Inter Agency Essay

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Multilateralism and U.S. Interagency Economic Development Efforts

by David A. Anderson

This essay investigates collaboration among the U.S. interagency and multilateral development-promoting organizations, financial institutions, and initiatives. Seizing opportunities to align and leverage development-focused ideas and measures can provide both a conflict prevention measure as well as a post-conflict response. The investigation begins with a brief analysis of the current National Security Strategy (NSS); the September 2010 Presidential Policy Directive on Global Development (PPD); and the State Department's Quadrennial Diplomacy and Development Review (QDDR), published December 2010, before moving on to survey the most prominent international organizational players and development-promoting initiatives. The paper concludes with ideas and possible measures to facilitate future development collaboration between the U.S. military and interagency, as well as between the U.S. interagency and multilateral entities.

The PPD on Global Development and the QDDR

In the words of Secretary of Defense Robert M. Gates, "…the United States' interagency tool kit is still a hodgepodge of jury-rigged arrangements constrained by a dated and complex patchwork of authorities, persistent shortfalls in resources, and unwieldy processes.[1]

U.S. stabilization and reconstruction challenges in Iraq and Afghanistan led the Obama administration to not only revisit U.S. intra-collaborative efforts, but also multilateral partner collaboration efforts. The 2010 NSS, the PPD on global development, and the QDDR stress the necessity for more collaboration with multilateral partners. Furthermore, the NSS recognizes development as a moral, strategic, and economic imperative and clearly states it as an objective.

> Through an aggressive and affirmative development agenda and commensurate resources, we can strengthen the regional partners we need to help us stop conflicts and counter global criminal networks; build a stable, inclusive global economy with new sources of prosperity; advance democracy and human rights; and ultimately position ourselves to better address key global challenges by growing the ranks of prosperous, capable and democratic states that can be our partners in the decades ahead.[2]

Aside from placing development on an equal footing with diplomacy and defense and emphasizing the need for all three pillars (defense, diplomacy, and development) to work synergistically together to best accomplish U.S. national security objectives, the PPD explicitly renews the U.S.'s commitment to be the global leader in international development and the preeminent leader within multilateral development-focused institutions by affirming the following:

- Use U.S. leadership in the multilateral development banks, U.N. agencies, other international organizations, other donors, foundations, nongovernmental organizations, the private sector, and other stakeholders to deploy the full range of the developmental tools and policies at our disposal.

- Work with bilateral donors, the multilateral development banks and other international organizations to ensure complementarity and coordination of efforts.

- Redouble our efforts to support, reform, and modernize multilateral development organizations most critical to our interests.

- Renew our leadership in the multilateral development banks, ensuring that we take advantage of their expertise and coordinate our respective efforts.

- Create new multilateral capabilities as and where needed, as we have done by making the G20 the premier forum for international economic cooperation.[3]

As one would expect, the QDDR reiterates many facets of the PPD; both embrace the principles of aid effectiveness and both emphasize the need for U.S. government agencies to work effectively with multiple external stakeholders. In the QDDR's discussion of matching its engagement with individual specialized humanitarian agencies with a strengthened effort to work with the U.N. system's humanitarian response capabilities as whole, it states the U.S. will "strive for a more coherent inter-agency approach to engagement with international development agencies and financial institutions involved in these fields."[4] The QDDR restates the PPD's long-term commitment to "rebuilding the U.S. Agency for International Development [USAID] as the U.S. Government's lead development agency." However, the most pressing issue of coordinating across all relevant departments and agencies was largely beyond the scope of the QDDR. "The Office of the Coordinator for Reconstruction and Stabilization at State has never been able to fulfill its whole-of-government coordination function, and its metamorphosis into a new Bureau for Crisis and Stabilization Operations [CSO] will not help on this particular issue. What is needed is a much more robust coordination capacity at the White House."[5]

With respect to other countries and international institutions, the CSO "would be responsible for institutionalizing an international operational crisis response framework, and coordinating efforts among key allies and other partners to build civilian capacity, strengthening interoperability, and cooperation."[6] However, neither the QDDR nor the PPD indicate a clear coordinating or directing authority for interagency efforts. In accomplishing current U.S. development objectives, the Foreign Assistance Act establishes 33 different goals, 75 priority areas, and 247 directives stretched over 12 departments and 25 agencies.[7] This decentralized structure lacks a necessary synergy or focus and is ineffective and confusing to implement, particularly for partner and recipient nations. Furthermore, both the PPD and the QDDR fail to establish a comprehensive global development strategy—one that balances civilian and military authority in addressing conflict, instability, and human crises. All the while, the Department of Defense, which also plays a critical role in shaping security environments, preventing military conflict, building partnerships, and influencing other nations' strategic decisions, noted the need for civilian agency leadership in conflict prevention, resolution, and stabilization in its 2009 Quadrennial Roles and Missions Review Report, where it described the Defense Department's role as supporting "U.S. government efforts to assist partner governments in the fields of rule of law, economic stability, governance, public health and welfare, infrastructure, and public education."[8]

Multilateral Organizations, Institutions, and Initiatives

Multilateral organizations and institutions account for approximately 25 percent of all official development assistance (ODA). There are now 263 of these groups that are supported by developed nations. In addition, there are various international initiatives as well as a large number of private donors. Many of these organizations have overlapping agendas and inconsistent funding; they also face effectiveness issues. The following paragraphs highlight the collaborative efforts and challenges the most prominent development organizations face.

Group of Twenty (G-20) Nations

According to the International Monetary Fund (IMF), G-20 nations account for 90 percent of global GDP, 80 percent of world trade, and two-thirds of the world's population.[9] The G-20 is the primary organizational body for facilitating international economic development cooperation between developed countries, developing countries, and international financial institutions. The G-20 facilitates these developmental activities through its framework for strong, sustainable, and balanced growth and its mutual assessment process (MAP); and the Seoul Development Consensus for Shared Growth and its multi-year action plan with nine pillars. These economic growth and development-promoting efforts are brokered through member-chaired working groups, with international institutions playing an advisory and technical assistance role along the way. The MAP has become the G-20's means for coordinating economic policy and is a crisis averting measure as well.[10]

The nine pillars of the Seoul Development Consensus for Shared Growth multi-year action plan—co-chaired by member nations—encompasses infrastructure, human resource development, trade, private investment and job creation, food security, growth with resilience, financial inclusion, domestic resource mobilization, and knowledge sharing.[11] The challenge going forward is to take these assessments and recommendations and turn them into meaningful coordinated action by member states in conjunction with multilateral financial institutions (e.g., the World Bank and regional development banks).

The current financial situation of most G-20 nations does not suggest actionable plans. For example, the debt-to-GDP ratio forecast for G-20 countries for 2014 is 84.6 percent. For just the advanced G-20 nations (the primary source for development assistance), the forecast is 114.1 percent.[12] Increasingly, donor nations find themselves pitting their domestic needs against the needs of distressed developing countries.

Financial challenges such as these have led nations like the United Kingdom (UK) and the Netherlands to cut development assistance to a number of countries. The UK will terminate development assistance to 16 of the 43 countries it has assisted in the past, while the Netherlands will terminate assistance to 17 of 33 nations.[13] The UK's Department for International Development also plans to terminate funding to what it sees as four poor value United Nation organizations: the International Labour Organization, the UN International Strategy for Disaster Reduction, UN-HABITAT, and the UN Industrial Development Organization. It is also considering cutting funding for the International Organization for Migration, the Food and Agriculture Organization, the development programs of the Commonwealth Secretariat, and the United Nations' Educational, Scientific, and Cultural Organization.[14]

Although the U.S. intends to play an even more prominent role in international development as a means of preventing conflict or stabilizing post-conflict countries, it faces its own budgetary challenges going forward. The U.S. foreign aid and State Department's operating budget for 2010 totaled $55 billion; however, it was subsequently reduced to $49 billion in 2011. The Obama administration has proposed $59 billion in 2012, but with looming deep budget cuts mandated by Congress, foreign aid and the State Department's budget will likely see something significantly less than that sought, and development aid will certainly suffer.[15]

Millennium Development Goals

In 2000, leaders from around the world, under the auspices of the UN, set the ambitious goal of freeing the world's population from the clutches of "extreme poverty, hunger, illiteracy, and disease" through what they call Millennium Development Goals (MDG). The underlying purpose for the establishment of MDGs was to increase funding for development assistance with a focus on advancing the world's poor[16] or face the probability that many of these countries would digress into chaos and civil war.

The IMF and the World Bank have worked together to produce a progress report on MDGs, which takes into account how well donor countries, recipient countries, and multilateral institutions are working together to meet them.[17] Reports reveal that MDGs have been consistently under-funded, falling victim to competing donor nations' priorities, risk aversion, and the global recession. At the halfway point, most developing countries are falling significantly short of meeting the UN development goals.

Organisation for Economic Cooperation and Development (OECD)

In 1970, acting members of the Development Assistance Committee (DAC) of the OECD signed United Nations General Assembly Resolution 2626 committing to provide 0.7 percent of their respective annual GDP for ODA to help developing countries. Over 90 percent of international aid comes from the 22 OECD countries on whose behalf the DAC takes responsibility for coordination.[18] Unfortunately, most OECD nations, including the U.S., have failed to completely meet their development assistance obligations. The accumulative financial consequence has been significant. Between 1970 and 2008, the shortfall in development assistance was 57 percent, equating to $3.6 trillion.[19]

Furthermore, analysis conducted by the World Bank in 2006 noted that ODA provided by the OECD is now brokered through 197 bilateral and the 263 multilateral agencies (alluded to earlier) in support of some 80,000 projects worldwide each year--with little transparency.[20] A 2005 ODA aid flow analysis showed that once such things as debt relief, administrative costs for aid agencies, expenses for coordination, humanitarian aid, and food security—otherwise known as phantom aid—were subtracted, approximately 37 percent or $38.4 billion remained to support country development programs.[21] The OECD's DAC, the managing body of OECD ODA, also notes that the volatility of contributions has adversely affected its effectiveness, stating that in 2008 it amounted to 9 percent or $7 billion of disbursed funds.[22]

In 2007, the OECD established ten "Principles for Good International Engagement in Fragile States and Situations." Included in these principles are development cooperation and trade and investment. The principles were intended to complement the 2005 Paris Declaration on Aid Effectiveness commitments and are incorporated in the 2008 Accra Agenda for Action. In 2010, the OECD quantitatively and qualitatively assessed its members' effectiveness in applying these principles in six fragile states. What they discovered was a general ineffectiveness of member states to integrate or coordinate their military and civilian assistance efforts.[23] For example, the U.S. who represents 17 percent of all ODA[24] habitually carries out its development efforts independent of other nations and institutions. The OECDs DAC has reported that only 12 percent of the U.S. programs are meaningfully coordinated with other aid contributing countries.[25] Exacerbating this problem is the fact that at the 2008 Accra Forum, the U.S. did not sign the International Aid Transparency Initiative, even though transparency is a core U.S. value.[26] This proves to be even more problematic when considering the efforts of all donors with their varying political and development objectives.

Multilateral Development Banks

Multilateral Development Banks (MDBs) provide the preponderance of international development finance, with regional development banks growing in relevance. In fiscal year (FY) 2010, the World Bank provided loans and other forms of financial assistance totaling $58 billion, whereas, the four regional development banks (African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and Inter-American Development Bank) and the International Fund for Agricultural Development disbursed $53 billion in 2009.[27] The U.S. provides roughly $1.75 billion annually to MDBs, or approximately 5 percent of all U.S. foreign aid funds.

On behalf of the President, the Secretary of the Treasury negotiates with other countries the practices, funding agreements, and the day-to-day handling of U.S. interests in the banks. Other U.S. agencies provide input as needed. Congress authorizes the funding for MDBs with input from the Department of the Treasury and other interested departments/agencies. Between FY2000 and FY2010, appropriations for MDB programs amounted to about 86 percent of the amount requested. [28] Influence within the respective banks is nearly commensurate with the amount of funds provided. The PPD on global development commits the U.S. to significantly increase its funding of these banks.

On another hopeful note, the World Bank's sixteenth International Development Association's (IDA) replenishment (IDA16) resulted in an 18 percent increase above contributions made three years prior. Funds came from traditional World Bank donors as well as past recipients of IDA funds. Ngozi Okonjo-Iweala, the World Bank managing director and chair of the IDA16 negotiations, stated that "This strong response by donors also signals that development funding should not be viewed just as aid, but rather as an investment in the future…." The IDA is a preeminent source of funding for developing countries, providing "support for health and education, infrastructure and agriculture, and economic and institutional development to 79 of the least developed countries—39 of them in Africa."[29] The IDA is also instrumental in addressing the MDGs.[30]

Finally, the World Bank's Independent Evaluation Group states in its annual report that the IDA has an 85 percent overall satisfactory rating for project outcomes that it has recently funded; up significantly from past years.[31]

International Monetary Fund (IMF)

The IMF provides stability to the international monetary system. In doing so, it does lend to the worlds' poorest nations to help correct balance of payment problems. Like the World Bank, the IMF receives the preponderance of its resources from industrialized nations. The Board of Governors for both the IMF and World Bank meet to set institutional priorities for international economic and financial matters. Ironically, the IMF's biggest current borrowers are the financially challenged industrialized EU countries of Ireland, Greece, and Portugal, leaving fewer funds to address developing country issues.

United States and European Union

U.S. assistance has been increasingly channeled through new bilateral programs such as AIDs relief and the U.S. Millennium Challenge Corporation. As such, U.S. multilateral aid has fallen precipitously to approximately 11 percent of the U.S. foreign assistance budget, or less than half of what it was in 2000.[32] Multilateral contributions of other developed nations averages 30 percent.[33]

EU aid is 70-75 percent bilateral; 13-15 percent is given through the European Commission (EC), while the remaining 10-17 percent is channeled through multilateral institutions.[34] U.S. aid, combined with EU member states and the EC account for 70 percent of all ODA. As a collaborative way ahead, in 2011 the U.S.-EU High Level Consultative Group on Development approved a proposal on donor division of labor, aid transparency, and accountability. However, this collaboration has led to few tangible results.[35]

Private Donor Assistance and Private Voluntary Organizations

Because they work, private development assistance (PDA) (e.g., remittances, philanthropists, and private capital investment) and private voluntary organizations (PVO) (non-government organizations/non-profit organizations dedicated to international development that originate and are governed within donor countries[36]), are gaining in significance. Over the past 10 years, loans to non-sovereign development-promoting entities are the fastest growing portion of MDB's lending portfolios. The World Bank's International Finance Corporation (IFC)—the world's biggest source of private sector finance—has also increased private sector investments. The number of projects and funding support that IFC has provided has more than doubled over the same 10-year period.[37] The IFC currently manages a $48.8 billion portfolio representing projects in over 100 countries.[38]

The UN has been increasing its private sector funding through various UN agencies, including the UN Development Program, which is the lead development agency of the UN. Its core objectives include assisting in crisis prevention, recovery, post-conflict reconstruction, and promoting sustainable development. A growing number of business consortiums have also been forming and "mobilizing private-sector engagement in development."[39]

OECD's total ODA for economic engagement with developing countries each year has been but a small portion of what is typically provided through PDA. In 2008, total ODA provided was $121 billion,[40] or 25.4 percent of the total PDA of $355 billion.[41] Per Table 1 below, U.S. ODA for 2008 was $26.8 billion. That same year, $49 billion in philanthropic aid was given by 14 developed countries alone.[42] Of this total, U.S private philanthropists provided $37.3 billion to charitable organizations, targeting the developing world and equating to some 140 percent of what the U.S. provided in ODA. Table 1 also indicates that PVOs provided $11.8 billion in private funding. Of this amount, 38 percent went for disaster relief, 26 percent went to support economic development-promoting projects, and the remainder went to democracy and governance, health, and education.[43]

Table 1[44]

U.S. Total Net Economic Engagement With Developing Countries, 2008		
	Billions of $	**%**
OUTFLOWS		
U.S. Official Development	$26.8	17%
U.S. Private Philanthropy	$37.3	23%
Foundations	$4.3	12%
Corporations	$7.7	21%
Private and Voluntary Organizations	$11.8	32%
Volunteerism	$3.6	10%
Universities and Colleges	$1.7	5%
Religious Organizations	$8.2	22%
U.S. Remittances	$96.8	60%
Total Outflows	**$160.9**	**60%**
INFLOWS		
U.S Private Capital Flows	$28.8	100%
Total Inflows	**$28.8**	**100%**
U.S. Total Net Economic Engagement	**$132.1**	

The U.S. interagency is applying little effort to leverage these funds. USAID's Private Voluntary Cooperation initiative partners with PVOs and NGOs to deliver "development humanitarian services around the world" through the Development Grant Program and the Cooperative Development Program. However, its budget is a meager $50 million.[45] The most notable effort to leverage private donors is the U.S. State Department's Global Partnership Initiative, which targets collaboration with like-minded PDA ventures.[46] In 2010, this initiative coordinated approximately $250 million worth of development-related projects among concurring PDAs and U.S. government agencies and entities.

Conclusion

U.S. interagency collaboration and information sharing must take place among all U.S. agencies that assist in economic development, conflict prevention, and post-conflict reconstruction (e.g., the Treasury Department, the U.S. Trade and Development Agency, the U.S. Trade Representative, and the Overseas Private Investment Corporation[47]) or risk undermining each other's efforts in achieving National Security Strategy objectives. As lead agents, it will require extensive collaboration between State and USAID in order to produce desired diplomatic and development results. The September 2010 PPD on global development and the subsequent 2010 QDDR embrace this need and even provide a general way ahead. However, in order for it to work, the U.S. will need a comprehensive global development strategy—a plan with governing entities (State and USAID) adequately staffed, funded, and empowered to successfully execute. This must include completing the integration of S/CRS into the Bureau for Conflict and Stabilization Operations. This new bureau will need to perform its proposed functions and also act as the conduit between respective country ambassadors and geographic combatant commanders regarding conflict prevention matters and means, as well as to coordinate and facilitate development efforts during post-conflict operations.

With few exceptions (e.g., the UN special envoy for malaria), no entity is responsible or accountable for ensuring desired development outcomes among multilateral organizations, including for the MDGs. Additionally, there is no established means to broker an effective, non-redundant division of labor among multilateral organizations.[48] As the premier leader and fund provider for most multilateral institutions, the U.S. must head an effort to establish a coordinating and project oversight body to best prioritize, synergize, and economize the multitude of development assistance endeavors around the world. Absent this effort, nations in particular, will increasingly choose to provide bilateral assistance making any coordination and economizing effort more problematic and ineffective.

As the lead development agency, USAID will need to play a significant role in coordinating U.S. development efforts with like-minded, multilateral, development-focused institutions and countries. This will require the U.S. to create a transparent development agenda, with an eye toward economizing endeavors and funding resources.

Finally, the U.S. must do a better job considering partner perspectives, as well as leveraging the value-added provided by the myriad of PDAs, PVOs, and NGOs without entangling them in the current inefficient and ineffective government bureaucratic web that could undermine their development-promoting activities. ***IAE***

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