aid Review: Technical Report*, Department for International Development, p.3

⁹³ Ibid.

⁹⁴ “UK Aid Breakdown”, UKAN UK Aid Network

Figure 7. Flow of DFID funds to developing countries 2011/12, GBP millions



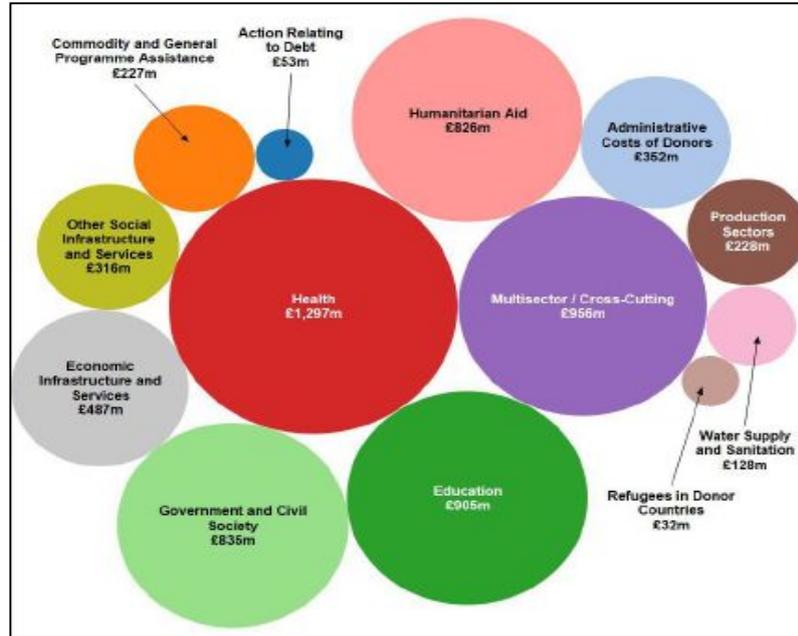
Source: DFID (2012), Statistics on International Development 2007/08 - 2011/12, p.11

‘Through a Multilateral Organisation’ (multi-bi aid) accounts for almost a third of bilateral aid with GBP 1,405 million. ‘Technical support’ and ‘Bilateral aid given through an NGO’, along with ‘Other financial aid’ are other highly utilised channels after multi-bi aid. The composition of multilateral aid can also be seen, and excluding the European Commission (EC), the World Bank receives the highest amount of aid of GBP 1,039 million. A closer look at the specific multilateral organisations will be discussed further in the chapter.

Sector allocation of the bilateral aid of DFID has been changing in recent years. In 2011/12, the health sector including ‘Reproductive, maternal and new born health’ (6 percent), ‘HIV/Aids’ (2 percent), ‘Malaria’ (2 percent) and ‘Other health’ (12 percent), made up the highest percentage. Other priority sectors were ‘Governance and security’ (18 percent), ‘Education’ (14 percent) and ‘Wealth creation’ (13 percent).⁹⁵ The most recent statistics on aid shows that the figures have slightly changed (Figure 8).

⁹⁵ DFID (2012), *Annual Report and Accounts 2011-12*, Department for International Development, p.44

Figure 8. Broad Sector breakdown of UK Bilateral ODA 2013 (GBP millions)



Source: DFID (2014), *Statistics on International Development 2014*, p.37

From 2009 to 2012, the same five sectors, ‘Health’, ‘Education’, ‘Government and Civil Society’, ‘Multi-sector/Cross-cutting sector’ and ‘Economic Infrastructure & Services’ were those to receive the most amount of aid. But in 2013, ‘Humanitarian Aid’ replaced ‘Economic Infrastructure & Services’ and gained a spot in the top five.⁹⁶ Humanitarian assistance and refugee assistance has increased due to conflict in the Middle East region, and the amount given in 2013 was GBP 826 million, up from GBP 425 million in 2012.⁹⁷ A sector review based on the trends of UK multi-bi will be further addressed in this chapter.

So far, the overview of the composition of the bilateral, multilateral and sector priorities of UK aid has been dealt with. Lastly, a comment from the OECD DAC peer

⁹⁶ DFID (2014), *Statistics on International Development 2014*, p.37

⁹⁷ Ibid.

review of the UK finds that the UK is doing well in terms of ‘poverty reduction’ and focuses mainly on the MDGs.⁹⁸ DFID takes a strategic approach to ‘strengthen capabilities’ anticipating future needs, and also promotes innovation to take ‘new perspectives to development challenges’ which has allowed the department to gain a good reputation.⁹⁹ However, the DFID is not without its weaknesses as the OECD points out that the focus on value for money translates into heavy corporate procedures, reporting duties and creates a burden for many staff and partners.¹⁰⁰ The sub-chapter discusses the recent trend in UK aid: Value for money.

4.2.1 Value for money

In the literature related to value for money, two definitions are given. The first, value for money in DFID’s programme means, “We maximise the impact of each pound spent to improve poor people’s lives,”¹⁰¹ and the National Audit Office (NAO) defines value for money as being “the optimal use of resources to achieve intended outcomes”.¹⁰² The two hold the same meaning as DFID has taken on an approach to maximise the taxpayer’s money to ensure maximum results. Since the appearance of the term, value for money has become the new aid philosophy and the driving force for UK aid. The UK aid summary report published in 2011 elaborates on what the UK means.

⁹⁸ OECD (2014), *OECD Development Co-operation Peer Reviews: United Kingdom*, p.16

⁹⁹ Ibid. p. 18

¹⁰⁰ Ibid. p. 19, 20

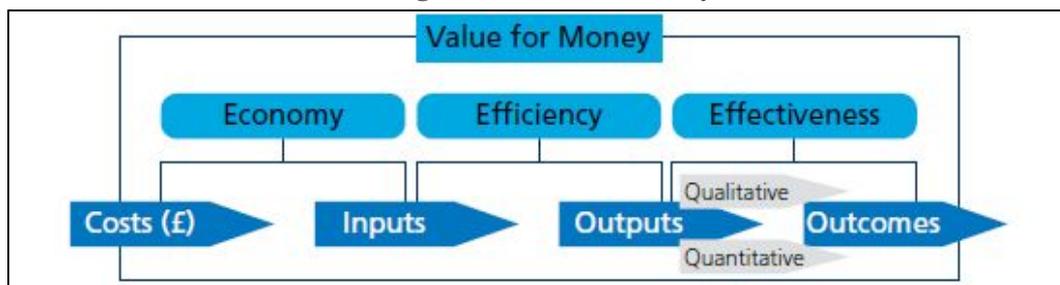
¹⁰¹ Ibid.

¹⁰² DFID (2011), "*DFID’s Approach to Value for Money (VfM)*", Department for International Development, p.3

“More than ever, in the current financial climate, we have a duty to show that we are achieving value for money in everything we do. Results, transparency and accountability will be our watchwords and we are determined to get value for money for every hard-earned taxpayer pound spent on development. We will support charities, international organisations and other governments that have shown a clear ability to deliver the results we all want to see. We expect all our partners to work hard to prove to UK taxpayers that they will make a real difference to the lives of the poorest and deliver real value for money.”¹⁰³

With a clear mandate to achieve ‘transparency and accountability’, the above statement has influenced the decision making process of allocating aid resources to specific countries and multilateral organisations. In order to fully understand the term, the components of what makes up value for money is shown in Figure 9.

Figure 9. Value for money



Source: DFID (2011), Multilateral Aid Review, p.8

Value for money strives to capture a broad view that ‘reaches from control of costs through to delivery of outcomes’,¹⁰⁴ and DFID explains that inputs refer to “goods and services”, outputs are “concreate deliverables”, and outcomes are “the difference that all

¹⁰³ DFID (2011), *UK aid: Changing lives, delivering results*, p.26

¹⁰⁴ DFID (2011), *Multilateral Aid Review*, p.8

this makes to people's lives".¹⁰⁵ DFID acknowledges that when going further up the chain from inputs to outcomes, it is difficult to measure every single factor. However, efforts are continuously made to measure this, since DFID claims that the focus is not about the number of textbooks given to children in poverty (outputs), but the outcomes of improving the children's lives is the ultimate goal.¹⁰⁶ DFID argues that, "the purpose of the value for money drive is to develop a better understanding of costs and results so that we can make more informed, evidence-based choices. This is a process of continuous improvement".¹⁰⁷ Value for money is seen to be a long term sustainable method of maximising aid, and DFID is gradually introducing the value for money culture into the day-to-day tasks of the organisation. This is shown in the process of delivering aid through the value for money framework (Figure 10).

There are two key components to the framework. First, a value for money cycle which ensures that resources are allocated and managed to achieve the maximum development impact; and second, six value for money enablers that help drive the quality of the work within this cycle. The two components are shown in the figure below. The six enablers refer to a range of factors such as the requirement of high level of skills and behaviour from all DFID staff, transparency when publishing data and strategy documents, internal and external audits for evaluation, accuracy in evidence when judging results of aid projects and influencing partners to uphold the value for money agenda.¹⁰⁸ The cycle consists of steps to ensure focus, resources, indicators, targets, financial management, monitoring and evaluations of results and effectiveness throughout the entire cycle.¹⁰⁹

¹⁰⁵ DFID (2011), *Multilateral Aid Review*, p.8

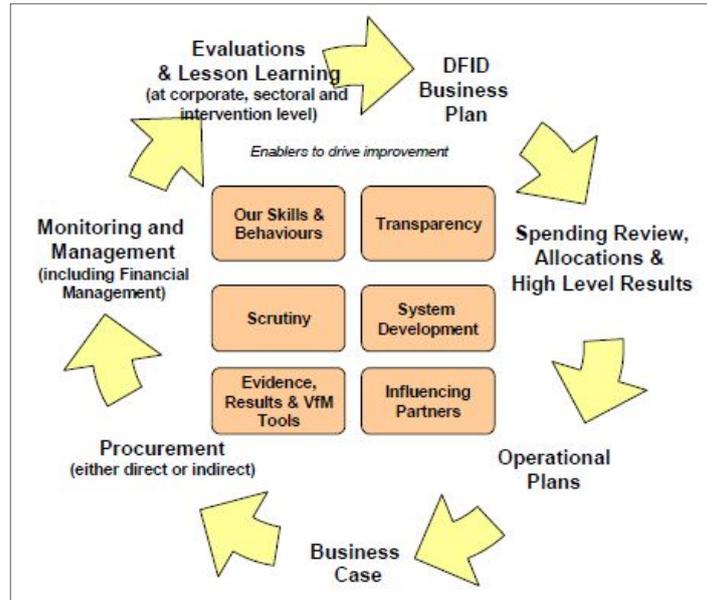
¹⁰⁶ Ibid.

¹⁰⁷ DFID (2011), "*DFID's Approach to Value for Money (VfM)*", p.2

¹⁰⁸ Ibid. p.12-13

¹⁰⁹ Ibid. p.14-15

Figure 10. DFID Results & VFM Framework



Source: DFID (2011), DFID's Approach to Value for Money (VfM), p.2

Overall, value for money has the tendency of being a very UK focused approach to foreign aid as the language suggests. While the term itself implies that it is indeed a philosophy based on the donor's perspective, it is difficult to view aid as a 'one way street'. Aid that is considered 'good' for one party does not necessarily mean that it is 'good' for all. Additionally, the UK should be cautious in putting too much emphasis only on the domestic taxpayer's viewpoint, as this can lead to miscalculations in the delivery of aid. But nonetheless the UK value for money has its strengths in making the DFID an overall more effective and transparent organisation. The NAO reports that the Multilateral Aid Review was,

A more thorough and comprehensive process for assessing multilateral organisations than previous assessments, and compared well to recognised models for assessing organisations. The Department's assessment framework was logical and covered key factors important to value for money. The review was therefore a significant step

towards the Department being able to fully assess the cost-effectiveness of multilateral organisations. As a result, the Department is more likely to get value for money from its core funding in future, but this will depend upon maintaining and building on the progress it has made to date.¹¹⁰

4.2.2 Overview of multilateral aid

In recent years, with the value for money framework in place, the UK has made a systematic attempt at assessing their multilateral aid. The Multilateral Aid Review was conducted in 2011, and an updated report was published in 2013. Key findings of the report include the advantage of multilateral aid in the UK's perspective. The UK actively utilises multilateral organisations with clear mandates and objectives and many other donor countries benchmark the UK for this. The percentage of the utilisation of the multilateral system, which includes multi-bi aid, has slowly increased from 32 percent in 2006 to 41 percent in 2012, compared to the steady percentage of bilateral aid (Figure 6). The UK's trust in the multilateral system is strong and the review lays out the advantages of multilateral organisations from the UK's perspective (Table 9).

¹¹⁰ NAO (2012), *A summary of the NAO's work on the Department for International Development 2011-12*, Departmental overview, National Audit Office, November 2012, p.21

Table 9. Advantages of multilateral organisations

<ul style="list-style-type: none">✓ An essential part of the international system for development and humanitarian aid✓ Global presence and the legitimacy to work in politically sensitive contexts where national governments are not welcome✓ Specialist technical expertise, and deliver aid on a large scale✓ Offer a wide range of aid instruments to meet the needs of all countries✓ Have legitimacy to lead and co-ordinate development and humanitarian assistance✓ Multilateral organisations broker international agreements and monitor adherence✓ Provide cutting-edge of innovation, leading the development of new initiatives to deliver development and humanitarian assistance more effectively
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Source: DFID (2011), *Multilateral Aid Review*, p.2

The UK takes the stance that multilateral organisations are an important *complement* to their bilateral programmes. Along with the advantages mentioned in Table 9, their “leadership and co-ordination function reduces transactions costs for both donors and developing countries”, and also their role in “brokering international agreements and monitoring adherence to them raises standards across the whole of the international system.”¹¹¹

The next following tables show how extensively the UK utilises the multilateral system in order to reach beyond their bilateral capability. From the focus of core multilateral aid, the multilateral organisations that received core and non-core aid have been categorised into two tables: Core aid greater than non-core aid (Table 10), and Core aid given only multilaterals (Table 11).

¹¹¹ DFID (2011), *Multilateral Aid Review*, p.2

Table 10: Core aid greater than non-core aid (GBP thousands)¹¹²

	Multilateral Organisation	2012		2013	
		Multilateral Core Contributions	Bilateral through Multilateral Contributions	Multilateral Core Contributions	Bilateral through Multilateral Contributions
1	African Development Fund (AfDB)	204,893	12,636	194,502	16,278
2	Asian Development Fund (ADB)	36,515	20,086	59,176	8,653
3	Caribbean Development Bank (CDB)	11,015	3,500	11,261	-
4	European Commission Budget (including ECHO) (EC's own Budget)	698,526	16,349	688,894	30,214
5	Global Alliance for Vaccines and Immunisation (GAVI)	182,605	-	342,562	44,110
6	Global Fund to Fight AIDS, TB and Malaria (GFATM)	128,098	31,600	542,925	-
7	Inter-American Development Bank (IADB)	5,646	4,500	-	4000
8	International Committee of the Red Cross (ICRC)	20,000	45,308	62,300	50,291
9	International Federation of Red Cross and Red Crescent Societies (IFRC)	6,000	1,541	8,000	7,011
10	Joint United Nations Programme on HIV/AIDS (UNAIDS)	10,000	319	-	-
11	Private Infrastructure Development Group (PIDG)	101,900	-	145,242	3,000
12	United Nations Children Fund (UNICEF)	40,000	6,525	46,000	286,912
13	United Nations Development Fund for Women (UNIFEM)	10,000	1,253	12,500	821
14	United Nations Educational, Scientific and Cultural Organisation (UNESCO)	8,901	204	13,408	546
15	United Nations Industrial Development Organisation (UNIDO)	4,328	58	-	-
16	United Nations Office for the Coordination of Humanitarian Affairs (OCHA)	20,000	10,893	20,000	23,884

Source: UK funding to Multilateral Organisations Included in DFID's Multilateral Aid Review 2012-2013

¹¹² Since the aid level changes each year, the grey areas can be considered irrelevant for the corresponding year in the table. This is the same for Tables 11, 12 and 13.

Table 11. Core aid only (GBP thousands)

	Multilateral Organisation	2012		2013	
		Multilateral Core Contributions	Bilateral through Multilateral Contributions	Multilateral Core Contributions	Bilateral through Multilateral Contributions
1	Central Emergency Response Fund (CERF)	40,000	-	70,000	-
2	Climate Investment Funds (CIFs)	141,000	-	229,000	-
3	Commonwealth Secretariat (CommSec)	16,788	-	1,006	-
4	European Development Fund (EDF)	327,366	-	406,876	-
5	Global Facility for Disaster Reduction and Recovery (GFDRR)	4,000	-	6,000	-
6	Global Alliance for Vaccines and Immunisation (GAVI)	182,605	-	342,562	44,110
7	Global Environment Facility (GEF)	52,500	-	102,500	-
8	Global Fund to Fight AIDS, TB and Malaria (GFATM)	128,098	31,600	542,925	-
9	International Development Association (IDA)	740,000	-	1,184,980	-
10	Office of the High Commissioner for Human Rights (OHCHR)	1,600	-	1,600	-
11	Private Infrastructure Development Group (PIDG)	101,900	-	145,242	3,000
12	UNITAID	-	-	53,000	-
13	United Nations Peacebuilding Fund (PBF)	7,000	-	12,905	-

Source: UK funding to Multilateral Organisations Included in DFID's Multilateral Aid Review 2012-2013

A total of 41 multilateral organisations were given a mixture of core and multi-bi aid from the UK. Counting only contributions from DFID and no other government bodies, 16 were given higher core aid than multi-bi aid (Table 10), and only 11 were given pure core contributions (Table 11). This highlights the fact that most multilateral organisations receive a mixture of core and non-core aid, and the analysis of why some organisations receive higher amounts of core aid or non-core aid will be discussed in the following section.

4.3 Overview of multi-bi aid in the UK (non-core bilateral aid)

With the general definitions of multi-bi aid given in the introduction, the UK gives a specific name to their multi-bi aid channel: *Bilateral Aid Delivered Through a Multilateral Organisation*. The definition used in the UK is, “This category covers funding that is channelled through a multilateral organisation and DFID has control over the country, sector or theme that the funds will be spent on.”¹¹³ Figure 5 above showed how much this aid channel has increased in the recent years and multi-bi aid takes up a third of the whole bilateral aid proportion.¹¹⁴ Again, this time from the focus of non-core multilateral aid, the multilateral organisations that received core and non-core aid have been categorised into three tables: Non-core aid greater than non-core aid (Table 12), and Non-core aid given only multilaterals (Table 13).

¹¹³ DFID (2014), *Statistics on International Development 2014*, p.6

¹¹⁴ DFID (2012), *Statistics on International Development 2007/08 - 2011/12*, p.11

Table 12: Non-core aid greater than core aid (GBP thousands)

	Multilateral Organisation	2012		2013	
		Multilateral Core Contributions	Bilateral through Multilateral Contributions	Multilateral Core Contributions	Bilateral through Multilateral Contributions
1	Food and Agriculture Organisation (FAO)	10,435	34,527	11,007	32,874
2	International Committee of the Red Cross (ICRC)	20,000	45,308	62,300	50,291
3	International Fund for Agricultural Development (IFAD)	33,852	100,000	-	15,323
4	International Organisation for Migration (IOM)	954	6,503	970	18,479
5	United Nations Children Fund (UNICEF)	40,000	6,525	46,000	286,912
6	United Nations Development Programme (UNDP)	58,500	171,761	82,500	214,405
7	United Nations High Commission for Refugees (UNHCR)	19,000	37,248	35,000	72,268
8	United Nations Population Fund (UNFPA)	20,000	98,488	20,000	41,894
9	World Food Programme (WFP)	10,000	109,403	20,000	262,805
10	World Health Organisation (WHO)	12,500	120,915	14,500	163,530

Source: UK funding to Multilateral Organisations Included in DFID's Multilateral Aid Review 2012-2013

From the 41 multilateral organisations in the table, in 2012 nine multilateral organisations received higher multi-bi aid and eight organisations in 2013. Some changes are mild and are seen to have consistent levels of core and non-core aid proportions, such as the FAO or WHO. However, organisations such as IOM, UNICEF and UNHCR have seen their non-core aid allocation nearly double between 2012 and 2013. The underlying motives for this change in aid levels is examined against the analytical framework of donor motives.

Table 13. Non-core aid only (GBP thousands)

	Multilateral Organisation	2012		2013	
		Multilateral Core Contributions	Bilateral through Multilateral Contributions	Multilateral Core Contributions	Bilateral through Multilateral Contributions
1	European Bank for Reconstruction and Development (EBRD)	-	3,000	-	2,000
2	Global Partnership for Education (GPE)	-	90,000	-	60,000
3	Inter-American Development Bank (IADB)	5,646	4,500	-	4,000
4	International Finance Corporation (IFC)	-	17,364	-	55,938
5	International Fund for Agricultural Development (IFAD)	33,852	100,000	-	15,323
6	International Labour Organisation (ILO)	-	140	-	-
8	Expanded Delivering as One Funding Window for the achievement of the MDGs (EFW)	-	15,000	-	-
9	United Nations Environment Programme (UNEP)	-	5,030	-	3,725
10	United Nations Human Settlements Programme (UN HABITAT)	-	1,548	-	10

Source: UK funding to Multilateral Organisations Included in DFID's Multilateral Aid Review 2012-2013

The table of non-core aid only shows multilateral organisations that do not receive any core aid but only multi-bi aid. Out of 41, eight multilateral organisations received only multi-bi aid and nine in 2013. Again the analysis of this table will be discussed below.

4.4 How and why is multi-bi aid given

It is difficult to set a framework for a definitive set of criteria since multi-bi aid is largely given on a case-by-case basis.¹¹⁵ In a recent survey, DAC members have stated reasons for giving multi-bi aid which are influenced by, “factors such as their own

¹¹⁵ OECD (2014), *Making earmarked funding more effective: Current practices and a way forward*, p.19

assessment of agency effectiveness, alignment between the multilateral organisation's policy mandate and their own development policy priorities, the mandate and international role of the multilateral organisation, and their own capacity to influence the organisation."¹¹⁶

The UK is seen to be in a similar yet different position with other DAC members. Certainly there will be outlier organisations that will be allocated multi-bi aid on a case-by-case basis, but the UK has various principles and priorities in place that overlooks the allocation of multi-bi aid. Of these principles, mainly three will be examined: Value for money based reviews, sector priorities laid out for UK aid that reflect UK development priorities, and global agendas and needs.

The first criteria of value for money is perhaps the most straight forward. The UK, having reviewed their multilateral aid in 2011 and continuing to update in 2013, evaluated 43 multilateral organisations and rated them on four different scales: Very good, Good, Adequate and Poor. The Review deems that these results are important since they lay the evidence and groundwork for why the UK works with multilateral organisations and reveals those that need further monitoring and possible organisational reforms.¹¹⁷ The analysis will examine in detail, the status of the multilateral organisation and their multi-bi aid allocation.

Secondly, priorities to UK aid objectives are given immense focus in any DFID report or document. Since there are many aspects in international development, like any other donor country, the UK strives to fulfil their own priorities with their aid. These priorities are mentioned across a number of different documents, and several are seen to be

¹¹⁶ OECD (2014), *Making earmarked funding more effective: Current practices and a way forward*, p.19

¹¹⁷ DFID (2011), *Multilateral Aid Review*, p.iv

overlapping. Below are priorities for UK aid in the Bilateral Aid Review, Multilateral Aid Review and the DFID Business Plan for 2011-2015.

Table 14. Focus of UK aid

Five pillars of the BAR 2011	DFID Business Plan 2011-2015	MAR Assessment criteria
Wealth creation	Boost wealth creation	-
Delivery of the MDGs	Honour international commitments / Lead international action to improve the lives of girls and women	Critical role in meeting development objectives
Governance and security	Strengthen governance and security in fragile and conflict-affected countries	Focus on poor countries
Climate change	Combat climate change	Attention to cross cutting issues, including climate resilient activities
Humanitarian assistance	Respond to humanitarian disasters	Important role in delivering UK humanitarian priorities (Included in “critical role in meeting development objectives”)
-	Introduce transparency in aid	Transparency and accountability/ Financial resource management

Source: Bilateral Aid Review Technical Report (2011), DFID (2011), Business Plan 2011-2015, and Multilateral Aid Review (2011)

Even though there are differences in looking at bilateral aid and multilateral aid, the language is similar and many priorities are overlapping in general. These priorities can be seen to be the guidelines that dictate the relationship with multilateral organisations and the amount of aid they receive. How this is translated into aid allocations, is to be discussed in further detail.

The third mentioned principle is global agendas and global needs. This criteria is not seen as a separate agenda; rather it is an extension of the priorities mentioned in the above paragraph. In terms of global agendas, the MDGs would be the most fitting, as the UK,

like any other country, prioritises to meet the UN consensus and commit in making tangible progress in meeting the goals. Therefore, allocation of resources have been made to specific organisations to scale up bilateral projects, or to fill in the gaps where bilateral aid has not fully reached MDG targeted areas.

Global needs can be looked at in a similar context. As the figures below will tell, the UK has given heavy focus on humanitarian aid especially since the breakout of conflict in Syria. From the bilaterally allocated humanitarian aid in 2011/12, of the GBP 354 million, GBP 244 million was given ‘through a multilateral organisation’ (Figure 7).¹¹⁸ The UK views humanitarian aid as, “support to humanitarian organisations and the provision of material aid (including food, shelter and medical care), personnel, and advice in order to, save lives, alleviate suffering and maintain human dignity during and in the aftermath of manmade crises and natural disasters; reduce the incidence of refugees and internally displaced people etc.”¹¹⁹ DFID channels funds through various humanitarian organisations such as WFP, UNICEF, OCHA, UNHCR and WHO for their humanitarian assistance programmes in individual countries. This aid is counted as bilateral aid since DFID has influence over the use and purpose of the aid.¹²⁰ As mentioned in the UK aid overview, humanitarian aid became a top five sector in 2013 for UK aid, in which the crisis in Syria has played a great role. The amount of aid funded through the above mentioned organisations can be seen in the analysis below. Therefore, the three mentioned reasons, results from aid reviews, sector priorities and global agendas/needs are useful indicators, especially combined, when examining the underlying reasons for the allocation of multi-bi aid to multilateral organisations.

¹¹⁸ DFID (2012), *Statistics on International Development 2007/08 - 2011/12*, p.14

¹¹⁹ *Ibid.* p.130

¹²⁰ *Ibid.*

4.5 Analysis

The first part of the analysis combines the results of the Multilateral Aid Review and the UK multilateral aid statistics for 2012 and 2013. Table 15 lists the organisations that received Very good or Good value for money for UK aid. In line with the criteria of giving multi-bi aid, the analysis shows a similar result with only but a few outliers.

Table 15. Very good/Good Value for money multilateral organisations aid comparison, 2012-2013 (GBP thousands)

	Very good/ Good Value for money multilateral organisations	2012		2013	
		Core	Non-core	Core	Non-core
1	GAVI	182,605	-	342,562	44,110
2	ICRC	20,000	45,308	62,300	50,291
3	ECHO	698,526	16,349	688,894	30,214
4	AsDF	36,515	20,086	59,176	8,653
5	EDF	327,366	-	408,876	-
6	IDA	740,000	-	1,184,980	-
7	UNICEF	40,000	6,525	46,000	286,912
8	GFATM	128,098	31,600	542,925	-
9	PIDG	101,900	-	145,242	3,000
10	EBRD	-	3,000	-	2,000
11	IFC	-	17,364	-	55,938
12	AfDF	204,893	12,636	194,502	16,278
13	GEF	52,500	-	102,500	-
14	CIFs	141,000	-	-	-
15	IFAD	33,852	100,000	-	15,323
16	PBF	7,000	-	12,905	-
17	WFP	10,000	109,403	20,000	262,805
18	UNITAID	-	-	53,000	-
19	CERF	40,000	-	70,000	-
20	IFRC	6,000	1,541	8,000	7,011
21	OCHA	20,000	10,893	20,000	23,884
22	UNDP	58,500	171,761	82,500	241,405
23	UNHCR	19,000	37,248	35,000	72,268
24	GFDRR	4,000	-	6,000	-

Table 15 shows that in 2012, out of 23 multilateral organisations, the majority, 16 organisations (70 percent) have larger core than non-core aid (multi-bi aid).¹²¹ Similarly, in 2013, out of 23 multilateral organisations, the majority of 15 organisations (65 percent) have larger core than non-core aid. It is assumed that multilaterals that are considered to have Very good/Good value for money are perceived as trusted organisations that utilise their core funding in an effective manner, thereby reducing the need for earmarked aid by donors. Regarding the multi-bi aid trend of these organisations, in 2012, seven organisations received higher non-core aid (grey area) and in 2013, eight organisations received a higher non-core aid allocation (grey area). To explain this, the individual multilateral organisation trends are examined by three categories: Increase in core aid, increase in non-core aid and outliers.

First of all, there are nine organisations that are seen to be trend followers of the value for money assessments. With these organisations, core aid has increased, or there is a consistent level of core and non-core aid in 2012 and 2013.

¹²¹ Source of Table 15 is combined by author with data from UK funding to Multilateral Organisations Included in DFID's Multilateral Aid Review 2012-2013, with the value for money categorisation of multilateral organisations for UK aid (MAR, 2011). This is same for Table 19.

Table 16. Core aid increased / Consistent level of aid¹²²

Multilateral Organisation	Change in aid
The Asian Development Fund (AsDF)	Increase in core / non-core reduced
European Development Fund (EDF)	Increase in core
International Development Association (IDA)	Increase in core
The Global Fund to Fight AIDS, TB and Malaria (GFATM)	Increase in core / non-core eliminated
Global Environment Facility (GEF)	Increase in core
United Nations Peacebuilding Fund (PBF)	Increase in core
UNITAID (levy on airline tickets)	Increase in core
Central Emergency Response Fund (CERF)	Increase in core
Global Facility for Disaster Reduction and Recovery (GFDRR)	Increase in core

Source: Combined by author

Secondly, and more interestingly, the multilateral organisations with Very Good/Good value for money assessments in Table 17 have had their non-core increase, or their non-core is higher than core aid despite their good reviews. Possible explanations that align to the criteria's of giving multi-bi aid, value for money assessment, sector priorities laid out for UK aid that reflect UK development priorities and global agendas and needs, are given in the table.

¹²² For Table 16, there is no particular explanation given since the rise of core aid follow the rise of UK's aid in general and are seen to follow the trend according to their value for money assessment.

Table 17. Non-core aid increase / Non-core aid higher than core aid

Multilateral Organisation	Change in aid	Criteria for change
The Global Alliance for Vaccines and Immunisation (GAVI)	Increase in non-core	<ul style="list-style-type: none"> - Sector focus alignment on UK's focus on poor countries and health (MDG) - GAVI, has the highest FoPC¹²³ score, spends over 40% of its aid on the 5% most need effective countries (India, Nigeria, Ethiopia, Bangladesh, and Pakistan)
International Committee of the Red Cross (ICRC)	Increase in non-core	<ul style="list-style-type: none"> - UK aid increase in humanitarian aid (further explanation below)
European Commission Humanitarian Aid and Civil Protection (ECHO)	Increase in non-core	<ul style="list-style-type: none"> - ECHO is the second biggest humanitarian donor globally - Advantage is its large coverage across the world and in most fragile states - In 2009, ECHO funded relief for approximately 150 million beneficiaries in more than 70 countries.¹²⁴ => These strengths of the organisation suggest the reason in the continued amount of high core aid and increase in its non-core aid also.
United Nations Children's Fund (UNICEF)	Increase in non-core/ non-core higher than core (2013)	<ul style="list-style-type: none"> - UK aid increase in humanitarian aid (further explanation below)
The Private Infrastructure Development Group (PIDG)	Increase in non-core	<ul style="list-style-type: none"> - Sector focus alignment on UK's focus on poor countries - PIDG is ranked 3rd in FoPC - Spends almost 40% on the top 5% of Most need Effective countries¹²⁵
European Bank for Reconstruction and Development (EBRD)	Decrease in non-core/ Non-core only organisation	<ul style="list-style-type: none"> - Weak contribution to UK development objectives - EBRD's geographical focus on Europe and Central Asia does not match with DFID's focus on regions with higher poverty levels¹²⁶

¹²³ FoPC= Focus on poor countries

¹²⁴ DFID (2011), *Multilateral Aid Review*, p.26

¹²⁵ Ibid. p.136

¹²⁶ Ibid. p.172

International Finance Corporation (IFC)	Increase in non-core/ non-core higher than core	- Wealth Creation and private sector development are central to IFC's focus - IFC climate change focus is quickly growing with a range of new initiatives = Both goals match UK aid priorities - Likely that aid has expanded relating to the projects in these areas
The African Development Fund (AfDF)	Increase in non-core	- AfDF's exclusive focus on low-income African countries fits well with DFID's geographical priorities. - Strong focus on wealth creation, and on governance through budget support instrument ¹²⁷
World Food Programme (WFP)	Increase in non-core/ non-core higher than core	- UK aid increase in humanitarian aid (further explanation below)
International Federation of Red Cross and Red Crescent Societies (IFRC)	Increase in non-core	- UK aid increase in humanitarian aid (further explanation below)
United Nations Office for the Coordination of Humanitarian Affairs (OCHA)	Increase in non-core/ non-core higher than core (2013)	- UK aid increase in humanitarian aid (further explanation below)
United Nations Development Programme (UNDP)	Increase in non-core	- UK aid increase in humanitarian aid (further explanation below) - UNDP focus on MDGs is critical to DFID - DFID provides £17.5m of non-core funding over 2009-12 to UNDP's Bureau for Crisis Prevention and Recovery (BCPR) ¹²⁸
United Nations High Commission for Refugees (UNHCR)	Increase in non-core	- UK aid increase in humanitarian aid (further explanation below)

Source: Combined by author

To further explain the relationship between DFID and UNDP, the 2012 Annual Review

¹²⁷ DFID (2011), *Multilateral Aid Review*, p.164

¹²⁸ IATI (2012), *Voluntary core funding for the United Nations Development Programme*, Annual Review (Multilateral Organisation Core funding), Review conducted by Deputy Programme Manager for UNDP, International Aid Transparency Initiative p.1

on multilateral core funding by the International Aid Transparency Initiative (IATI) reports that the UNDP's results reporting framework is weak. It is considered that the UNDP's own targets are not ready to measure its development results, and improving this weakness is one of DFID's top reform priorities.¹²⁹ While DFID recognises that core funding is needed to continue with reform activities such as, "significantly improve its country level performance and leadership, particularly in fragile and crisis-affected states; Implement its organisational reform agenda to allow UNDP to better report on its contribution to development"¹³⁰, meanwhile to focus on UK priorities, it can be drawn that DFID continues to utilise multi-bi funding to pursue UK interests. Organisational weaknesses of the UNDP such as poor results management and low cost control and efficiency are aspects that are worrying for the value for money approach.¹³¹ Not only this, but DFID also believes that the UNDP needs to sharpen their focus to better support "fragile and conflict-affected states, crisis prevention and recovery and democratic governance", to represent greater value for money to the UK.¹³²

Two multilateral organisations are left as outliers that cannot be categorised in the above trends: CIFs and IFAD. CIFs was given only core aid in 2012, however, this was eliminated and no amount of aid from the UK was given in 2013. For IFAD, again, core aid was eliminated and result in zero amount of aid in 2013, and non-core aid was dramatically reduced, despite both multilateral organisations receiving good ratings from the Multilateral Aid Review Instead the individual results of these organisations published in the Multilateral Aid were examined to gain a possible explanation.

Table 18: Outliers of Table 15 (Very Good/Good value for money table)

¹²⁹ IATI (2012), *Voluntary core funding for the United Nations Development Programme*, p.2

¹³⁰ Ibid.

¹³¹ Ibid. p.6

¹³² Ibid.

Multilateral organisation	Aid change	Reason for change
Climate Investment Funds (CIFs)	Elimination of both core and non-core aid	- Contribution to UK development objectives: satisfactory ¹³³ - Budget allocation moved from DFID to Department for Energy and Climate Change (DECC) ¹³⁴
International Fund for Agricultural Development (IFAD)	Sharp reduction of non-core aid / Elimination of core aid	- Contribution to UK development objectives: Strong ¹³⁵ - IFAD projects have helped improve women's position and status ¹³⁶ - However, the UK has assessed that the likelihood of positive change is 'Uncertain'. The reason is that IFAD has a relatively new top management team and it is seen too early to judge the impact of this change ¹³⁷

Source: Combined by author

The second analysis involves the same Multilateral Aid Review results but examines the Adequate/Poor value for money rated multilateral organisations. The trends are slightly different to the first analysis of Very Good/ Good value for money organisations.

¹³³ DFID (2011), *Multilateral Aid Review*, p.75

¹³⁴ DFID (2014), Table A8: UK Funding to Multilateral Organisations Included in DFID's Multilateral Aid Review 2012-2013

¹³⁵ DFID (2011), *Multilateral Aid Review*, p.75

¹³⁶ *Ibid.* p.66

¹³⁷ *Ibid.* p.183

Table 19. Adequate/Poor Value for money multilateral organisations aid comparison, 2012-2013 (GBP thousands)

	Adequate/Poor Value for money multilateral organisations	2012		2013	
		Core	Non-core	Core	Non-core
1	IADB*	5,646	4,500	-	4,000
2	CDB	11,015	3,500	11,261	-
3	EC Budget	698,526	16,349	688,894	30,214
4	UNAIDS	10,000	319	15,000	-123
5	OHCHR	1,600	1,702	1,600	-
6	EFW (Expanded funded window)	-	15,000	-	-
7	UNFPA*	20,000	98,488	20,000	41,894
8	UNEP*	-	5,030	-	3,725
9	WHO*	12,500	120,915	14,500	163,530
10	UNIDO	4,328	-	-	-
11	UNIFEM (Women Fund)	10,000	1,253	12,500	821
12	IOM*	954	6,503	970	18,479
13	ILO	-	140	-	-
14	FAO*	10,435	34,527	11,007	32,874
15	UNESCO	8,901	204	13,408	546
16	HABITAT*	-	1,548	-	10
17	CommSec	16,788	-	1,006	-

Whilst the majority of the previous multilateral organisations received higher core aid than non-core aid, in Table 19, it is shown that for 2012, out of 17 multilateral organisations, eight organisations have higher non-core aid proportions (47 percent), and for 2013, out of 14 multilateral organisations, seven organisations have higher multi-bi aid (50 percent). By comparing the aid statistics of 2012 and 2013, reflecting the Multilateral Aid Review results, ten organisations have had their aid dramatically reduced or have stopped receiving aid from the UK altogether.¹³⁸ Therefore, in 2013, from the 14 organisations that did receive aid but were assessed to have Adequate/Poor value for

¹³⁸ Dramatically reduced refers to more than half the aid amount reduced from the previous year.

money, exactly half of the organisations received earmarked multi-bi aid (starred organisations). As previously mentioned, this is seen to be a significant difference from the above table of Very good/Good value for money organisation, since those multilateral organisations received more core aid and therefore had more decision-making power in the use of their funds. Conversely, in this case, the UK chose to have more conditions attached to organisations that were considered to have lower value for money. Individual organisations are examined below to further assess the criteria that resulted in an increase of multi-bi aid or other aid pattern changes (Table 20-22).

The multilateral organisations in Table 20 are considered to be the direct result of the Multilateral Aid Review. According to their newly found status regarding their value for money for UK aid, ten multilateral organisations out of 17 have had their aid reduced or cut. Individuals weaknesses based on the review are shown below.

Table 20. Multilateral organisations with decreased amount of aid

Multilateral organisation	Aid change	Criteria for change
Inter-American Development Bank (IADB)	Elimination of core / Decrease in non-core	- Weak contribution to UK aid objectives - Little emphasis on gender equality - No evidence of emphasis on securing cost effectiveness in the design of development projects ¹³⁹
The Caribbean Development Bank (CDB)	Elimination of non-core	- Less focus on fragile states; Apart from Haiti, all recipient members are middle income - Too early to identify success of recent results ¹⁴⁰
Office of the High Commissioner for Human Rights (OHCHR)	Elimination of non-core	- Need clearer evidence of its contribution to development and humanitarian objectives - Must demonstrate better cost consciousness and improve financial management ¹⁴¹
Expanded Delivering as One Funding Window for the achievement of the MDGs (EFW)	Elimination of non-core	- Due to its current size and scope, it is not critical in the delivery of MDGs or other development goals - Weak organisational strengths in its inability to demonstrate results - DFID's influence as a donor is limited as the Steering Committee (of UN agencies) takes all decisions ¹⁴²
United Nations Population Fund (UNFPA)	Decrease in non-core	- No evidence of policies for consideration of environmental issues - Evaluation culture and global level results chains are weak ¹⁴³ - Needs to improve its cost consciousness, transparency and financial management ¹⁴⁴
United Nations Environment Programme (UNEP)	Decrease in non-core	- Little evidence on how UNEP decides to allocate programme resources - UNEP is perceived as having a relatively low level of country ownership ¹⁴⁵

¹³⁹ DFID (2011), *Multilateral Aid Review*, p.180

¹⁴⁰ Ibid. p.166

¹⁴¹ Ibid. p.95

¹⁴² Ibid. p.196

¹⁴³ Ibid. p.197

¹⁴⁴ Ibid. p.98

¹⁴⁵ Ibid. p.195

United Nations Industrial Development Organization (UNIDO)	Elimination of core	<ul style="list-style-type: none"> - Not aligned with UK aid priorities and does not play a critical role in delivering the MDGs - Has unsatisfactory results reporting and financial management¹⁴⁶ - Working in fragile states is not a focus area for UNIDO¹⁴⁷
International Labour Organisation (ILO)	Elimination of core	<ul style="list-style-type: none"> - Limited impact on both UK and international poverty objectives¹⁴⁸ - ILO is not critical to efforts to meet the MDGs - Unsatisfactory organisational strengths - Needs to restructure and improve its internal processes to enable it to deliver more effectively on the ground¹⁴⁹
United Nations Human Settlements Programme (UN-HABITAT)	Decrease in non-core	<ul style="list-style-type: none"> - There are organisational weaknesses such as poor cost consciousness, transparency and results reporting¹⁵⁰ - Weak contribution to UK development objectives¹⁵¹
The Development Programmes of the Commonwealth Secretariat (CommSec)	Decrease in non-core	<ul style="list-style-type: none"> - Not critical in delivering UK development objectives, lacks strategic focus and needs to improve its transparency and results based management¹⁵² - No formal policies on working with fragile states¹⁵³ - Major reform is needed to improve organisational strengths¹⁵⁴

Source: Combined by author

Having received Adequate/Poor value for money, as seen as in Table 20, more than half

¹⁴⁶ DFID (2011), *Multilateral Aid Review*, p.100

¹⁴⁷ Ibid. p.200

¹⁴⁸ Ibid. p.93

¹⁴⁹ Ibid. p.186

¹⁵⁰ Ibid. p.89

¹⁵¹ Ibid. p.191

¹⁵² Ibid. p.83

¹⁵³ Ibid. p.169

¹⁵⁴ Ibid.

of the multilateral organisations have seen their aid reduced. However, DFID should be cautious when relying on domestic assessments only, since these multilateral organisations are likely to have other strengths, even if they are not specifically aligned to UK aid objectives.

Below are four organisations that have received an increased amount of non-core aid, reflecting the will of the UK to dictate more terms for Adequate/Poor value for money rated multilateral organisations.

Table 21. Increase in non-core aid

Multilateral organisation	Aid change	Criteria for change
European Commission Budget (EC Budget)	Increase in non-core	- Strong mandate and policy framework for dealing with fragile and conflict sensitive situations, and increasing work on climate change ¹⁵⁵ - Strong transparency practice: Commission has signed up to the International Aid Transparency Guarantee ¹⁵⁶
World Health Organisation (WHO)	Increase in non-core	- UK aid increase in humanitarian aid (further explanation below)
International Organisation for Migration (IOM)	Increase in non-core	- UK aid increase in humanitarian aid (further explanation below)
United Nations Educational, Scientific and Cultural Organisation (UNESCO)	Increase in non-core	- UNESCO has an extensive range of policy and institutional actions on gender and climate change ¹⁵⁷

Source: Combined by author

Other than the humanitarian organisations, despite the value for money assessment, individual organisations show various strengths. The European Commission (EC) focuses on UK aid priorities such as fragile states and climate change, while at the same time, EC

¹⁵⁵ DFID (2011), *Multilateral Aid Review*, p.170

¹⁵⁶ Ibid.

¹⁵⁷ Ibid. 194

funding is considered to be complementary to UK bilateral aid since they support approximately 90 countries, going beyond the scope of UK's aid reach.¹⁵⁸ UNESCO has a similar situation. Although rated poor value for money, UNESCO contributes to UK development objectives through priorities such as gender and climate change policies.¹⁵⁹ Other organisational strengths include good partnerships at the local level, especially with NGOs¹⁶⁰, but the increase in non-core aid is very minimal, therefore if the assessment of future aid reviews of DFID do not change, then it is unlikely that UNESCO will continue to receive high amounts UK aid or see their aid amount increase.

Although not clear cut outliers, despite their assessment of Adequate/Poor value for money, these three multilateral organisations have seen an increase in core aid, some with small reductions in non-core aid. Assumptions behind this phenomenon is explained below.

Table 22. Increase in core aid

Multilateral organisation	Aid change	Criteria for change
Joint United Nations Programme on HIV/AIDS (UNAIDS)	Increase in core	- Strong strategic fit for meeting the MDGs (6) and the UK government priority to restrict the spread of HIV/AIDS - UNAIDS has a strong gender focus including internal policies and use of evidence to inform policy and programme decisions ¹⁶¹
United Nations Development Fund for Women (UNIFEM)	Increase in core / Decrease in non-core	- Partnerships and analysis were used well to advance policies and programmes that impact on gender equality - Likelihood of positive change high: The trajectory and potential of reform is very strong under UN Women ¹⁶²
Food and Agriculture	Increase in core /	- FAO's mandate is highly relevant to global food security, hunger and nutrition. FAO delivers important global

¹⁵⁸ DFID (2011), *Multilateral Aid Review*, p.170

¹⁵⁹ Ibid. p.194

¹⁶⁰ Ibid.

¹⁶¹ Ibid. p.192

¹⁶² Ibid. p.201

Organisation (FAO)	Decrease in non-core	public goods. It performs well in fragile contexts - FAO has a strong focus on gender
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Source: Combined by author

In the analysis above, several organisations have been noted ‘UK aid increase in humanitarian aid’ for the explanation in the change in aid levels. Since 2012, humanitarian aid has slowly increased becoming the fourth largest aid sector of UK aid, and the OECD report (2014) also finds that humanitarian assistance is the most earmarked sector by DAC members (Figure 3).

In the case of the UK, the breakout of the crisis in Syria and the ripple effects in neighbouring countries gave cause for higher levels of bilateral humanitarian aid. All aid listed below is considered to be multi-bi aid, since the UK has allocated specific amounts of aid to individual countries for specific causes; thus the aid below is counted as bilateral aid. The tables show clear trends of which multilateral organisation received higher multi-bi aid and by what amount.

Table 23. Increase in multi-bi aid due to Syria crisis

Agency	VfM	Aid change	Total aid	Cause for aid
WFP	Good	Increase in non-core/ non-core higher than core	£161m	- Food aid & support to logistics operations via the Emergency Operation and Special Operation in Syria & the Regional Response Plan (SHARP)
UNICEF	Very Good	Increase in non-core/ non-core higher than core (2013)	£82.3m	- Water, sanitation, hygiene & child protection for the SHARP - Armoured vehicles for the safe delivery of assistance - Education programme in Jordan in partnership with UAE
UNHCR	Good	Increase in non-core	£71.1m	- Assistance to Internally Displaced Peoples through the Syrian Humanitarian Response Plan (SHARP) & refugees through the Regional Response Plan
OCHA	Good	Increase in non-core/ non-core higher than core (2013)	£15.3m	- Humanitarian coordination, information management, and support to the UN Syria Emergency Response Fund
ICRC	Very Good	Increase in non-core	£14.4m	No data
UNDP	Good	Increase in non-core	£5.2m	- Support to municipalities in the poorer areas of Lebanon to provide basic services to communities hosting Syrian refugees
WHO	Adequate	Increase in non-core	£10.6m	- Health sector funding inside & outside Syria
IOM	Poor	Increase in non-core	£8.7m	- Transportation services to Syrian refugees from border areas to camps

Source: DFID (2015), UK Aid Syria Response; Value for money assessments combined by author

While Table 23 shows that multi-bi aid increased due to the UK sector focus and global needs in humanitarian assistance, it was interesting to see whether value for money assessments influenced the amount of aid allocated to certain multilaterals. Naturally, the assessment results were compared to the total amount of aid given to the multilateral organisations.

The result was interesting. Through simple comparison of the total aid amount to each

multilateral organisation listed above, with the exception of UNDP¹⁶³, indeed the amount allocated reflected the value for money results. Even though sector focus is given priority regardless of the value for money status, it still shows how influential the multilateral aid review is in terms of allocating the amount of aid an organisation receives.

¹⁶³ Understandably, UNDP is not a pure humanitarian organisation and has a broad spectrum of development activities worldwide and therefore not relevant to rank the organisation by the amount of humanitarian aid given due to a specific crisis such as the Syrian crisis.

Chapter 5: Conclusion

5.1 Summary of analysis

The UK was selected as a single case study for three specific reasons: First, the UK is the first G7 country to meet the 0.7 percent ODA/GNI target, and reflecting this increase from recent OECD statistics, the UK increased its total amount of aid by 27.8 percent, the second highest country in 2013. Secondly, the UK has continuously increased their multi-bi aid percentage in recent years and is ranked as the third highest among DAC donors to give multi-bi aid (Table 8). Lastly, within the composition of UK bilateral aid, multi-bi aid is the most utilised channel to deliver bilateral aid, accounting for over a third of the total amount (Figure 5). The sole analysis of one country allowed for deeper investigation into the internal decision making process of the UK to answer the research question.

The overview of DFID's aid structure reveals a good balance of bilateral and multilateral aid, and the recently published Bilateral and Multilateral Aid Reviews shows which conditions and values matter for the UK when assessing their multilateral partners or recipient countries. Among the different standards that the UK emphasise, the new aid philosophy introduced by DFID, value for money, has appeared to strongly influence UK aid policies. As explained in the chapter analysis, the value for money ratings of multilateral organisations have been critical in aid allocations, including multi-bi aid, since the review was published in 2011. Multi-bi aid allocations of DFID depend on three main reasons, and the value for money status of organisations is first criteria. Second is the focus alignment with UK aid priorities and the multilateral organisations priorities. Third are global agendas such as the MDGs and global needs vary from time to time, for example, climate change agendas or humanitarian needs such as the crisis in Syria or

probably reflected in the aid data for 2015, the earthquake in Nepal that called for global humanitarian action. The UK shows that it focuses on these global needs and is quick to respond by generous amounts of aid, much of which is channelled through multilateral organisations.

The main analysis consisted of two tables, Very good/Good Value for money multilateral organisations aid comparison, 2012-2013 (Table 15) and Adequate/Poor Value for money multilateral organisations aid comparison, 2012-2013 (Table 19). Table 15 shows the value for money status and the amount of core and non-core aid and the change in their amounts. To explain the table, the individual multilateral organisation trends are examined by three categories: Increase in core aid, increase in non-core aid and outliers. The first group are seen to be trend followers: Nine out of 17 organisations have seen their core aid increase according to their value for money status. More relevantly, Table 17 examines the multilateral organisations whose non-core aid has increased or if their non-core aid is higher than core aid. A total of 13 organisations out of 16 organisations have this trend. In summary, the reasons for the change in aid accounts to several organisational weaknesses that are pointed out in the Multilateral Aid Review. However, their status as Very good/ Good value for money categories them as effective organisations and many of these organisations have strong sector focus of UK's development priorities. Therefore instead of increasing core aid, multi-bi aid has been increased to maximise UK's aid deliverance, by overcoming organisational flaws but still utilising organisations that match UK's aid objectives.

The next analysis consists of the Adequate/Poor value for money organisations (Table 19). Whilst the majority of the multilateral organisations in Table 15 received higher core aid than non-core aid, in Table 19, seven out of 14 multilaterals; exactly half had higher

non-core aid proportions. Again the analysis was divided into three categories: Multilateral organisations with decreased amount of aid, increase in non-core aid, and increase in core aid. From the categorised organisations, importantly for this paper is the first category of multilateral organisations with decreased amount of aid (Table 20). Out of 17 organisations, ten multilaterals had their aid amounts reduced or eliminated completely. It shows the strength of the Multilateral Aid Review; that Adequate/Poor value for money organisations are considered *not effective* in delivering UK aid and therefore resulted in less aid, whether it was core aid or multi-bi aid. As seen in the analysis explanations, the reason why multi-bi aid is given is strongly dependent on the strengths of the multilateral organisation. However, if the donor deems that these advantages of the partnerships with multilateral organisations is not in existence, then there is little reason to give core aid or multi-bi aid, which is the result for many of the organisations rated as Adequate or Poor value for money.

Combining the results from Very good/good value for money (Table 15) and Adequate/Poor value for money (Table 19), humanitarian organisations have stood out since their aid amounts have increased regardless of their value for money status. This is seen to reflect the time period of the aid data analysed. As mentioned, the crisis in the Middle East involving Syria has greatly influenced the spending of UK aid. Table 23 (Increase in multi-bi aid due to Syria crisis) illustrates the increase in multi-bi aid towards humanitarian aid, and reports on Syria aid explains where the aid was allocated to. Again, reflected in the amount that each multilateral organisation received, it can be seen that value for money ratings are somewhat determining the amount of aid. WFP (good) and UNICEF (very good) received GBP 161 million and GBP 82 million respectively, compared to WHO (adequate) and IOM (poor) that received GBP 10.6 million and GBP 8.7 million respectively.

5.2 Implications

The UK analysis is able to answer the research question from the UK's point of view but other country case studies will likely result in different results. From the case study in this paper, the question remains whether it is possible to generalise the trend of multi-bi aid. An explanation of the possible future of multi-bi aid is given.

First the research question, *why do donors opt for multi-bi aid* is adequately answered throughout the paper. General reasons given by DAC members are found in the literature review and the summary above illustrates the UK case analysis, which shows stricter rules for giving multi-aid based on their domestic standards and priorities. The hypothesis was constructed to see the usefulness of multi-bi aid from the donor's perspective, and indeed, utilising the sub hypotheses, the main hypothesis that states, *Multi-bi aid is more effective than multilateral aid for the development priorities of the donor country*, can be proven through the sub hypotheses. The sub statements are needed since the above hypothesis cannot be an absolute generalisation of multi-bi aid. It would be difficult to prove that multi-bi aid is an effective means of delivering aid in every case, but when certain conditions are laid out, it is possible to see when and where multi-bi aid can perform best.

The first sub hypothesis, *Multi-bi aid is more effective than bilateral aid, when the organisational strengths of the multilateral organisation are utilised*, is proved through the results of Table 17, Non-core aid increase or non-core aid higher than core (Very good/Good value for money). In Table 17, 13 organisations, despite rated highly by DFID, had their multi-bi aid increased, not core aid, or originally had higher non-core aid than

core aid. It shows the willingness of DFID to collaborate with multilateral organisations that are already assessed to be effective in what they do, but take another step in earmarking aid to maximise the UK aid's strategic value. The "multi" part of multi-bi aid is utilised through the advantages of multilateral organisations, which is listed for each individual multilateral, and the "bi" is kept through controlling where and how the aid is used.

The second sub hypothesis, *Multi-bi aid is more effective than multilateral aid, when the donor's development objectives are not reflected in the multilateral organisation's focus, and organisational weaknesses exist*, can also be shown through the patterns of UK aid. With poor value for money ratings, the majority of multilaterals saw their aid reduced or eliminated (Table 20). But several organisations still had their funding increased, and about four organisations saw their non-core aid increase (Table 21). It shows that despite the value for money ratings, the UK chose to bypass organisational focus or weaknesses by giving core aid so that UK aid objectives could still be reflected, and conditions for monitoring and reporting can be attached to overcome organisational weaknesses.

So why is multi-bi aid important? Is it important for the priority setting of donors only? What kind of implications and generalisations can be given for other donors and the other perspectives of multi-bi aid, multilateral organisations and recipients? As the sub-hypotheses lay out, multi-bi aid is not considered to be effective at all times. Various situations and conditions can greatly differ the usage of multi-bi aid, and the results of the UK case analysis points to the same conclusion. Sometimes multi-bi aid follows international trends and sometimes it follows domestic development priorities, but sometimes it follows none of the above and there are outliers that are difficult to explain without more data. This emphasises the fact that multi-bi is a flexible form of aid.

From the donor perspective, the case study analysis shows how the United Kingdom utilised their bilateral aid, or in other words, strategized their bilateral and multilateral aid into a more strategic type of aid flow of multi-bi aid. The process of strategizing multi-bi aid has important lessons for other donors that give multi-bi aid, especially countries who do not have strict policy guidelines or aid philosophies to follow. Smaller DAC donors or emerging donors in Asia such as South Korea, can follow the lead of the UK to strategically utilise their aid for better delivery or public consensus. The UK study also has significance since other DAC members have started to benchmark the UK's Multilateral Aid Review and the Bilateral Aid Review and regard it as a valuable source to systematically assess their own internal aid channels. While the international multilateral community calls for a reduction in multi-bi aid, it is difficult to state that multi-bi aid has only negative consequences. As the UK analysis shows, it is a good case from the donor's perspective of making the most out of the multilateral system. Therefore other donors should strive to draw lessons from this analysis to apply to their own aid strategies.

From the multilateral perspective, multi-bi aid can be beneficial to multilateral organisations in terms of widening their aid portfolio to reach further and out of their comfort zone. Although not dealt with in detail, the Multilateral Aid Review is particularly useful for multilaterals since the assessments point of areas of reform and improvement. External indicators such as donor reports are useful for multilaterals also and can save costs by not duplicating internal assessments. Multilaterals should be aware that donors will tend to think alike and the results of one donor's report will likely to not be far off from another donor's report. Rather than considering multi-bi aid projects as burdensome, multilateral organisations should take the opportunity and strive to produce positive results in order to gain leverage for further core aid for their own vital activities.

Whilst taking advantage of promoting themselves through the opportunity of increasing multi-bi funding, multilaterals should also be cautious that these short term projects do not overshadow their main activities. Firm negotiations with donors should take place when deciding what responsibilities are required, and what the scope of the multi-bi project entails as to make sure organisational capacities are not compromised.

This thesis acknowledges the limitations of multi-bi aid and there are undeniable downsides to multi-bi aid that both donors and multilateral organisations should be wary of. But lastly, the recipient's perspective is the most likely to be neglected in multi-bi aid funded projects and schemes. Their viewpoint can be easily overlooked when multi-bi aid projects are drawn up by the donor and multilateral organisation only. In the viewpoint of aid effectiveness, at times, when multi-bi aid focuses too heavily on the donor's own interests, this can dilute the effectiveness of the aid given.

Therefore, this thesis concludes that, in order for multi-bi aid to become a sustainable form of aid, all three perspectives should be taken into account more proportionately. The donor has a larger role to play in this regard, since this paper shows that ultimately, it is the donor's viewpoint that influences the direction of multi-bi aid. Strategically, yes, it is possible for the donor to make the most of the bilateral and multilateral system by giving multi-bi aid, but careful considerations should be given to each of the receiving parties, especially before allocating aid on short term goals only. Rather, donors should once again be reminded that strategic aid should be beneficial for the whole development community, and not just for one donor. All in all, the research conducted has made effort to be as accurate and detailed as possible by addressing the specific motivations of a donor country. By answering the research question, the paper has produced a robust study and has aimed to contribute to the further study of multi-bi aid.

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Abstract (Korean)

국문초록

<다자성양자원조의 전략화: 영국의 사례연구>

성명: 김다은

학과 및 전공: 국제학과 국제협력전공

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2008년 금융위기 이후 ODA (공적개발원조) 공여국은 지속적으로 원조효과성과 효율성을 강조해왔다. 무엇보다 이들은 제한된 ODA 예산을 자국의 국익 추구를 위해 더욱 전략적으로 사용하는 모습을 보여왔다. 이 때, 최근 원조의 동향이 전통적인 원조 경로에서 다자원조와 양자원조를 결합한 ‘다자성양자원조(multi-bi aid)’ 라는 새로운 원조의 형태로 변화하고 있는 것을 살펴볼 수 있다. 이는 다자기구가 전문성과 다양한 경험을 바탕으로 양자원조의 여러 단점을 보완할 수 있다는 점에서 다자협력의 필요성이 높아지고 있는 한편, 개별 공여국은 핵심기금(core aid)을 늘리기보다는 지정기여금(non-core aid)을 증가하고 있기 때문이다.

이렇듯 다자성양자원조에 대한 관심과 활용이 증가함에 따라, 다자성양자원조의 중요성과 타당성을 살피기 위한 연구가 필요한 시점이다. 이에 본 연구는 공여국이 다자성양자원조라는 특정 형태의 원조를 활용하는

이유를 밝히고, 이에 따른 여러 장단점을 공여국의 관점에서 분석하고자 하였다.

본 연구는 영국 DFID 사례를 중심으로 영국이 다자성양자원조를 자국의 원조 목적에 맞게 전략적으로 사용하고 있음을 조명하고 있다. 이를 위해 본 연구는 영국의 최근 원조와 다자기구 활용 현황 및 ‘다자원조 평가 보고서(Multilateral Aid Review)’의 결과에 따른 다자성양자원조의 예산 분배 현황을 분석하였다. 한편, 공여국-다자기구-수원국의 입장이 일치하지 않을 경우, 다자성양자원조가 가질 수 있는 문제점을 고려, 보다 폭 넓은 연구를 수행하고자 하였다. 이러한 영국의 사례 연구는 다자성양자원조의 체계가 아직 미비한 한국과 같은 신흥공여국이 고려할 수 있는_다양한 원조의 방향을 제시하고 있다는 점에서 향후 다른 공여국의 원조 형태에도 중요한 영향을 미칠 것으로 기대된다.

이러한 과정을 통해 본 연구는 기존의 전통적 원조형태와 구별되는 다자성양자원조가 앞으로 지속가능한 원조형태인지 논하고, 구체적인 사례 분석을 통해 공여국이 어떻게 다자성양자원조를 전략적으로 사용할 수 있는지 살펴보고자 하였다.

핵심어: 다자성양자원조, 다자원조, 지정기여금, 영국 원조

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