

INTRODUCTION

Recent studies show the decline of multilateralism (Samuels, 1990; DAC, 1996; Eyben, 2012; Cerny & Prichard, 2017; Dworkin & Leonard, 2018; Gautreau, 2020). Yet minimal attempts have been made to relate development cooperation to the decline of multilateralism, its effects on aid effectiveness (both bilateral and multilateral) and implications for inclusive partnerships. The purpose of this study is to review empirical data suggesting reduction in volume of foreign aid following decline of multilateralism and redress its constraints to effective development cooperation or donor effectiveness for inclusive partnerships. The paper elaborates on a number of such relationships, based on an empirical review of donor dynamics at post-Brexit and pandemic order. In this study, development cooperation denotes aid, which encompasses all humanitarian and development assistance, including Official Development Assistance (ODA) (as defined by the OECD DAC), other official flows (OOFs) and any other development flows reported by official actors to International Aid Transparency Initiative (IATI).

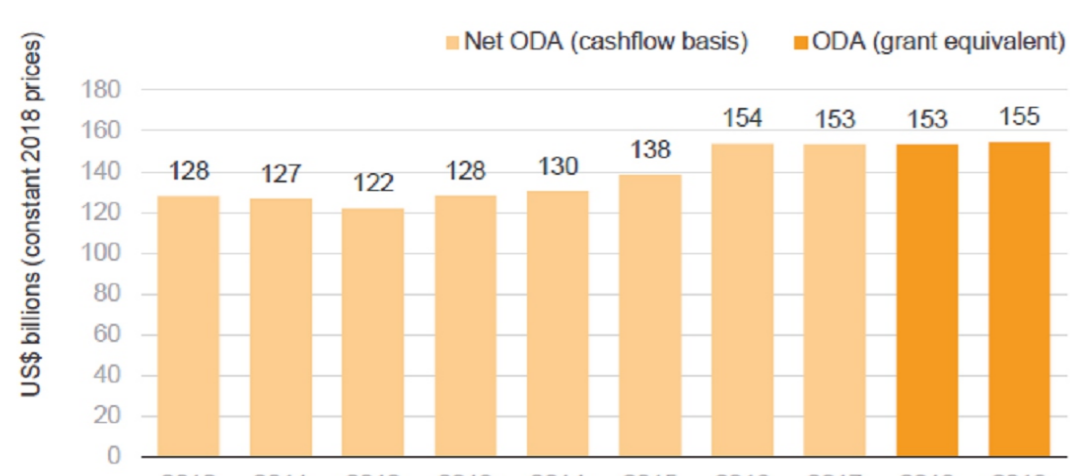
Data and Empirical Approach

The study draws on data from the OECD DAC (figures in yellow), it provides verified and detailed ODA data, available between 2019 to 2021. And near real-time aid data drawn from IATI (figures in blue).

Global Aid Trends

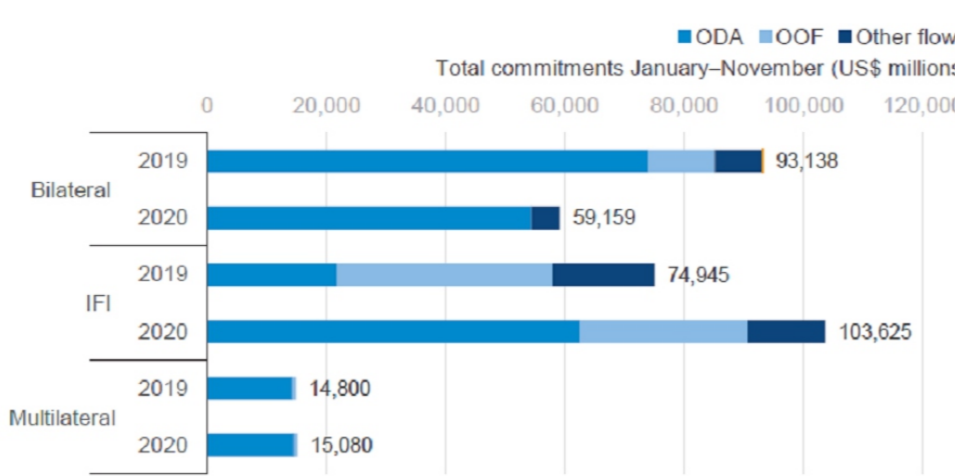
ODA grew by a modest 0.7% in 2019 to US\$154.5 billion

Figure 1: ODA from DAC donors, 2010–2019



Source: Development Initiatives based on OECD DAC data (2020).

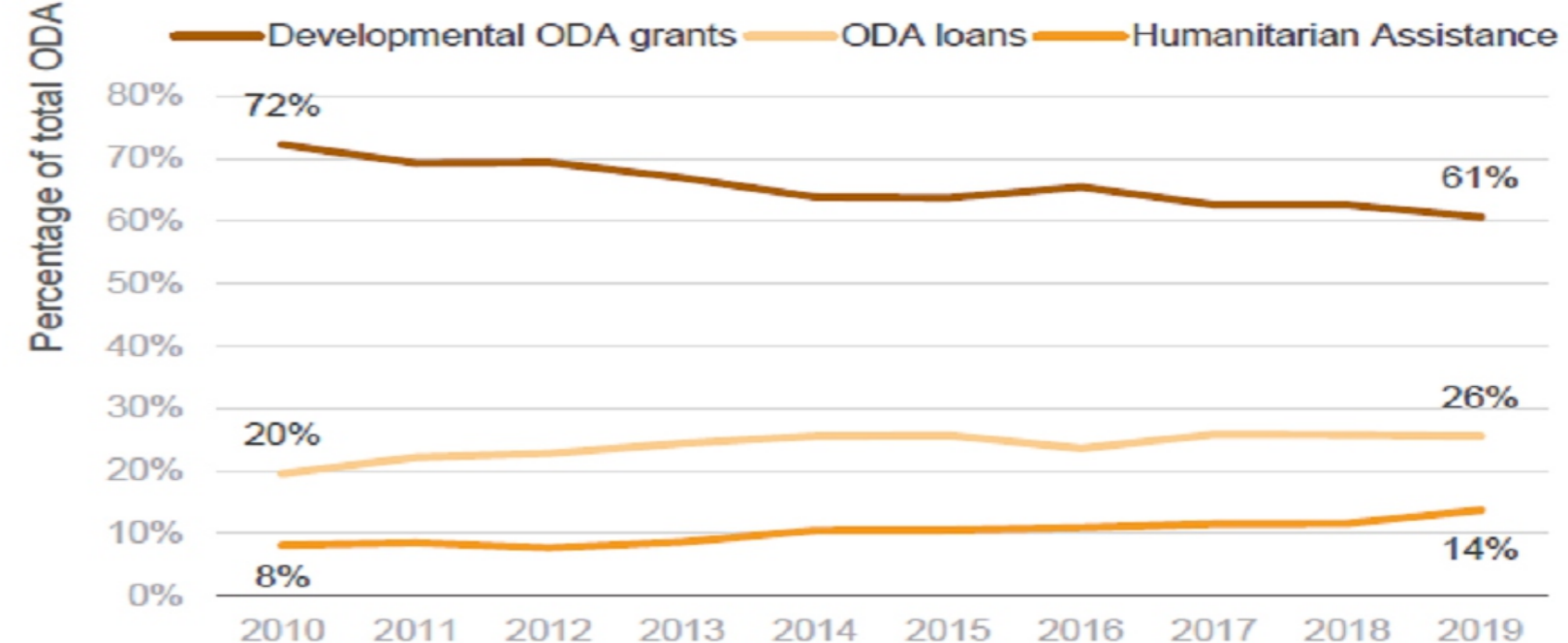
Figure 2: Aid commitments by key bilateral donors, IFIs and multilateral institutions, January–November during 2019–2020



Source: Development Initiatives based on IATI data. Notes: IFI = international financial institution; OOF = other official flows.

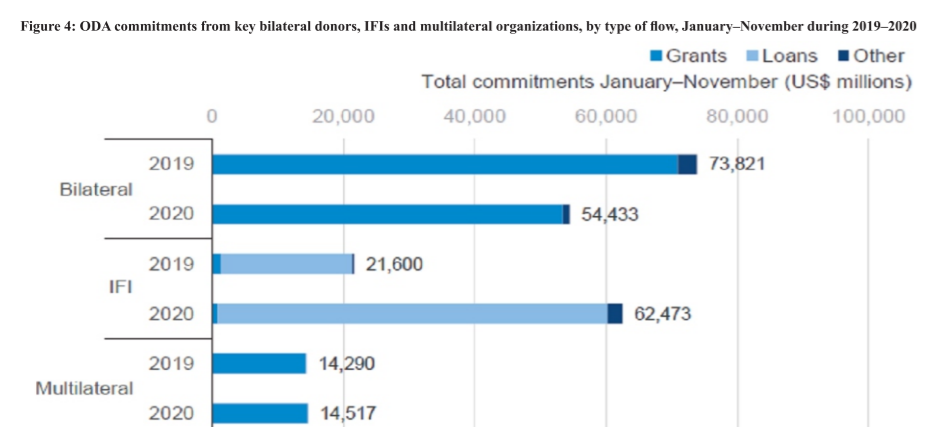
ODA grants continued to shrink as a proportion of ODA in 2019 while loans continued to grow in volume

Figure 3: Grants, loans and humanitarian assistance as a percentage of total ODA, 2010–2019



Source: Development Initiatives based on OECD DAC data (2020).

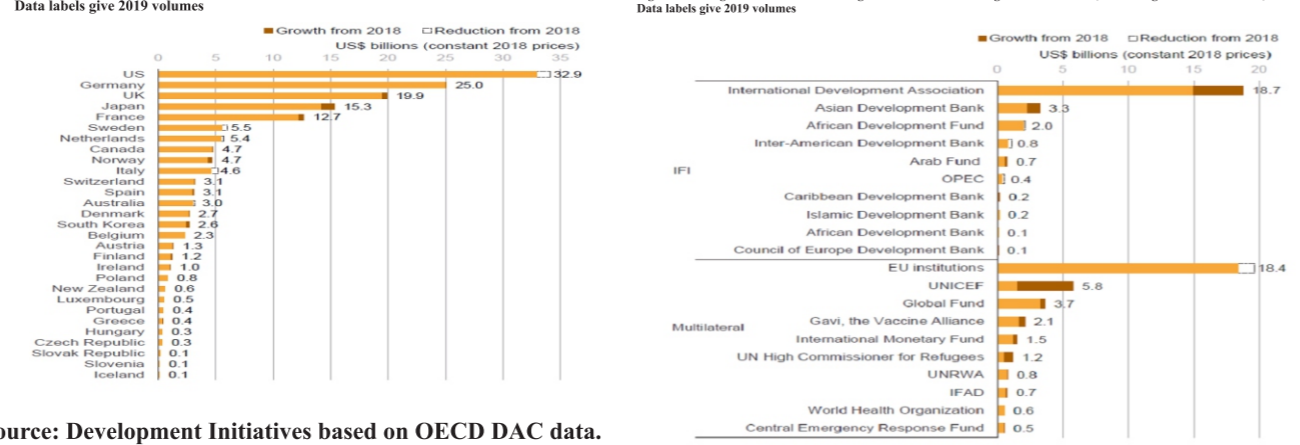
Figure 4: ODA commitments from key bilateral donors, IFIs and multilateral organizations, by type of flow, January–November during 2019–2020



Source: Development Initiatives based on IATI data (2021). Notes: IFI = international financial institution

Trends In Individual Donors And Agencies

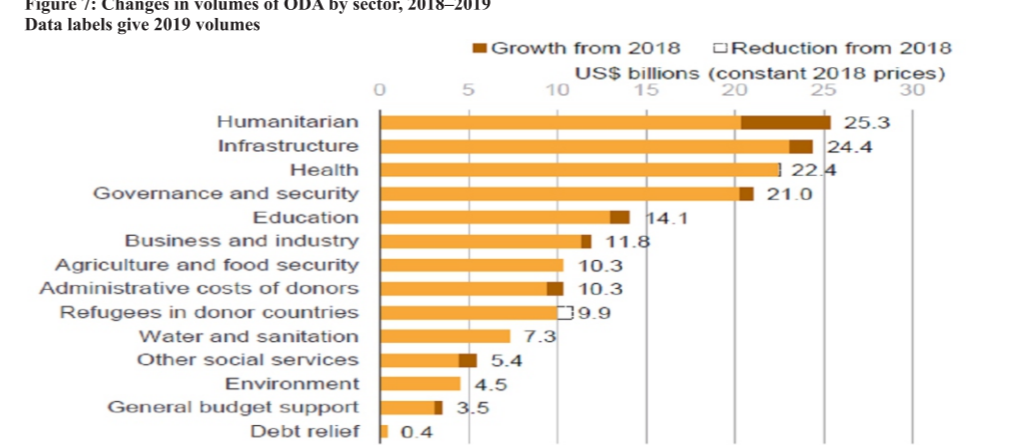
ODA and UNICEF are the most important drivers of ODA growth for multilaterals and IFIs in 2019



Source: Development Initiatives based on OECD DAC data.

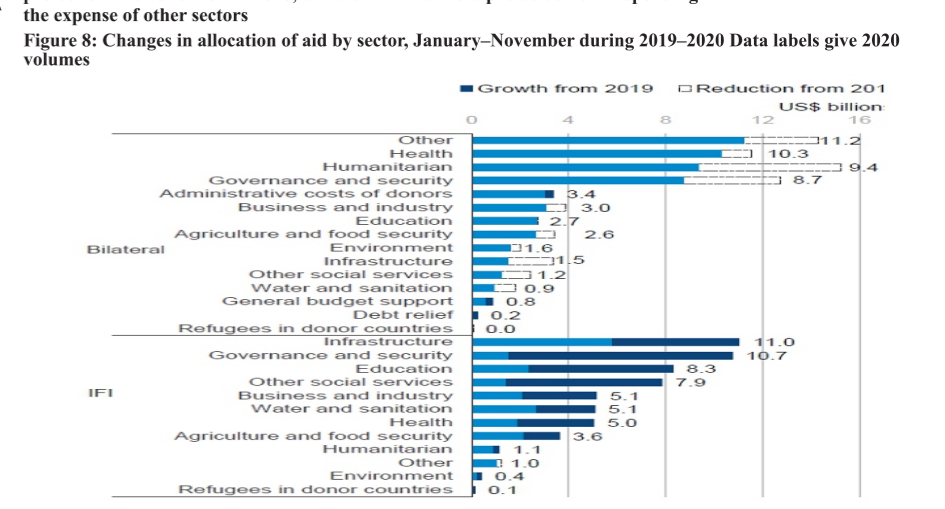
Sector And Policy Focus Of ODA

Humanitarian assistance represented the most significant increase in ODA across sectors in 2019 at US\$10 billion



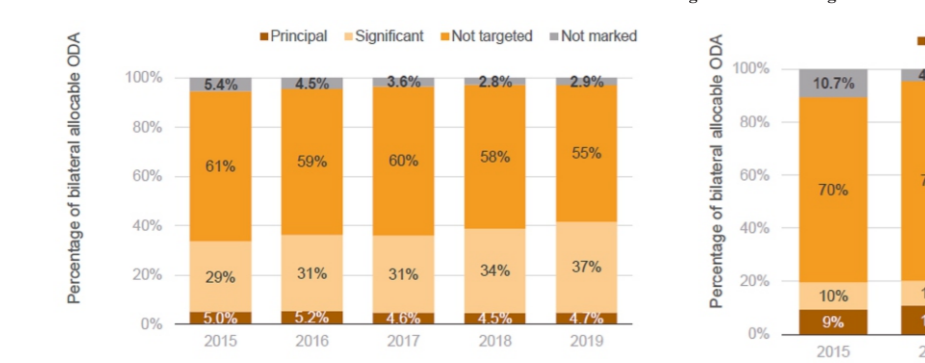
Source: Development Initiatives based on data from the OECD DAC.

Figure 5: Changes in allocation of aid by sector, January–November during 2019–2020 Data labels give 2019 volumes



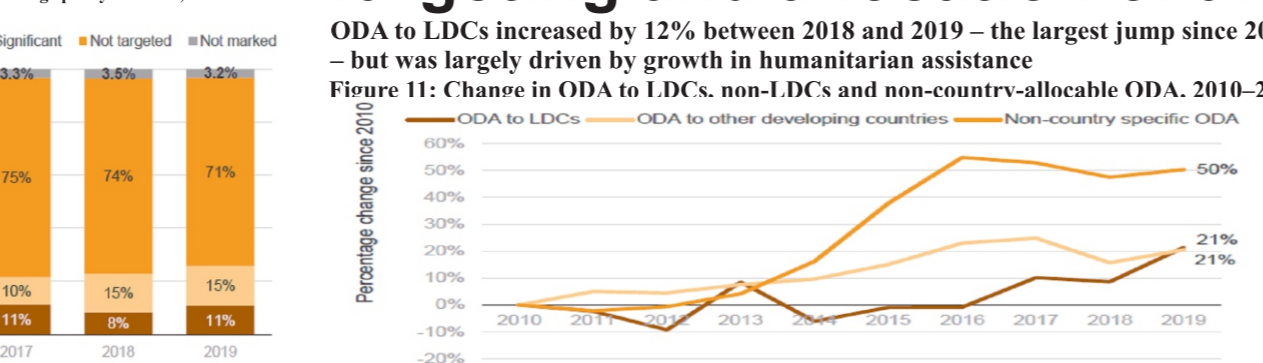
Source: Development Initiatives based on data from the OECD DAC. ODA focused primarily on promoting gender equality, declined slightly between 2015 and 2019

Figure 6: Percentage of ODA using the policy marker for gender equality, 2015–2019



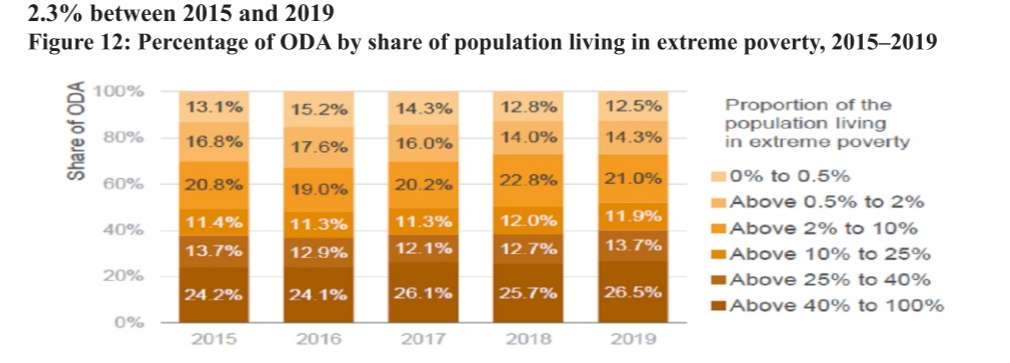
Source: Development Initiatives based on OECD DAC data. Note: This chart includes bilateral allocable ODA only.

Figure 7: Percentage of ODA using climate change policy markers, 2015–2019



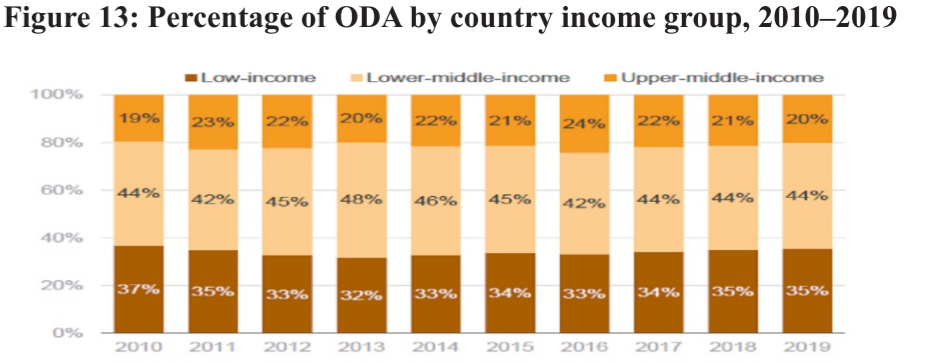
Source: Development Initiatives based on OECD DAC data. Note: This chart shows aid reported under both the climate mitigation and climate adaptation markers in bilateral bilateral allocable ODA only.

Figure 8: Percentage of ODA going to countries with the highest rates of extreme poverty grew 2.3% between 2015 and 2019



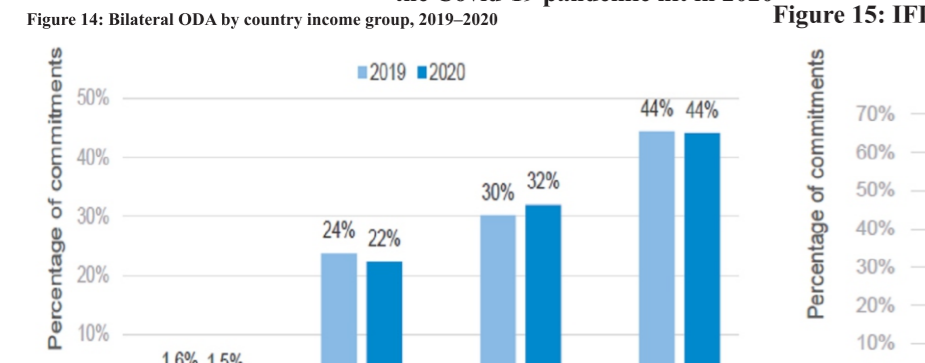
Source: Development Initiatives based on data from the OECD DAC (2020) and World Bank (2020).

Figure 9: Percentage of ODA by country income group, 2010–2019



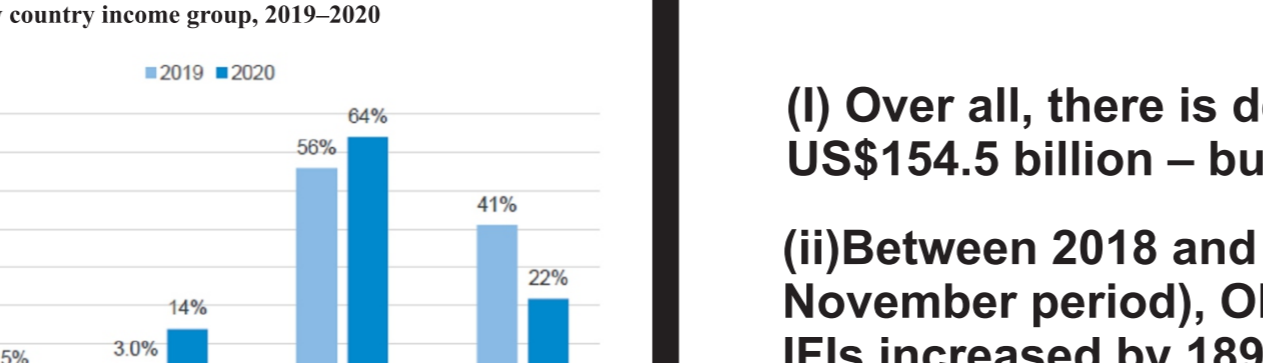
Source: Development Initiatives based on data from the OECD DAC and World Bank. Notes: Percentages may not add up to 100% due to rounding.

Figure 10: Bilateral ODA by country income group, 2019–2020



Source: Development Initiatives based on IATI data.

Figure 11: IFI ODA by country income group, 2019–2020



Source: Development Initiatives based on IATI data.

(iii) There is need to increase the overall volume of aid to the LDCs whose poverty and inequality is exacerbated by the pandemic. Multilateralism and new commitment to development cooperation by the high income countries is needed to transform development cooperation and bridge development gaps among the poor countries.

CONCLUSIONS

This study has provided new analyses of the impact of decline of multilateralism on foreign aid and implications for inclusive partnerships. Theory and common sense would suggest that the EU is the very definition of multilateralism and economic integration — but on the contrary, as we have seen, the volume of aid has been on the decline. This is as a result of decline of multilateralism at post-Brexit Europe, new nationalism across Europe and America, populism, protectionism and immigration restrictions, rising great power competition exemplified in the US/China trade war, effect of COVID-19 Pandemic etc, bringing new challenges to volume of foreign aid, and in particular, inclusive partnerships one of the four principles of effective development co-operation

SELECTED REFERENCES

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KEY FINDINGS

(i) Over all, there is decline of ODA. ODA has largely declined since 2016, with slight growth in 2019 to US\$154.5 billion – but 2020 shows a marked decline in ODA from bilateral donors (Figure 1 and 2).

(ii) Between 2018 and 2019, ODA grew 0.7%. However, comparing 2020 to 2019 (the same January to November period), ODA commitments from bilateral donors fell by 26%, while ODA commitments from IFIs increased by 189%. This increase from IFIs will be unsustainable beyond the short term without substantial new contributions from bilateral donors.

(iii) ODA grants are shrinking in significance, while ODA loans have continued to grow – a trend that accelerated dramatically in 2020 (Figure 3 and 4).

(iv) ODA provided in the form of loans increased from 20% to 26% between 2010 and 2019 – a 68% increase in volume – while ODA provided in the form of grants fell from 72% to 61%. This trend is strengthening in 2020 as IFIs play a more significant role. For the period January to November, IFIs provided US\$40 billion more in concessional loans in 2020 than they did in 2019.

(v) Key trends identified as decline of multilateralism include decline of regional integration in Europe following the exit of Britain from the EU, resurgence of new nationalism across Europe and America, protectionism and immigration restrictions, rising great power competition exemplified in the US/China trade war and effects of COVID-19 Pandemic etc, accounting for aid lag, which has implications for bringing new challenges to volume of foreign aid—effective development cooperation and in particular — inclusive partnerships.

RECOMMENDATIONS AND POLICY TAKE-AWAYS

It is difficult to redress aid trends, its constraints to effective development cooperation or donor effectiveness for inclusive partnerships in the present post pandemic world order as there are uncertainties in addition to the war in Ukraine. We may consider the following;

- (i) For donor to be effective, both short and long term measures to improve inclusive partnership is essential. Thus, a new multilateralism is needed in continental Europe at post-Brexit order to strengthen economic integration and boost the volume of aid.
- (ii) Ownership of development priorities by developing countries appears contestable as most ODA priorities are defined by donors to ensure mutual accountability ODA priorities should evolve from developing countries.