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**Research Report**

## EU and UN Development Cooperation: what should Germany work for?

Briefing Paper, No. 13/2009

**Provided in Cooperation with:**

German Institute of Development and Sustainability (IDOS), Bonn

*Suggested Citation:* Weinlich, Silke; Grimm, Sven (2009) : EU and UN Development Cooperation: what should Germany work for?, Briefing Paper, No. 13/2009, Deutsches Institut für Entwicklungspolitik (DIE), Bonn

This Version is available at:

<https://hdl.handle.net/10419/199644>

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## EU and UN Development Cooperation: What Should Germany Work for?

Both the European Union and multilateral agencies in the United Nations (UN) system are important partners for German development policy. Roughly one third of the official development assistance (ODA) Germany provides is spent for multilateral development cooperation (DC). At the same time, multilateral DC has a chronically poor reputation, even though reforms are currently being carried out to address identified weaknesses. The UN system and the EU in particular have come in for criticism for the alleged inefficiency and lack of effectiveness of their policies as well as for duplications in their work. While European and multilateral DC is less accessible to control than bilateral assistance, it also has a number of concrete advantages over bilateral engagement. These latter include the size and scope of the programmes and a greater measure of neutrality as often perceived by partners. In other words, multilateral and bilateral DC can complement one another.

Furthermore, Germany – like other countries – is reliant on a functioning multilateral system, both in terms of self-interest and as a means of contributing to meeting global challenges. The new German government should intensify its engagement in multilateral DC and support the EU and the UN in their efforts to refine their comparative advantages and to make better use of them. This would include an improved international division of labour and greater emphasis on orientation towards more effectiveness. Necessary reform measures should support the reform efforts from within the organisations concerned. Temporarily, however, the use of earmarked funds could be necessary.

Successful reforms in the EU and the UN contribute more to improving the effectiveness of DC than national efforts ever could achieve on their own.

### Multilateral DC: Criticism and comparative advantages

A sizable share of German development policy is conducted via the European Union and multilateral organisations. Roughly one third of the funds made available by the German Ministry for Economic Cooperation and Development (BMZ) flow to partner countries through European and multilateral channels. Including the shares for which other ministries accounted, in 2008 Germany provided a total of some € 3.4 billion in ODA via non-bilateral channels.

The development activities of the multilateral organisations have been subjected to repeated criticism. The finger of blame has been pointed at the EU and the UN system in particular for the alleged inefficiency and lack of effectiveness of their policies. It is more complicated to account for the effectiveness of multilateral DC to the German taxpayer, as it is difficult to pinpoint exactly what activities are being carried out with German fund. To make matters even more difficult, the evidence supplied by the organisations themselves on their cost-efficiency as well as on the effects achieved are not always in line with German standards. International organisations are furthermore alleged to have high administrative costs. Criticism continues to be voiced of duplications in the activity profiles of the various organisations concerned. And not least, multilateral organisations tend to be less accessible to control and to resist alignment to national priorities.

On the other hand, the EU and multilateral organisations have comparative advantages that make them an important complement to bilateral cooperation. They have worldwide presence and a broad expertise base, a constellation of factors that qualifies them to assume tasks at the

interfaces between development and emergency aid, security or the environment. From the German perspective – i.e. from the perspective of a large EU country and prosperous UN member in possession of strong implementing agencies – these arguments may well be less convincing than they are for smaller countries. But Germany, too, is fully aware that the EU is able to pool and focus the forces of its individual member countries. This enables the EU to harness forces more globally and more effectively than bilateral cooperation alone. UN agencies, for their matter, are in addition generally regarded as more legitimate than national actors. And not least, a functioning multilateral system constitutes the necessary basis for safeguarding and providing important public goods that are of central significance for Germany as well (climate protection, health, financial stability, security). The same can be said of universal norm and standard setting in the field of development and beyond.

### The EU and the UN system as development actors

A growing number of actors make the international aid system more and more complex and fragmented. Among them are multilateral organisations, who are also addressees of calls for greater partner orientation and a division of labour based on comparative advantages as formulated e.g. in the 2005 Paris Declaration on Aid Effectiveness. The importance of the individual organisations in the DC system tends to vary widely. Measured in terms of the share of worldwide (and German) multilateral ODA, the EU's importance has risen steadily in the course of recent years. In 2007 the EU accounted for well above one half of the German ODA provided through non-bilateral channels (see Box 1). Roughly one fifth of German ODA is transacted via the EU (2007: approximately € 1.8 billion).

### Box 1: Characteristics of the EU and the UN

#### **EU development policy: Supranational actor and donor forum**

The overall budget for communitarian European DC amounts to roughly € 8 billion per year. The EU has no explicit geographic focus; according to the Commission, its global presence is one of its comparative advantages. Nine broadly conceived areas of activity are named in the context of the European Consensus on Development, including trade, the environment, infrastructure, rural development, and governance. The Commission is hence active in virtually all areas of DC. However, the Commission has committed itself to focus on the partner-country level, and this means as a rule that it deals with two or three priorities per country, plus budget support if the conditions are met.

European DC is financed from the EU's annual budget, as well as through the European Development Fund (EDF), each of which is adopted for a period of around five years. A common fund managed by the member states, the EDF is not subject to the control of the European Parliament. Since development policy is a shared responsibility in the EU, the bilateral DC policies of the 27 member states also need to be taken into account, above and beyond Commission programmes; the idea here is for the European Commission to "complement" these policies. A sui generis entity, the EU is a political union and should therefore not be placed on the same level with multilateral DC institutions like UN or World Bank. It is at once an autonomous actor and a forum of its member states – and plays these roles also in the UN context.

#### **UN development policy: Multiple actors and global forum**

When it comes to DC, the UN system consists of over 30 actors that cover a broad spectrum of tasks and are active worldwide (with an operational focus on Africa). These UN actors work in the fields of technical and financial cooperation as well as emergency aid, they provide analyses and generate knowledge (e.g. the Human Development Report) and engage in advocacy-work on behalf of the most disadvantaged (e.g. children, women, the poorest developing countries).

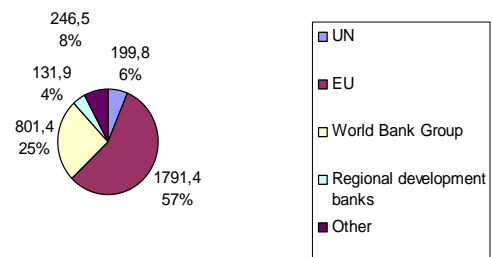
For its part, the UN system is comprised on the one hand of autonomous specialised agencies, like the International Labour Organisation (ILO) or the World Health Organisation (WHO), whose principal tasks include the setting of universal norms and standards. Technical cooperation, on the other hand, is conducted mainly via funds and programmes like the UN Development Programme (UNDP) or the UN Children's Fund (UNICEF), that report to the General Assembly and the Secretary-General. Intergovernmental bodies like the Economic and Social Council or the General Assembly provide forums for the global debates, consensus formation and negotiations of universal norms. In formal terms, the World Bank Group is also part of the UN system. It is largely independent and will not be further considered here.

UN development cooperation has always been financed principally on the basis of voluntary contributions from member states (expenditure in 2007: US\$ 17.3 billion). Member states have recently shown a growing tendency to earmark their contributions. Far more than half (2002: 63 %; 2007: 71 %) of the UN's funding has come to be earmarked, i.e. for specific themes, regions, or countries. This has lent further impetus to the UN system's fragmentation, and most organisations lack the core budget resources they need to pursue multilaterally agreed priorities. Further reinforcing the lack of planning reliability, only few states are willing to commit multi-year funding to the UN which is common practice in the case of the EU or the World Bank. The UN is therefore particularly vulnerable to short-term, crisis-related cuts in contributions.

If the volume of bilateral ODA continues to rise, however, EU-funding, for which upper limits have been set, stands to lose a proportional share of its present importance. Germany accounts for roughly one quarter of the EU's total DC funding, ensuring Germany a prominent role. While the share of worldwide ODA for which the UN accounts is roughly 15 % (2007), the share of German ODA to the UN is well below this figure. German contributions to UN agencies have declined from roughly 10 % of non-bilateral DC (2002) to a present level of 6 %. In 2007 roughly € 200 million German ODA was transacted through the UN, equalling about 2.2 % of Germany's total ODA (see Box 2).

### Box 2: Shares of multilateral ODA for which various organisations account

German multilateral ODA (2007, in millions of EUR)



Source: Compiled on the basis of BMZ data

Germany ranks third when it comes to compulsory contributions to the UN's regular and peacekeeping budget assessed on the basis of economic power. Its voluntary contributions to the UN system however qualify it for no more than one of the last places among the top ten contributors (2006: 8; 2007: 10).

Some points of criticism that have often been levelled at EU and UN development cooperation concern inefficiency, lack of effectiveness, and duplication. Just how warranted is this criticism?

#### **Across-the-board allegation of inefficiency untenable**

Assessments of the efficiency of the UN or the EU are often based on experiences with laborious multilateral negotiations or isolated examples that serve to shape a general judgment. Communitarian European DC has been improved markedly over the past decade. Since the 1990s the ratio of funding volume to staff size has been appreciably lower than in many member states. The main problem was a funding backlog, which has since been overcome. DC funds are now "programmed," that is, subject to complete and timely planning. One contributory factor here has certainly been the politically contentious instrument of budget support, which is used to programme roughly 40 % of new commitments of aid to African countries transacted through the EDF. However, the controversy over budget support is concerned mainly with the instrument's effectiveness, not with its efficiency (see DIE Briefing Paper 10/2009).

In the UN the – often controversial – search for consensus among the 192 member states contributes to the time intensity of negotiations. The governing bodies of UN funds and programmes are less polarised than the General Assembly; reforms of the Economic and Social Council (ECOSOC)

have recently been launched. However, the inevitable price for the legitimacy of universal decisions consists in the more cumbersome multilateral decision-making.

The UN is generally acknowledged to have a personnel-intensive structure. When it comes to individual UN organisations, the mix of operational and normative work typical of the UN explains the need for a strong support structure at headquarters. Bilateral evaluations such as those undertaken by Sweden (2009) or the UK (2007) acknowledge that, for example, the United Nations Development Programme's (UNDP) internal performance record is generally good. Most UN agencies charge administrative costs that are below 10 %. Be that as it may, there is still need for improvement. The introduction, on a close to system-wide basis, of results-oriented budgetary procedures and management reforms, as well as increasingly stronger demands for more transparency and accountability on the part of the UN's intergovernmental governing bodies may be seen as important steps on the road to reform.

### **Effectiveness: Virtually no verifiable differences to bilateral DC**

There is little data available on the overall effectiveness of multilateral activities aside from assessments of projects and programmes, as is the case for bilateral DC. When it comes to EU and UN too, we generally observe the micro-macro paradox that while the great majority of projects/programmes are judged to be successful, there is very little hard evidence of development successes at the partner-country level. There are no recent studies that show the EU or UN agencies to have a poorer record in terms of effectiveness than other multi- or bilateral organisations. Like bilateral donors, the EU and multilateral organisations have in recent years launched initiatives designed to review their aid effectiveness. Donors are also stepping up efforts to review the quality and effectiveness of the EU's and multilateral aid. Some of these national evaluation efforts are undertaken in a multilateral framework, e.g. in the context of the Multilateral Organisation Performance Assessment Network (MOPAN) (Box 3).

The European Commission's DC is subjected to the DAC Peer Review. According to the last review conducted by the Development Assistance Committee (DAC), communitarian European DC has now reached a good level of performance. Indeed it has even become the driving force behind specific discussions, e.g. on development policy coherence or aid modalities (above all budget support).

Trade or security policy may also have positive development effects – provided that care is taken to ensure overall coherence with development policy. Incoherencies in the EU's policies vis-à-vis developing countries are one of the remaining critical points. Development organisations continue to voice vehement criticism, in particular with regard to the EU's communitarised policy fields (trade, agriculture, fisheries). Since two years now, the Commission has prepared reports on policy coherence for development. The reports point to inconsistencies between various policies, in this way creating the basis for political discussion and a more open balance of interests. But working towards coherence remains a task – and one not immune to influence brought to bear by representatives of member states in Brussels. Not least in the wake of implementing the Paris Declaration, a majority

#### **Box 3: MOPAN**

A network of like-minded donors, MOPAN was set up in 2002 with a view to harmonising national assessments of organisational effectiveness of multilateral organisations. Alongside Germany, its current members include Australia, Denmark, Finland, France, Ireland, Canada, South Korea, the Netherlands, Norway, Austria, Sweden, Switzerland, Spain, and the UK. The network assesses three multilateral organisations per year on the basis of surveys conducted in eight to ten developing countries (2009: African Development Bank, UNDP, UNICEF, World Bank).

At first, MOPAN undertook surveys aiming to capture the perception of the respective organisation by national and international partners. In 2009 its methodological approach was placed on a broader empirical basis. MOPAN analyses assess the performance at the country level, focusing on the behaviour, system and processes of the organisations in question and identifying changes made over time. Their aim is not to measure the effectiveness or the achievement of development results on the ground. But they are expected to supply robust data that improve the understanding of and dialogue with these organisations and to enhance the aid effectiveness discussion. The new "Common Approach" was developed with a view to replacing bilateral assessment instruments, to harmonising indicators, and to forestalling the uncoordinated development of other assessment tools. MOPAN reports are used as reference documents in setting political and financial priorities in multilateral DC, although they do not serve as the sole basis on which decisions are made.

of UN agencies is working on improving their results orientation and documentation of effectiveness. While bi- and multilateral assessments acknowledge, for some individual UN organisations, positive developments, good effectiveness, and exemplary evaluation systems, there is still a lack of system-wide data. In September 2009 the Secretary-General was asked to develop proposals on an independent cross-system evaluation mechanism. This initiative may also help to advance a universal consensus regarding the aid effectiveness debate, which many developing countries continue to perceive as donor-dominated.

### **There is in fact duplication in the multilateral systems**

The allegation of duplication in the EU is warranted, above all when it comes to the interplay between Commission activities and the policies of member states. The allegation applies also as regards overlaps and rivalries within the UN system, but also concerning parallel external structures.

A central problem in the EU-system is a lack of agreement or clarity on comparative advantages. The interplay between all actors, including national policies, is often unclear. Increasingly, however, the EU has been engaged in efforts to create a common policy framework, one good example being the European Consensus on Development (2005). Similarly the EU Code of Conduct on an improved division of labour adopted in 2007, under the German Council presidency, aims at enhancing the system's organisational effectiveness, though without centralising it. However, the Code of Conduct is a political framework that does not possess binding legal force. In addition, the preconditions for a successful division of labour are not yet in place as the discussion on the specific strengths and weaknesses of national development policies has just gotten underway. Thus far only 8 donors have reviewed their comparative advantages in a total of 32

pilot countries, and have omitted a comprehensive involvement of recipient countries. First results show, for instance, that there are fewer problems involved in developing a sectoral than a geographic division of labour.

In the UN system, the historically evolved organisational diversity entails incoherence and duplication and leads to a need for improved coordination. While the system's fragmentation has been recognised as a problem early on, vested interests of individual states, the funding practices, and institutional inertia have been impeding efforts to remedy the problem. But there have also been positive developments: In September 2009, for instance, four parallel organisations concerned with women/gender were merged into one institution. Reforms at the country level have proven particularly successful. One noteworthy development may be seen in the *One UN* pilot initiatives that got underway in 2006. The UN system operates in each of the eight official and roughly 30 unofficial pilot countries with one country programme, one budgetary framework under one leader. All in all, however, the risk of duplication has increased: With a view to circumventing the UN's cumbersome decision-making structures, new funds and initiatives have been set up, e.g. in the fields of health or energy. These parallel external structures serve to exacerbate the general problem.

### **In sum: What should Germany work for when it comes to the DC via the EU and the UN?**

While DC provided in the EU or UN framework has its weaknesses, it also has numerous comparative advantages. It is vital to pay due heed to ongoing reform processes – as well as to make use of them. They have positive effects that extend beyond DC.

In world of rising economic powers, the EU offers the possibility to pool and focus European capacities. The UN is free to operate in places where Germany may have little interest / is unable to engage – e.g. in “difficult” states (North Korea) or in conflict regions. It is well positioned to link normative and operational work (e.g. reproductive health). And the UN constitutes a legitimate framework for global governance on which a world faced with a multiplicity of global challenges is and will continue to be reliant.

There is considerable room for both of these organisations to improve the ways in which they complement bilateral engagement. Many of today's weaknesses have resulted from decisions taken and priorities set by member states, and they are therefore accessible to efforts to remedy them. In the future the new German government should place more weight on multilateral DC and provide – together with others – targeted support for the reform processes initiated by multilateral organisations. Such efforts would include an improved international division of labour and more emphasis on results orientation – based in part on active participation in MOPAN.

Efforts within the EU to improve the division of labour in development policy world seem to be the only alternative to

more centralisation; the latter is politically undesirable and without any real prospects of realisation. But there is need for internal reforms: The European Development Fund continues to exist side-by-side with the EU budget, a state of affairs that entails administrative inefficiencies and undermines the European Parliament's control function. And within the overall European system, e.g. in Community trade policy, there is no lack of possibilities to support development without having to provide extra funding; such as by improving market access for developing countries – also for competitive agricultural goods. Here Germany – via the Council – wields considerable influence in the EU.

The UN system is faced with the challenge of implementing its Paris obligations, overcoming its fragmentation, and more clearly delineating the contours of its role in the global aid architecture. The current low levels of Germany's voluntary contributions to the UN do not leave much space for efforts to promote these reform processes strategically. The BMZ should therefore appreciably increase its voluntary contributions to the UN's core budgets and place them on a multi-year basis, provided that analyses of the effectiveness of the organisations concerned come up with satisfactory results. Another key to increased effectiveness and efficiency must be seen in UN reforms at the country level – efforts that could, in addition, breathe new life into gridlocked negotiations in New York. The *One UN* process deserves more support than it has received thus far, and Germany should accompany it critically, along with like-minded partners. This would call, temporarily, for more earmarked funding, although the practice should continue to be the exception. With a view to achieving an integral and coherent policy vis-à-vis the UN, Germany should take steps to better coordinate the international presence of line ministries and to align them to a joint strategy. This strategy should be embedded in a comprehensive multilateral DC strategy that would need to be developed by the BMZ and to define German priorities for a changing multilateral aid architecture.

When it comes to the EU and multilateral organisations, Germany is, it is true, only one decision-making actor among others, a circumstance that renders multilateral funding less accessible to direct control than bilateral aid. But multilateral aid can achieve more extensive results: Assuming that reforms have proven successful, even minor advances may contribute more to enhancing the effectiveness of DC than national efforts would ever be able to achieve on their own.



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