



**MINISTRY OF FOREIGN AFFAIRS
OF DENMARK**
Danida

**EVALUATION STUDY
IDENTIFICATION
AND ANALYSIS OF
MAIN TRENDS
IN DANISH
MULTILATERAL
DEVELOPMENT
ASSISTANCE**

JANUARY 2021



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EVALUATION STUDY IDENTIFICATION AND ANALYSIS OF MAIN TRENDS IN DANISH MULTILATERAL DEVELOPMENT ASSISTANCE

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AFD	African Development Fund
AfDB	African Development Bank
EC	European Commission
EDF	European Development Fund
DFID	UK Department for International Development
GAVI	Global Alliance for Vaccines and Immunization
GEF	Global Environment Facility
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GNI	Gross National Income
GPE	Global Partnership for Education
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
LDC	Least Developed Country
LIC	Low Income Country
LMIC	Lower Middle-Income Country
m	million
MDB	Multilateral Development Bank
MFA	Ministry of Foreign Affairs of Denmark
MOPAN	Multilateral Organisation Performance Assessment Network
ODA	Overseas Development Assistance
OECD/DAC	Organisation for Economic Co-operation and Development/ Development Assistance Committee
Sida	Swedish International Development Cooperation Agency
UMIC	Upper Middle-Income Country
UN	United Nations
UNDP	United Nations Development Programme
UNDS	United Nations Development System
UNFPA	United Nations Fund for Population Activities (since 1987: United Nations Population Fund)
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children Emergency Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WFP	World Food Programme

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Denmark is a generous donor and a generous multilateralist:

Denmark is in the top five worldwide both in the general ODA level and as a contributor to the multilateral development organisations. Multi-bi contributions have increased, but they are largely softly earmarked.

Few strategic underpinnings explaining the picture:

There are few recent explicit policy statements or strategies explaining why Denmark allocates its multilateral funding as it does. This report provides the data underpinnings and a conceptual framework for future strategy considerations in this area.

Building on recent previous work:

The report builds on the evaluation study from 2019 on the Use of Organisation Strategies and Results Reporting for Danish Multilateral Partners and therefore refers to but does not delve further into the issues dealt with in that study.

THE FIGURES

Less bilaterally managed aid, more through multilaterals.

Danish Overseas Development Assistance (ODA) has remained relatively constant in money terms, but it fell from 1% of Gross National Income in 2000 to around 0.7% in 2018. From 2011 to 2018, bilaterally managed aid dropped as a share of ODA, while multi-bi assistance increased. Core support to multilaterals has increased slightly but looked upon over a longer period it has decreased. The refugee crisis in 2015 led initially to cuts across all aid modalities, while the re-allocation of funds after the crisis nearly entirely benefitted multi-bi assistance.

Less targeting, less Africa.

In 2011, 71% of total bilateral and multi-bi assistance was targeted towards specific regions and countries. In 2018, the corresponding figure was 48%. In 2011, 45% of total bilateral and multi-bi assistance was targeted at Africa. In 2018, the corresponding figure was 23%.

Less bilateral presence in conflicts and in Least Developed Countries (LDCs), more use of multi-bi support.

Fragile settings received two thirds of geographically targeted Danish bilateral and multi-bi assistance in 2018. The bilateral support nearly

halved, far from offset by the increase in multi-bi assistance. Bilateral support to LDCs dropped by not less than 58% from 2011 to 2018¹.

Less core and more earmarking to the UN, more core to the EU and others.

Core contributions stood at 68% and multi-bi at 32% of all multilateral support in 2011. By 2018, the relation had changed to 55% core and 45% multi-bi. The UN kept a share of 40% of total multilateral contributions, the Multilateral Development Banks (MDBs) reduced their share from 27% to 19%. The EU got 40% of all Danish multilateral core funding in 2018.

Recipients of Danish multilateral funding: Stubborn Stability.

The top 10 recipients of core plus earmarked funding were the same in 2011 as in 2018. The concentration on recipients has not changed either: the top 10 recipients got 69% of all Danish ODA to and through multilaterals both in 2011 and 2018. The top 10 over the period are exclusively the “classical” multilaterals (UN and MDBs), and the EU.

More humanitarian, less to development.

Sector-targeted bilateral and multi-bi assistance has decreased but is still dominating. Humanitarian and refugee assistance increased from 8% in 2011 to 19% in 2018, peaking at 30% in 2016.

Multi-bi is red, somewhat green and more focused than bilateral assistance.

Multi-bi has a stronger focus on social sectors including governance than bilateral support. Multi-bi assistance is also more focused, spending more in fewer sectors. The bilaterally executed support to education fell dramatically over the period but increased through a multilateral channel. Environment and climate only got around 5% of all targeted funding in the period but increasing core support in 2017 and 2018 got the level back to where it was in 2011.

Not so new.

“New” multilaterals received 12-13% of all Danish core and multi-bi contributions between 2011 and 2018. The biggest recipients were trust funds managed by the World Bank (Global Partnership for Education, Global Environmental Fund). The Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM) was the biggest receiver of funding among new, independent multilaterals.

Soft earmarking dominates - but...

Earmarking of multi-bi support has apparently moved from project-type, hard earmarking in the beginning of the period to programme-type, soft earmarking in recent years. A closer look at details reveals changing and apparently inconsistent classification practices. There seem to be few

¹ Boesen, 2019.

hard-earmarked projects where Denmark “uses” multilaterals to advance particular projects.

THE PEERS: LOOKALIKES

Denmark is a generous multilateralist.

Denmark ranks fourth in relative funding to multilateral development organisations. In absolute numbers, Denmark is no. 16, but ‘oversized’ in our ranking in the Global Partnership for Education (GPE) and in the United Nations Population Fund (UNFPA).

Uniform overall pattern among peers.

In 2018, bilateral ODA in Denmark, Norway, Sweden and the United Kingdom was between 43-46%, Finland slightly lower (37%) and The Netherlands slightly higher (51%). The share of bilateral ODA decreased among all peers from 2011 to 2018 except in the United Kingdom.

Stable level of core, increasing multi-bi.

Core contributions remained largely stable, constituting between 23% and 36% of total ODA in the other countries, with Norway having the lowest core level. Multi-bi increased in Norway, Sweden, The Netherlands, and, most strongly, in Denmark.

Largely same organisations.

The five peers share between seven and nine multilaterals in their top 10 with Denmark and prioritise the UN and traditional MDBs (and the EU for EU members).

Follow peers and paths, or...

The uniform pattern could be interpreted as a strong tendency to do what peers do, or as the strength of paths laid out at the end of the Second World War. Also, there are few other multilaterals around with a scope and scale making them candidates for the league of major recipients.

STATISTICS AND STATISTICS: A DIFFERENT PICTURE?

A closer look at five figures.

Reconsidering five specific items in Denmark’s multilateral portfolio changes the overall picture but may make it less distorted.

- Considering the increasing core funding to the EU as a special case because it is part of the general budget Denmark must contribute to and does not reflect a specific development policy priority.

- Considering the funding of the GPE as core rather than as multi-bi, because it shares characteristics with e.g., Danish funding of the Global Environmental Facility (GEF).
- Considering the funding of the UN City in Copenhagen as core funding rather than earmarked.
- Taking UNDP out of the equations of core and earmarking because it is a very particular story.
- Considering emergency funding – registered as multi-bi – as a special category of earmarking. Emergency funding has increased and thereby earmarking because that is the standard way of responding to funding appeals.

A different big picture.

With the considerations above, the big picture is that bilateral assistance is decreasing, while multi-bi to emergencies and conflict, peace and security increased markedly in 2017 and 2018. Core contributions remain well ahead of multi-bi. The increase in multi-bi in the remaining Danish ODA is modest: From 5% of total ODA in 2011 to 10% in 2018.

Downs and ups for multi-bi.

Multi-bi fell as refugee costs funded by ODA exploded in 2016. Multi-bi then surged in 2017 and 2018 – but not dramatically if e.g., funding to GPE, the UN City and UNDP is taken out of the equation. The biggest component of the increase was support to emergency situations, with Afghanistan topping the list. In 2017 and 2018 multi-bi grant size on average doubled.

Call for care.

The 2016-2018 period was extraordinary, and care should be taken to declare the increase in earmarking these years trendsetting, also if preliminary figures for 2019 indicate further growth in emergency assistance.

STRATEGIES, POLICIES, DECISIONS

Two pages in the present development strategy.

'The World in 2030', the Danish development strategy, only briefly indicates how Denmark will prioritise and implement its multilateral engagements. It is strongly focused on how Danish interests can be promoted in the individual multilateral organisations. Earmarking will increasingly be used as a way to increase Denmark's influence. The previous strategy from 2012 committed to more, and more core multilateral funding as a way to maintain Denmark's influence.

Other decisions and events that matter. Beyond strategies,

Denmark's multilateral cooperation is shaped by explicit decisions on e.g., the reduction in the overall size of Danish ODA, the reduction of Denmark's direct bilateral cooperation and use of ODA funds for refugee assistance. Crises spanning from Afghanistan to the Middle East and Sahel have also influenced the choice of aid modalities. The climate crisis is another important external factor. These decisions and events have shaped the multilateral behaviour, seemingly making it a residual or secondary policy arena.

A transactional approach to individual organisations.

Multilateral organisation strategies justify grants to individual organisations. A recent review found they mostly serve accountability and communication functions, with a focus on what Denmark expects to get in return, rather than on where the organisations should move and how Denmark can exert influence in that direction. There are a few exceptions where Denmark clearly has taken a strategic stance: Using the GPE for Danish support to education instead of bilateral support, stepping up funding for UNFPA, and cutting core funding to UNDP.

The EU – a special case.

The development funding to the EU reached 40% of Danish multilateral core funding in 2018. It is, however, a different sort of multilateralism that could instead be considered 'European bilateralism'. There are no organisation strategies for the Danish contributions to EU institutions, and only very limited strategising in 'The World in 2030'.

UNDERLYING DETERMINANTS OF MULTILATERAL CHOICES***Seven perspectives.***

Looking at geopolitics; Danish interests; perceptions on how to influence; policy choices in other arenas; path dependencies; peer alignment and perceived comparative advantages all contribute to the understanding of Danish multilateralism.

From bilateral development altruism to shorter-term crisis focus?

Looking at the broadest level of changes in development assistance, the early high and global 'development-in-general' ambitions directed at the nation states emerging from decolonialisation have been replaced by more specific regional and global agendas on peace, emergencies, terror, migration and climate.

Still a keen multilateralist, aligned with peers.

Denmark has clear interests in the policy shaping, development, normative and convening power dimensions of the multilateral system. Other 'like-minded' donors, not least the other Nordic countries, share these interests and are generous funders.

Earmarking and influence.

Increased use of earmarking is a global trend, recently characterised as a move towards 'à la carte' multilateralism, where donors pick and choose from a menu of options. Whether such earmarking yields influence is another matter. The evidence on Danish use of earmarking indicates that earmarking can take many forms, and a nuanced and granular discussion is needed to identify the strengths and weaknesses. All in all, it does not seem fair to describe Denmark's multilateral behaviour as "à la carte".

Comparative advantages.

The idea of comparative advantages is often affirmed across multilaterals as a matter of course. The tensions and changes in today's multilateral development system and the underlying deeper geopolitical drivers indicate that a generalised affirmation should be avoided, and that comparative advantages should be discussed in much more detail.

POINTERS TO PATHS FORWARD***Adjustments of a long journey, or a shift towards a new paradigm?***

If continuity is the dominant feature of Danish development multilateralism, is this continuity appropriately 'future-fit'? If a new paradigm is coming to the fore, is this losing important qualities associated with the old paradigm?

First order changes pointing to continuity.

Many changes are of first order, modifying quantities but not changing instruments or purposes. Despite reductions Denmark is still among the most generous. Proportions between bilateral and multilateral assistance, and between core and earmarking, have changed, but not dramatically. Looking at first order changes, a picture of continuity may appear dominant.

Second order instability.

Second order changes – use of new instruments, significant quantitative changes – include the reduction of bilateral assistance; the rise of the EU as a channel for Danish development funding; and the surge in the use of ODA for refugee assistance in 2015 and 2016. The increasing focus on emergency assistance and conflict-affected and fragile situations, and the modest, but increasing use of new multilateral channels could also be seen as more than incremental.

Changing the goal post as third order change.

Denmark has modified the policy goal of development assistance from poverty reduction to being an integral part of Danish foreign, security and trade policy. If this is considered a paradigmatic shift, then the key change in Danish multilateralism is not that there is slightly more earmarking, or a somewhat bigger share of multilateral assistance, but

rather than Denmark increasingly retreating from 'classical', purportedly altruistic development work with its own permanent presence, and instead works through others. This may reflect the fact that the development challenges are increasingly seen as the broader pursuit of global collective goods.

Incipient paradigm shift?

If a paradigm shift is in the making, it seems to be the result of an incremental transactional approach where the strategic directions, which the sum of transactions is pointing to, are not yet well articulated. Moving to a strategically informed approach to multilateral development cooperation would require setting the sight on the bigger picture – not only of multilateralism, not only on development assistance, but on the broader picture of Denmark's international positions and options.

1. INTRODUCTION

Denmark is a generous development assistance provider and a generous multilateralist. Denmark ranks among the top five globally both in the general ODA level and as a contributor to the multilateral development organisations, measured in proportion to our GNI. Though earmarked contributions have increased markedly over the last years, they are largely softly earmarked, not least to humanitarian interventions in regional or country-specific crises.

While every single Danish multilateral allocation has a formal justification², there are no recent policy statements or strategies explaining why Denmark allocates its multilateral funding as it does across different organisations, except for a few pages of general justification in the Danish development strategy³. Decisions and events in other policy domains (crises, refugees, fewer bilateral partner countries); greater emphasis on Danish interests; path dependency; and alignment to what peers do appear to be the main ingredients in the mix explaining Denmark's multilateral development behaviour.

This report unfolds the figures and trends in Danish multilateral development assistance, providing inputs for evaluative work, debate, and future strategy considerations. It is, to the knowledge of the study team, the first time that a more disaggregated analysis is made available in this field. The report occasionally looks beyond the multilateral scene, because complementarities and synergies are shaped by the size, composition and targeting of other Danish aid modalities as well as by policy decisions in realms dealing with general and bilateral development assistance issues, or issues not related to development assistance.

The report focuses on a broad quantitative analysis over the 2011-2018 period, with an occasional longer look⁴⁴. Chapter 2 of the report presents the figures. Detailed tables can be found in Annex 1.

² Boesen, 2019.

³ Ministry of Foreign Affairs of Denmark, 2017, pp.15-16.

⁴ This time span was chosen partly because data on assistance through multilaterals (multi-bi or earmarked assistance) has only been collected in retrievable form since 2011. 2018 is the latest year with available data from OECD/DAC. Table 4.4.1 in Annex 1 includes 2019 figures but is based on a different categorisation relevant to the Danish Finance Act.

The report sets the Danish multilateral development assistance in a broader context in Chapter 3 by comparing Denmark with “like-minded” peers, including the Scandinavian countries. It also considers Denmark’s role as a funder seen from the perspective of all funding to the multilateral systems, drawing on recent work of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD).

Chapter 4 highlights some challenges in interpreting data, discusses selected trends found in the figures and offers additional ‘deep dives’ into details that might explain the apparent trends and patterns.

Chapter 5 looks at available policies and strategies for Danish development assistance, both at the macro-level and in significant individual contribution commitments to organisations and countries. While it has been explicit policy decisions to reduce the number of partner countries and thereby bilateral aid, the relative paucity of broader explicit policies regarding development multilateralism is notable.

Following the factual presentation and discussion, Chapter 6 offers reflections on the underlying causes that may explain the trends, exploring not less than seven perspectives on the likely causal factors which together may explain the current picture. The combination of likely explanatory factors goes some way towards explaining why the overall picture of Danish developmental multilateralism is at the same time relatively stable and reflects a deeper, broader shift in the perceived role of development assistance as such.

Chapter 7 points to further considerations that may be useful.

Where appropriate, the report builds on the 2019 study on Use of Organisation Strategies and Results Reporting for Danish Multilateral Partners (see Note 1), which looked at organisation strategies, results management as well as Danish approaches to influencing multilaterals. The present report refers to but does not expand on the previous study.

To make the report readable, we use four key terms for development assistance modalities as they are mostly used colloquially: i) bilateral assistance, including funding for refugee assistance in Denmark unless explicitly excluded; ii) multilateral assistance, dividing the latter into iii) core multilateral assistance and iv) multi-bi or, synonymously, earmarked assistance. While consistent with daily use, this vocabulary does not capture that multi-bi or earmarked assistance formally is registered as bilateral assistance by OECD/DAC – only core contributionsto multi-

lateals⁵ count as multilateral assistance. Annex 2 details the key terminology, our data sources and methodology choices. Annex 3 includes references, and Annex 4 the Terms of Reference for the study.

All figures in the study are expressed in constant 2018 US dollars and reflect gross disbursements unless otherwise specified. Million is abbreviated as 'm' after the figure (USD 2m = USD 2 million).

The report was prepared by Nils Boesen (team leader), Nils Boesen a/s, senior analyst Ole Winckler Andersen, Danish Institute for International Studies (DIIS), and research fellow Toke Arnoldi. Henning Nøhr, Deputy Head of Evaluation, Ministry of Foreign Affairs of Denmark, supervised the work. The opinions expressed are those of the team only, and the team is responsible for any errors.

⁵ OECD/DAC lists nearly 200 multilateral organisations, see <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/annex2.htm>.

2. THE MAJOR TRENDS IN DANISH ODA

2.1 The Big Picture: Less Bilateral, More through Multilaterals

Total Danish ODA remained relatively constant in the period 2011-2018, fluctuating between USD 2633m (2018) and USD 2903m (2015). Looking further back, the level in constant prices has been largely the same for the last 25 years, see Figure 2.1.1 and Table 2.1 in Annex 1⁶. Given economic growth over the period, ODA fell relative to Gross National Income (GNI) from a peak of 1% in 2000 to just over 0.7% in 2018.⁷

Danish bilateral ODA (excluding refugee costs) fell from USD 1566m in 2011 to USD 1135m in 2018, or to 73% of the level in 2011.

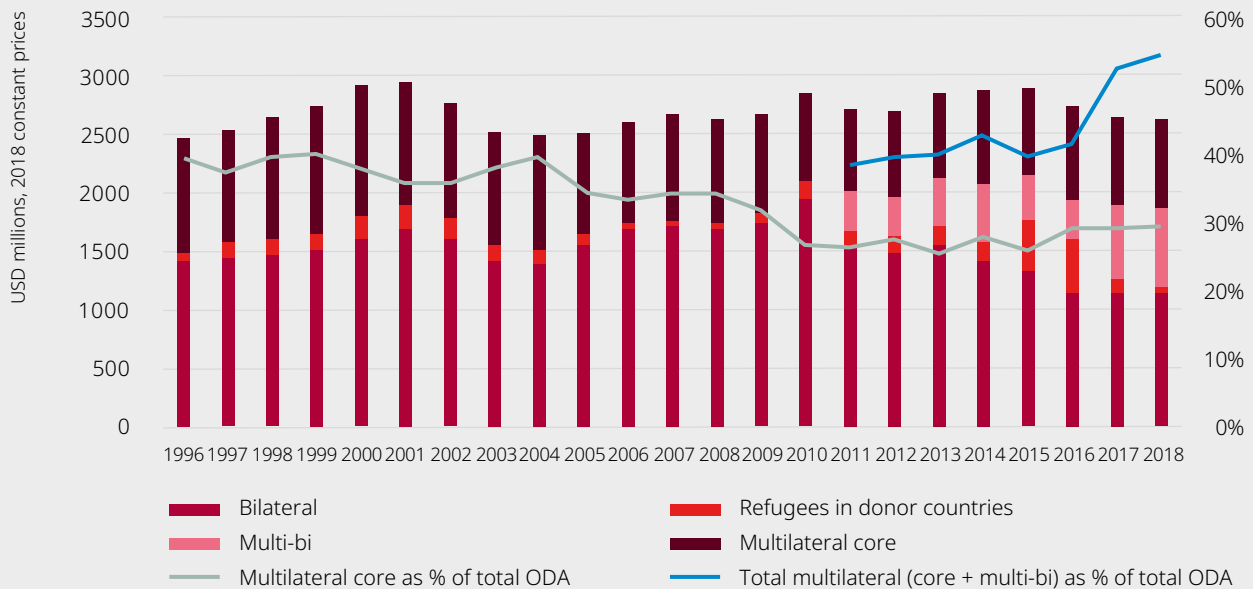
Core contributions to multilaterals increased from 26% of all Danish ODA in 2011 to 30% in 2018. However, 2010 and 2011 had the lowest core contributions for many years. The level in the period 1996-2009 averaged 37%. Disregarding the increase in contributions to the development share of the EU budget, core contributions to other multilaterals were of the same size in 2011 (USD 550m) and 2018 (USD 548m), constituting 20% and 21% of all Danish ODA, respectively.

Multi-bi or earmarked contributions through multilaterals nearly doubled from USD 338m in 2011 to USD 650m in 2018, increasing from 12% to 25% of all Danish ODA. In 2011, core contributions stood at 68% and multi-bi at 32% of total contributions to and through multilaterals. By 2018, core had decreased to 55% and multi-bi increased to 45%. Chapter 4 will dive deeper into these overall figures, which should be cautiously and nuancedly interpreted.

Spending on refugee assistance in Denmark doubled from 8% of all ODA in 2014 (USD 234m) to 16% in 2016 (USD 447m), before falling back to just 2.5% (USD 67m) in 2018. The steep increase from 2014 to 2015 was

⁶ The figures and graphs in the report have the tables with the corresponding table number in Annex 1 as source unless otherwise stated.

⁷ Kjaer, A.M., 2020, 129.

FIGURE 2.1.1 Danish ODA 1996-2018 by Modality

Source: OECD Stats: <https://stats.oecd.org> (CRS) accessed 25 October 2020.

financed by proportionately similar cuts in bilaterally executed assistance (reduced by 6.2%), core contributions (-6.6%) and multi-bi (-7.1%).

From 2015 to 2016, ODA fell from USD 2903m to USD 2741m, reflecting the government decision to gradually reduce ODA to 0.7% of GNI. Bilateral aid fell even more (by USD 166m, to USD 1157m) and has remained at this level, constituting 43% of all Danish ODA in 2018, against 57% in 2011.

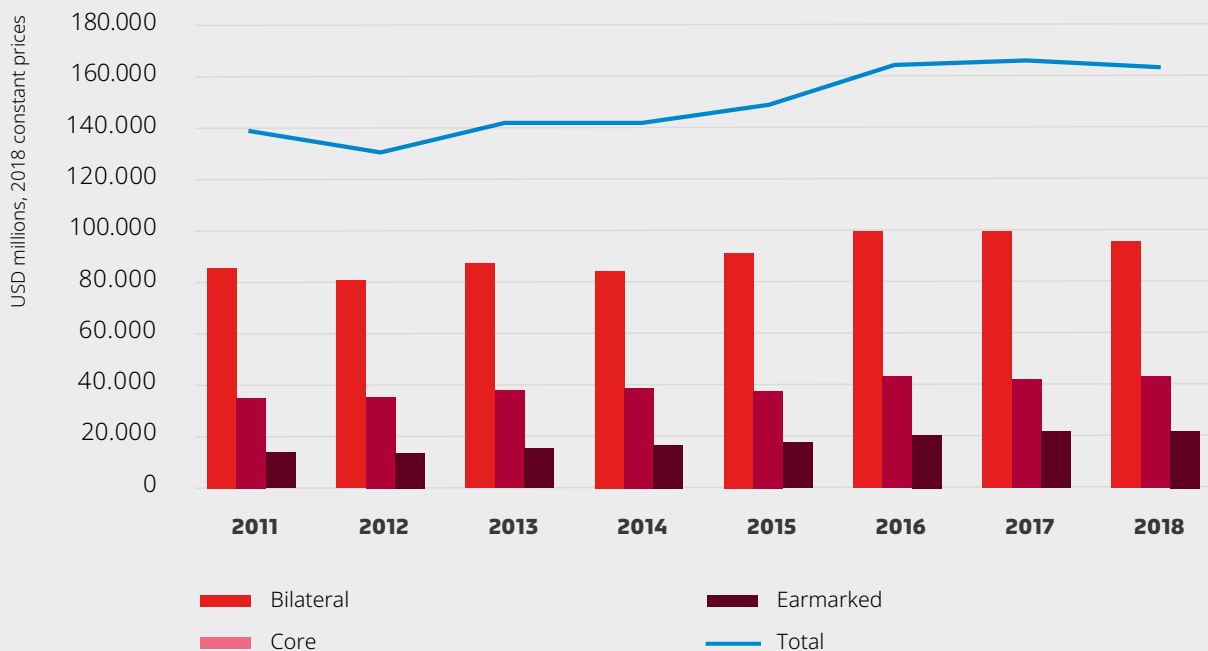
As refugee costs dropped sharply by USD 323m from 2016 to 2017, multi-bi contributions increased by USD 293m to USD 630m. This doubled its share of overall ODA from 12% to 24% in a single year. The increase was concentrated on “contributions to specific-purpose programmes and funds managed by implementing partners”, which indicates a soft earmarking. The details of this increase are further discussed in Chapter 4, but the sudden and sharp increase in refugee costs and, when these fell steeply, the sudden and sharp increase in multi-bi assistance, are likely to be the most dramatic reallocation process ever experienced in Danish development assistance history.

In summary, from 2011 to 2018 bilateral aid dropped as a share of ODA, while multi-bi assistance increased. Core support to multilaterals has increased slightly, but from a historically low point of departure.

Looked upon over a longer period it has decreased. The decision to allocate development assistance funds to finance costs related to the refugee crisis in 2015 led initially to an across-the-board-cuts approach to aid modalities, while the re-allocation of funds after the crisis nearly entirely benefitted multi-bi assistance. This distribution pattern between bilateral, core and multi-bi assistance has remained.

The trends in Danish funding to multilaterals follow global trends, but are more accentuated: from 2011 to 2018, global funding to and through multilaterals increased from USD 52.5bn to USD 69.2bn, see Figure 2.1.2. Core funding to multilaterals remained at 27% of global ODA, while earmarked multi-bi funding grew from 12% to 15%, and bilateral assistance decreased from 61% to 58%.

FIGURE 2.1.2 Total Global ODA by Modality



Source: Authors' calculations based on OECD (2020): Multilateral Development Finance 2020, StatLink 2 <https://doi.org/10.1787/888934177309>

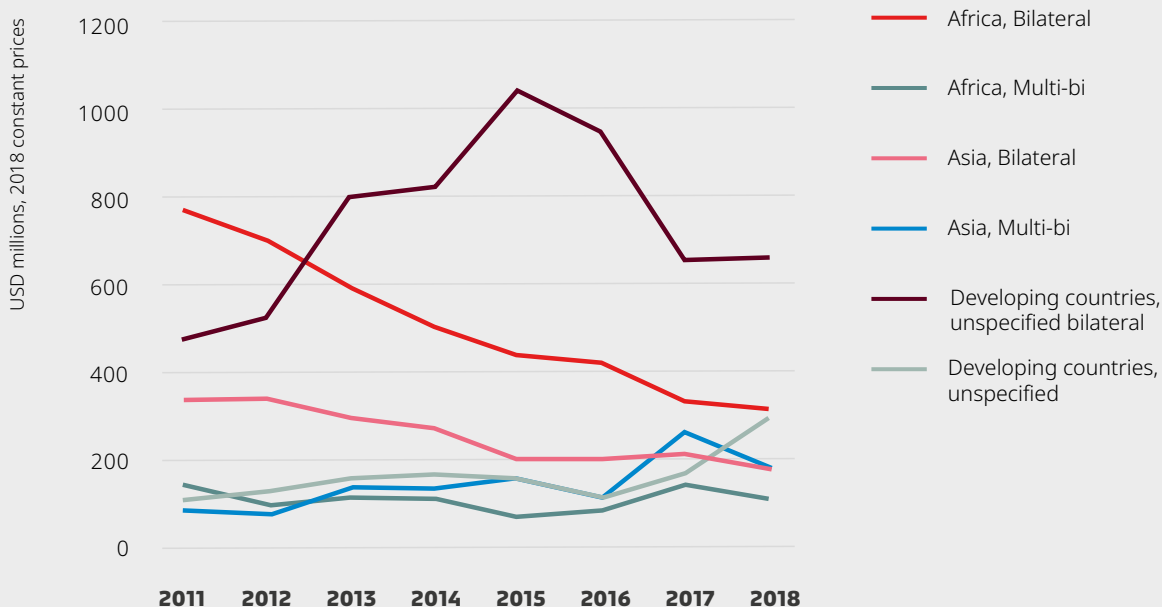
2.2 Less Geographical Targeting, Less Africa

Danish ODA was less targeted at specific regions (and by implication, at specific countries) in 2018 than in 2011, as displayed in Figure 2.2.1 and Table 2.2 in Annex 1. In 2011, 71% of bilaterally executed and multi-bi assistance was targeted towards specific regions. In 2018 the corresponding figure was 48%.

Geographically untargeted multi-bi allocations nearly tripled from USD 108m in 2011 to USD 294m in 2018. Targeted allocations grew relatively less, from USD 230m in 2011 to USD 356m in 2018.

In 2011, 45% of total bilateral and multi-bi assistance was targeted at Africa. In 2018, the corresponding figure was 23%. Multi-bi allocations targeted at Africa decreased slightly (from USD 137m in 2011 to USD 118m in 2018), while allocations to South and Central Asia, and the Middle East more than doubled from USD 83m to USD 188m.

FIGURE 2.2.1 Danish Bilateral and Multi-bi ODA by Regions



The relative decrease in targeted assistance to Africa, and the apparent pivot to Asia and the Middle East and to non-targeted contributions both for bilaterally executed programmes and multi-bi contributions will be discussed further in Chapter 4.

2.3 Less Presence in Fragile Conflict Settings, More Use of Multi-bi

Countries and situations classified as fragile⁸ received two thirds of geographically targeted Danish bilateral and multi-bi assistance in 2018, up from around 60% in 2011. However, in terms of funds the bilateral support nearly halved from USD 736m to USD 340m, far from offset by the increase from USD 132m to USD 239m of multi-bi assistance to fragile settings. The list of recipients (see Table 2.3.1 in Annex 1) also includes countries classified as fragile with which Denmark has cooperated for decades, such as Tanzania, Kenya, Uganda and Bangladesh. In these countries, multi-bi assistance has not played any significant

FIGURE 2.3.1 Top 10 Fragile Country Recipients of Bilateral and Multi-bi Assistance. Totals 2011-2018, in Constant 2018 USD millions

Country	Bilateral	Multi-bi	Total 2011-2018
Afghanistan	292	305	597
Tanzania	579	11	590
Mozambique	511	5	516
Kenya	400	25	425
Uganda	380	8	388
Burkina Faso	355	6	361
Syria	168	142	310
Bangladesh	247	51	298
Somalia	99	144	243
South Sudan	96	116	212

⁸ OECD, 2020a.

role, as displayed in Figure 2.3.1, whereas Denmark has channelled considerable funding through multilaterals in war-torn countries such as Afghanistan, Syria, Somalia and South Sudan.

The figures by themselves do not reveal if the funding through multilaterals has been preferred in conflict zones because Denmark wanted to promote its own priorities through the multilaterals, and/or whether Denmark wanted to adhere to good practices for interventions in fragile situations that emphasise coherent, coordinated responses that minimise the administrative burdens on recipients.

Bilateral support to Least Developed Countries (LDCs) and Low Income Countries (LICs) dropped by not less than 63% from USD 673m to USD 285m, while multi-bi support increased from USD 102m to USD 184m, see Table 2.3.2 in Annex 1. Bilateral support to Lower Middle-Income Countries (LMICs) also fell, but less (52% from USD 359m to USD 171m). Multi-bi increased from USD 39m to USD 75m. Only support to Upper Middle-Income Countries (UMICs) increased overall, from USD 49m to USD 72m. Iraq is the only country in this category that was a major recipient of Danish support in the period under review.

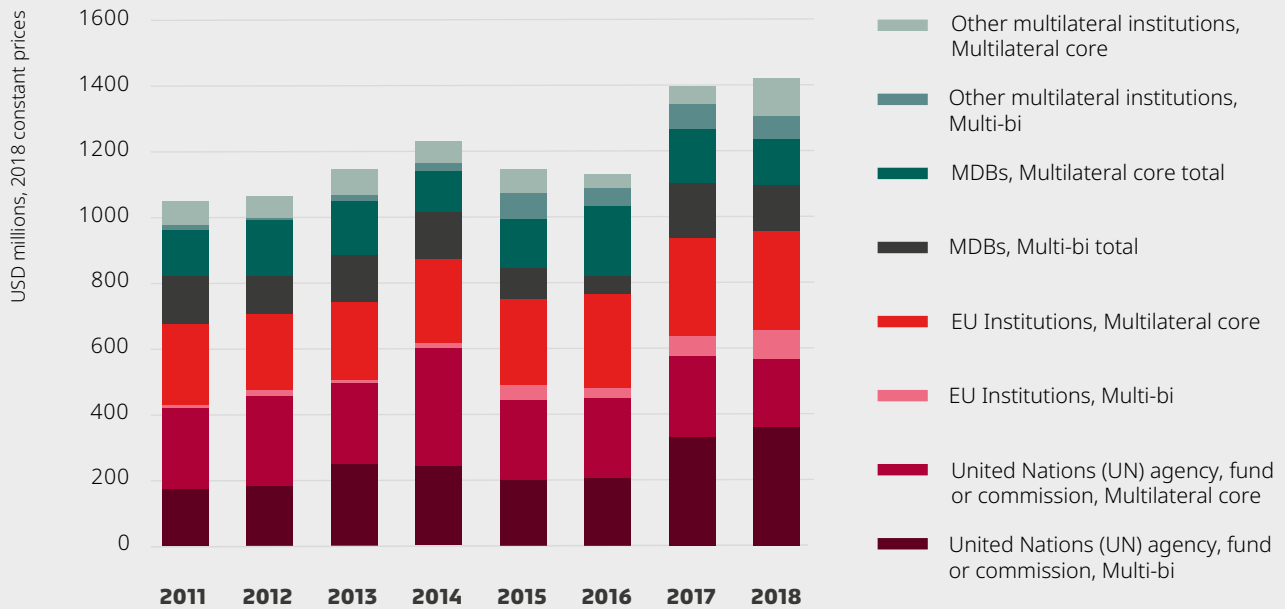
2.4 More to the EU, Less Core and More Multi-bi to the UN

While the United Nations (UN) maintained a share of 40% of total multilateral contributions, the traditional multilateral development banks (MDBs) reduced their share from 27% to 19%, mostly because of reduced contributions to the regional banks, but also because of changed classifications⁹. The EU contributions increased from 24% to 27% of total multilateral support. Contributions to other multilaterals also increased, from 9% to 13% of total core and multi-bi allocations (see further discussion on the “other” category below in section 2.7). Figure 2.4.1 and Table 2.4. in Annex 1 display the development in core and multi-bi contributions to the UN, the EU, the MDBs, and other multilaterals.

The increase in core contributions largely benefitted the EU and other multilaterals outside the UN family and the MDBs. These two groups increased their share of total core funding from 35% to 40% (EU) and from 11% to 16% (other multilaterals). Notably, the increase in EU core

⁹ Until 2014, contributions to the Global Fund for Education (GFE) were registered as earmarked contributions to the World Bank Group. From 2015 and onwards they have been registered as earmarked contributions to “other multilaterals”. The implication of this change is discussed in more detail in Chapter 4.

FIGURE 2.4.1 Support to Groups of Multilateral Organisations, 2011-2018



contributions reflects the increased general budget contribution from Denmark, and not a Danish policy decision on development assistance.¹⁰

Conversely, the UN share of total core contributions fell from 35% to 27%, and the traditional MDBs went from 20% to 18%. Only the World Bank increased its core funding over the period (from USD 94m to USD 107m), maintaining its share of total Danish core funding at 13-14% over the period.

The reduced core funding to the UN was more than compensated by a doubling of earmarked funding, from USD 174m in 2011 to USD 366m in 2018. From 2016 to 2017 alone, earmarked contributions to the UN rose by USD 127m.

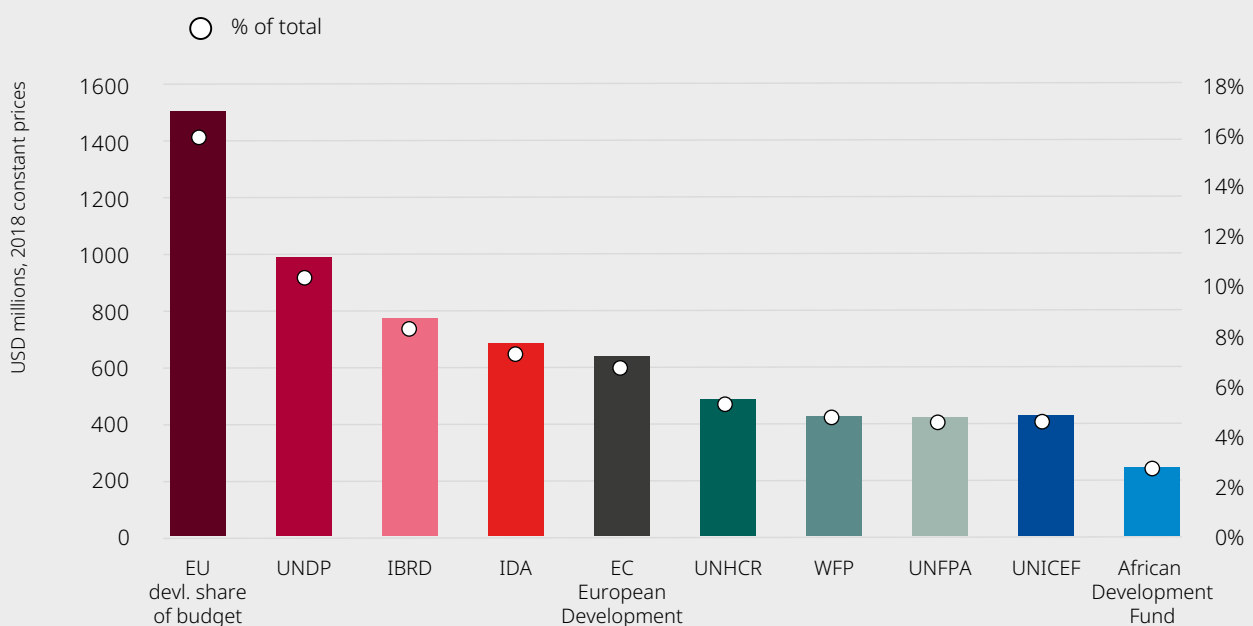
¹⁰ The contributions to the European Development Fund also increased over the period, from USD 82m to USD 99m. Though formally a voluntary contribution, Denmark's share is in practice determined by an informal agreement between EU Member States about their relative contributions.

2.5 Who Got Most: Stubborn Stability?

The top five recipients of core plus earmarked Danish funding were the same in 2011 as in 2018, with only one shift in the rankings of the organisations. The top 10 had the same organisations on the list in 2018 as in 2011, except that the African Development Bank (AfDB) had been replaced by the African Development Fund (ADF) administered by AfDB. See Figure 2.5.1 below and Table 2.5 in Annex 1. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) dropped from the top 15 list where it was ranked 15th for a handful of years. Apart from these minor changes and a few movements in the rankings within the top 15 group, the overall picture is of remarkable stability.

The top 10 over the period are exclusively the “classical” multilaterals (UN and MDBs), and the EU/EDF. New multilaterals only enter as number 12 (Global Environmental Facility (GEF)) and 15 (Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)).

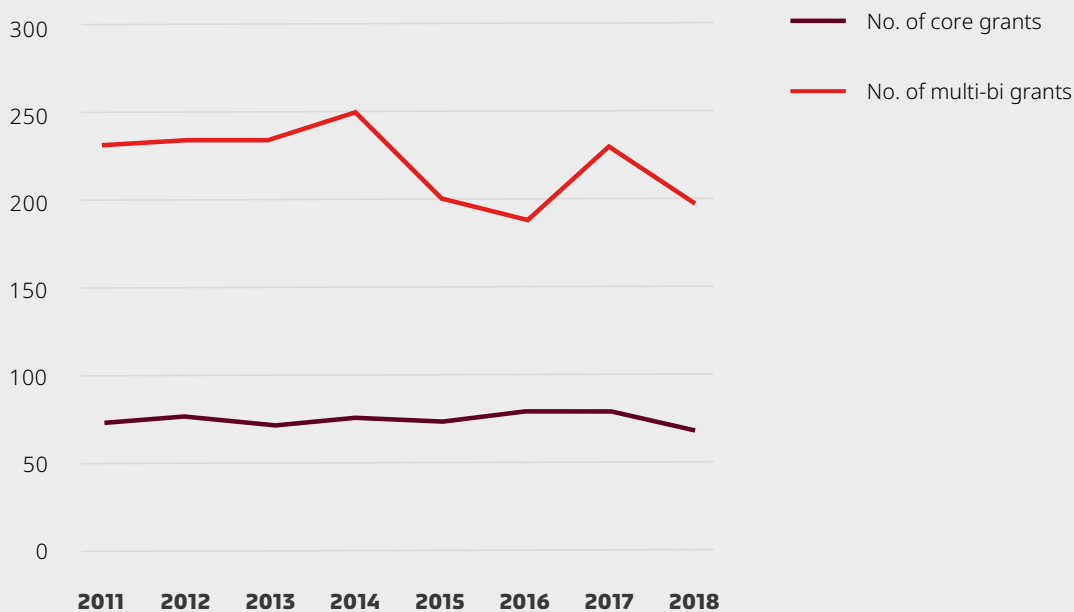
FIGURE 2.5 Top 10 Recipients of Danish Core and Multi-bi Assistance 2011-2018



2.6 Not Very Concentrated – and a Long List of This and That

Denmark is a steadily generous multilateral funder, with a considerable number of disbursements on both core and multi-bi grants every year¹¹ as shown in Figure 2.6.1. See also Table 2.6 in Annex 1. The concentration on recipients of multilateral support has not changed over the years: The top 10 recipients got 69% of all Danish ODA to and through multilaterals both in 2011 and 2018, and the top 15 got 81% and 79%, respectively. Measured by a standard indicator of “market concentration”, Denmark has a very competitive spread, even if the biggest recipients get the lion’s share of the funding¹².

FIGURE 2.6.1 Number of Annual Disbursements on Core and Multi-bi Grants 2011-2018



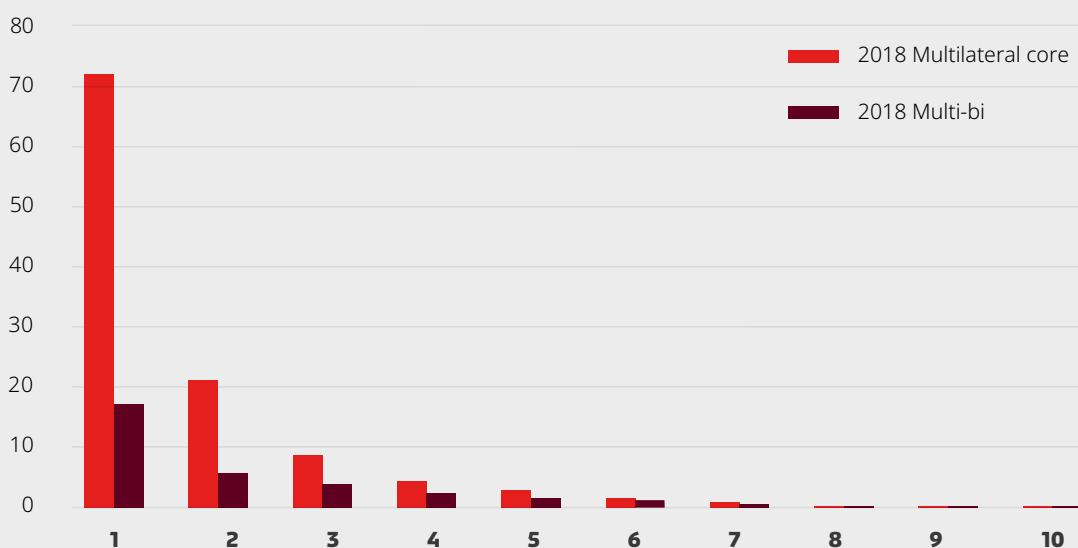
Authors’ calculation based on OECD Stats: <https://stats.oecd.org> (Members’ total use of multilateral system copy) accessed 29 October 2020.

¹¹ The data does not easily allow to identify the total amount per grant over several years in the many cases where grants are multiannual. Interferences of the administrative burden associated with the number of annual grant amounts cannot be made based on the figures here.

¹² The data does not easily allow to identify the total amount per grant over several years in the many cases where grants are multiannual. Interferences of the administrative burden associated with the number of annual grant amounts cannot be made based on the figures here.

The distribution by size of annual disbursement on core and multi-bi appropriations in 2018, respectively, is shown in Figure 2.6.2. The mean core contribution was USD 2.38m, and the mean multi-bi grant USD 1.57m. There was thus a high number of grants with small annual disbursements, in particular multi-bi grants as shown in the figures below. The smallest 50% of multi-bi grants – 99 grants – disbursed a total of USD 46m in 2018 or less than USD 0.5m on average, raising obvious questions about the transaction costs implied and the intensity of dialogue and follow-up with the multilateral organisations in question, given the resource constraints in the MFA.

FIGURE 2.6.2 Multilateral Core and Multi-bi contributions 2018.
Average Disbursement Amounts by Deciles*



*Multilateral Core deciles 1-9 include 7 engagements whereas decile 10 only includes 6. Multi-bi deciles 1-9 include 20 engagements whereas decile 10 includes 19.

Authors' calculation based on OECD Stats: <https://stats.oecd.org> (Members' total use of multilateral system copy) accessed 29 October 2020.

2.7 More Humanitarian, Less to Development

Danish bilateral and multi-bi assistance was less focused on sector-targeted assistance in 2018 (64%) than in 2011 (70%) with a low point in 2016 (52%). There was a corresponding increase in humanitarian assistance from 8% in 2011 to 19% in 2018 of all bilateral and multi-bi

assistance earmarked by purpose (see Table 2.7 in Annex 1). Adding core contributions to the major “pure” humanitarian organisations (UNHCR, WFP, OCHA and CERF)¹³, Denmark spent at least around 13% on humanitarian and refugee assistance as part of total Danish ODA in 2011, a figure increasing to 30% in 2016 before falling back to 19% in 2018.¹⁴

Perhaps unsurprisingly, Denmark allocates a relatively higher share of earmarked multi-bi assistance to humanitarian purposes (28% over the period) than the share of bilateral assistance for the same purpose (8%). The multi-bi assistance is typically targeted at specific regional or country-level emergencies and is categorised as soft earmarking.

2.8 Sectors: Red but Also Somewhat Green – and More Focused Multi-bi than Bilateral Assistance.

Multi-bi assistance is targeted at humanitarian assistance (28%), governance and civil society¹⁵ (25%) and education (16%). Other sectors do not exceed 5% of the total, see Table 2.8.1 and Figure 2.8.1 below.

Compared to bilaterally executed assistance, multi-bi has a stronger focus on social sectors (46% against 32% of bilaterally executed assistance). The multi-bi assistance is also more focused sector-wise than bilateral assistance.

The bilaterally executed support to education fell sharply over the period, partially offset by an increase in the multi-bi support, see Figure 2.8.2. Multilateral support to education has predominantly been channelled through the Global Partnership for Education (GPE) managed by the World Bank (see Footnote 8 above). In practice, this support could as well have been registered as a core contribution to the GPE, which figures on OECD/DAC’s list of multilaterals. This is discussed further in Chapter 4.

Earmarked multi-bi and bilateral support to the environment only constituted 5% in each category, and multi-bi assistance to this sector

¹³ The authors are aware that most organisations would not accept such a characterisation in an era of emphasis on the humanitarian-development nexus. Other organisations, such as UNICEF, also work in emergencies and core contributions to these are not included here. Contributions to NGOs are not included either.

¹⁴ Support to conflict, peace and security is not included. See Chapter 4 for a discussion of this aspect.

¹⁵ The governance and civil society category includes support to conflicts, peace and security.

FIGURE 2.8.1 Sector Focus of Bilateral and Multi-bi, 2011-2018

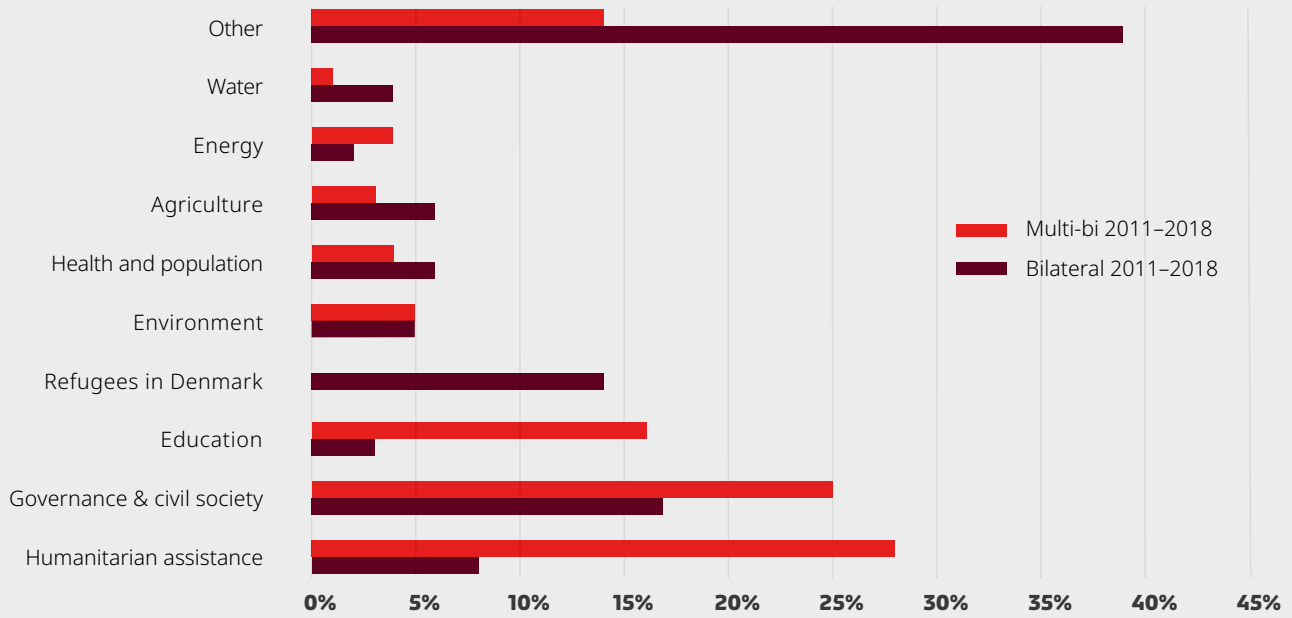
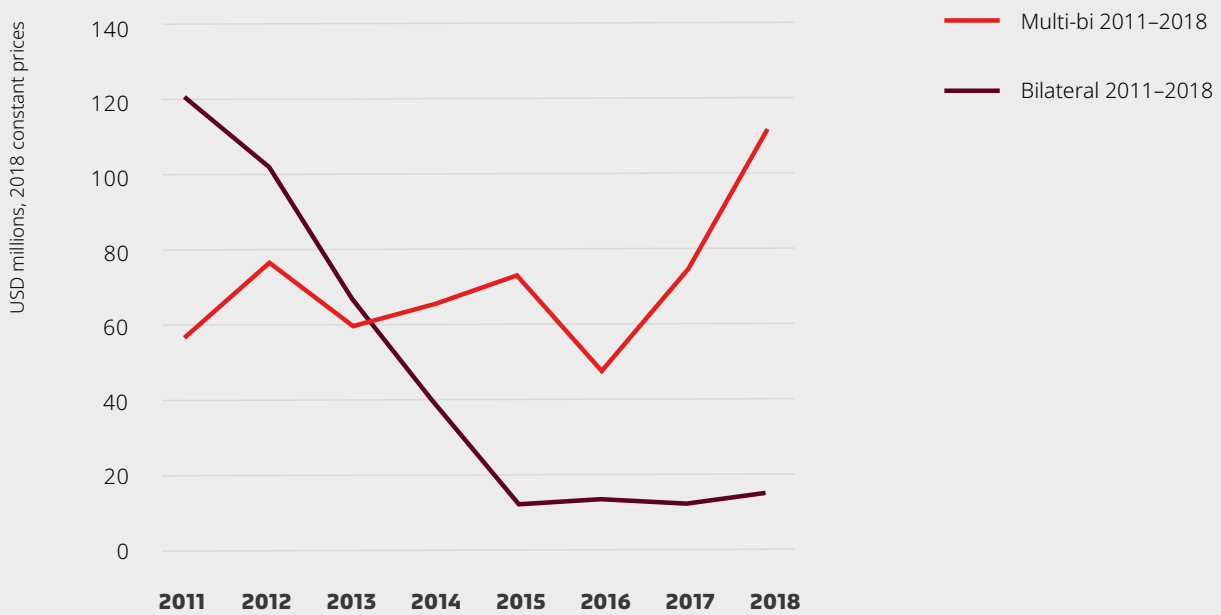
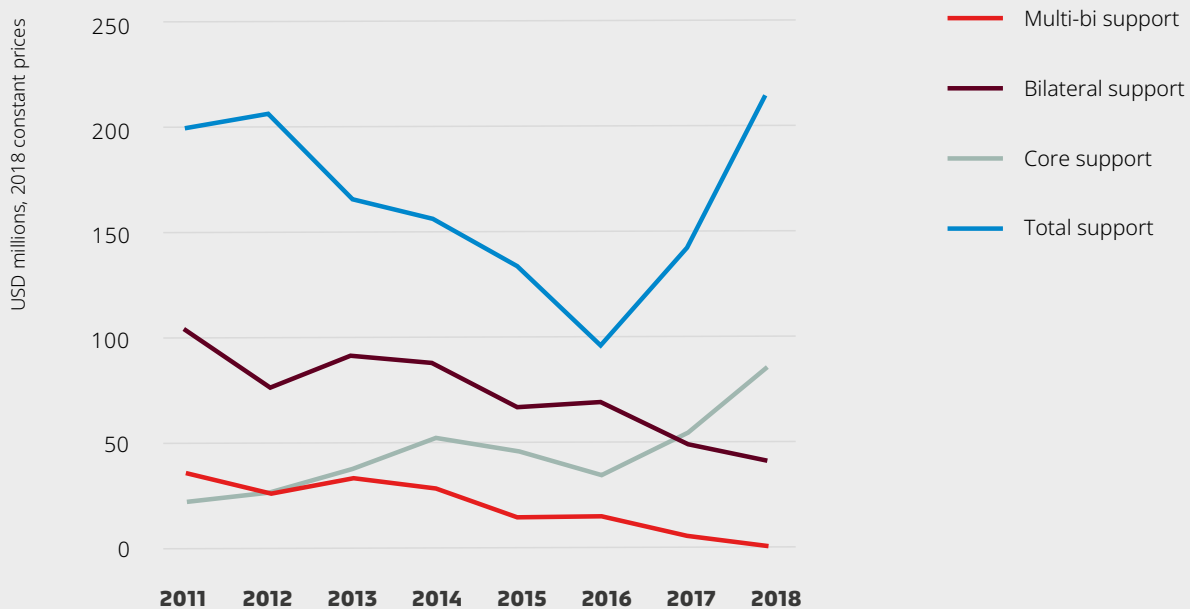


FIGURE 2.8.2 Danish Bilateral and Multi-bi Support to Education 2011-2018



fell over the period, see Figure 2.8.3 ¹⁶. At the same time, core support to multilaterals exclusively dedicated to environmental or climate issues rose sharply towards the end of the period. It constituted 11% of all multilateral core funding in 2018 (see Table 2.8.2 in Annex 1). Over the 2011-2018 period, core support to dedicated multilateral environment and climate organisations outside the UN system and MDBs constituted 6% of all Danish core support.

FIGURE 2.8.3 Environmental Support 2011-18, All Modalities



Support to the transport sector largely disappeared over the period but had a modest come-back in 2018. Bilaterally executed support to agriculture fell relatively more than the overall fall in bilaterally executed sector-focused support, and general budget support fell even more sharply. There are some considerable year-to-year variations in some sectors, where e.g., USD 54m was spent on multi-bi in the energy sector

¹⁶ Only core support to environment/climate organisations outside the UN system and MDBs is included.

in 2011¹⁷, constituting more than 40% of all multi-bi support to energy in the entire period.

Gender equality and sexual and reproductive rights have historically been a high priority for Danish development assistance, including multilateral assistance. Unfortunately, the available data from OECD/DAC does not allow a credible breakdown of how support to gender equality and reproductive rights has developed over the period.¹⁸

2.9 Support to the “New” Multilaterals

“New” multilaterals – formally outside the UN and traditional MDBs, while in many cases managed as trust funds by one of these – have received increasing contributions from Denmark over the period. Core contributions are the norm, and education, environment/climate and health the main sectors.¹⁹

The main recipients appear in Figure 2.9.2 below and in Table 2.9 in Annex 1 (only including organisations receiving more than USD 10m in total during 2011-2018). The two main recipients – GFE and GEF – are both trust funds managed by the World Bank and may not be considered particularly “new”. GFATM, GAVI, and the Global Green Growth Institute are, in governance terms, fully independent as well as rather young organisations.²⁰ The combined core contributions to these multilaterals were 4.5% of all Danish core contributions in the period and 13.3% of earmarked contributions, the lion’s share of which was USD 358m to the GFE.

¹⁷ Denmark contributed USD 45m to the Africa Commission’s Energy Initiative: Access to Renewable Energy in 2011, the second biggest multi-bi allocation that year.

¹⁸ The data set includes a marker for whether gender equality is a primary (2) or significant (1) objective. In 2018 around 10% of core and multi-bi contributions were reported to have gender equality as a primary objective. However, looking at the funding actually marked as such (e.g., Danish core contribution to UNDP) does not lend credibility to the marking.

¹⁹ Though formally classified as earmarked contributions, the Danish support to Global Partnership for Education (formerly the Fast Track Initiative) shares the characteristics of what is registered as core support to other “new” multilaterals and is therefore included in Figure 2.9.1 for illustrative purposes.

²⁰ Eilstrup-Sangiovanni, 2020.

FIGURE 2.9.1 Support to "New" Multilaterals by Sector

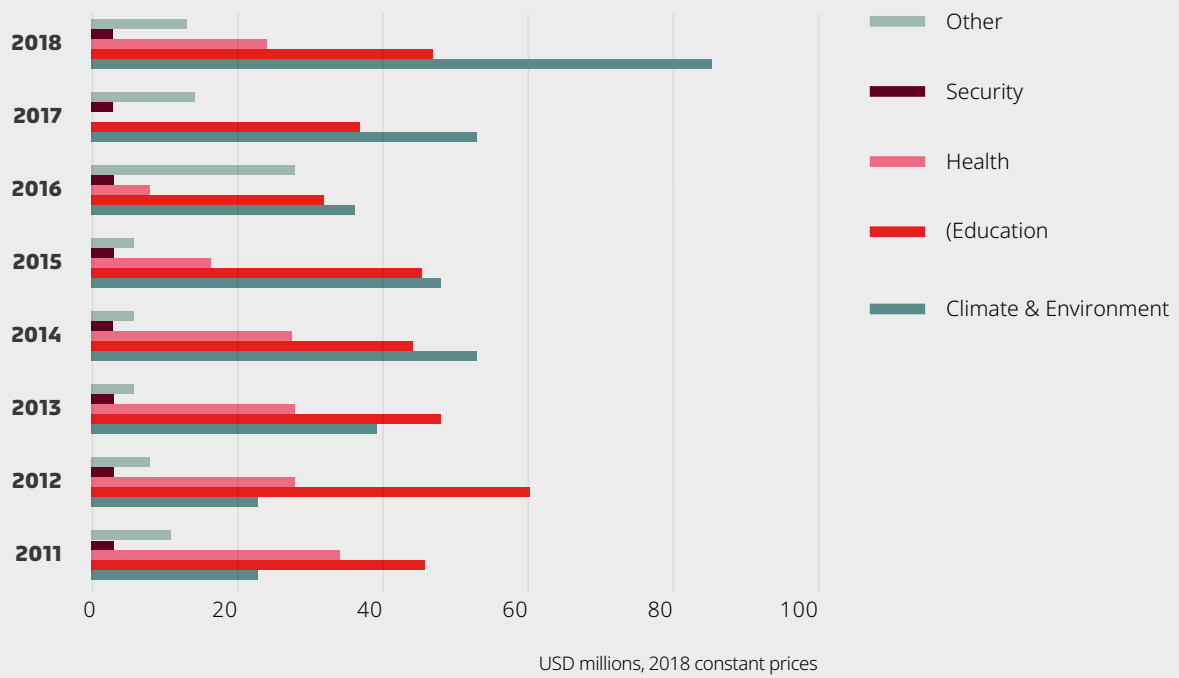
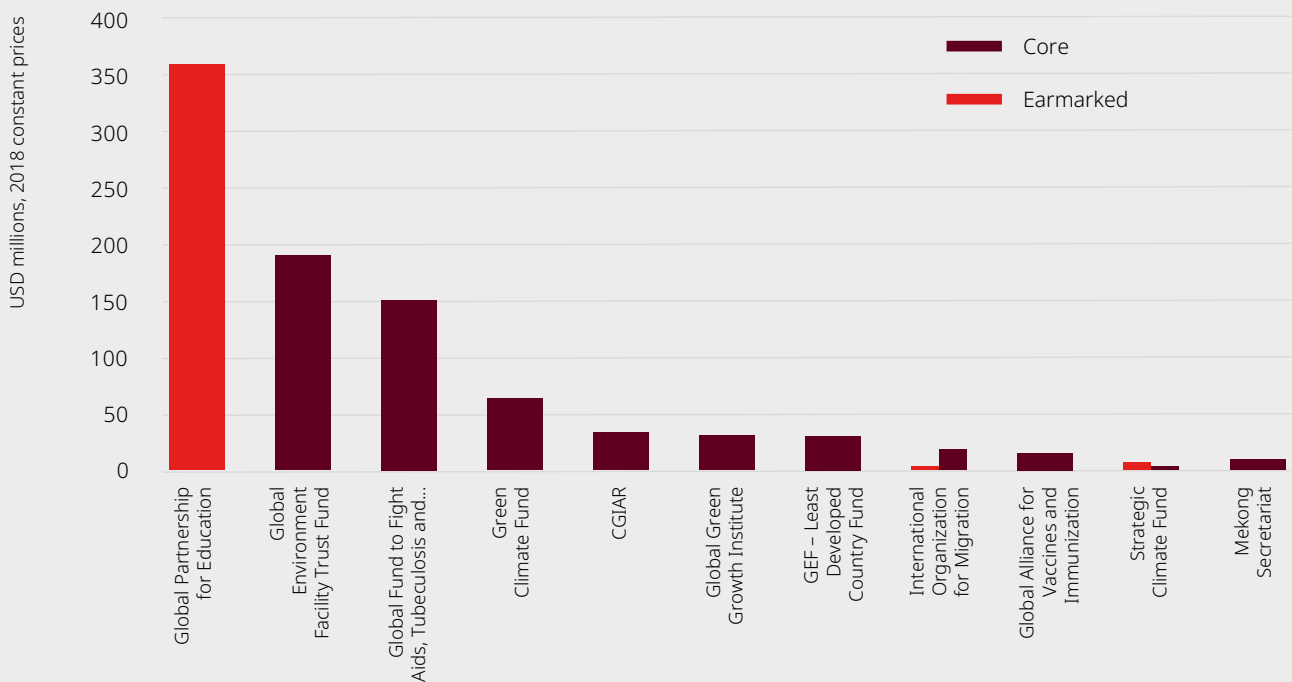


FIGURE 2.9.2 Support to "New" or "Other" Multilaterals 2011-2018

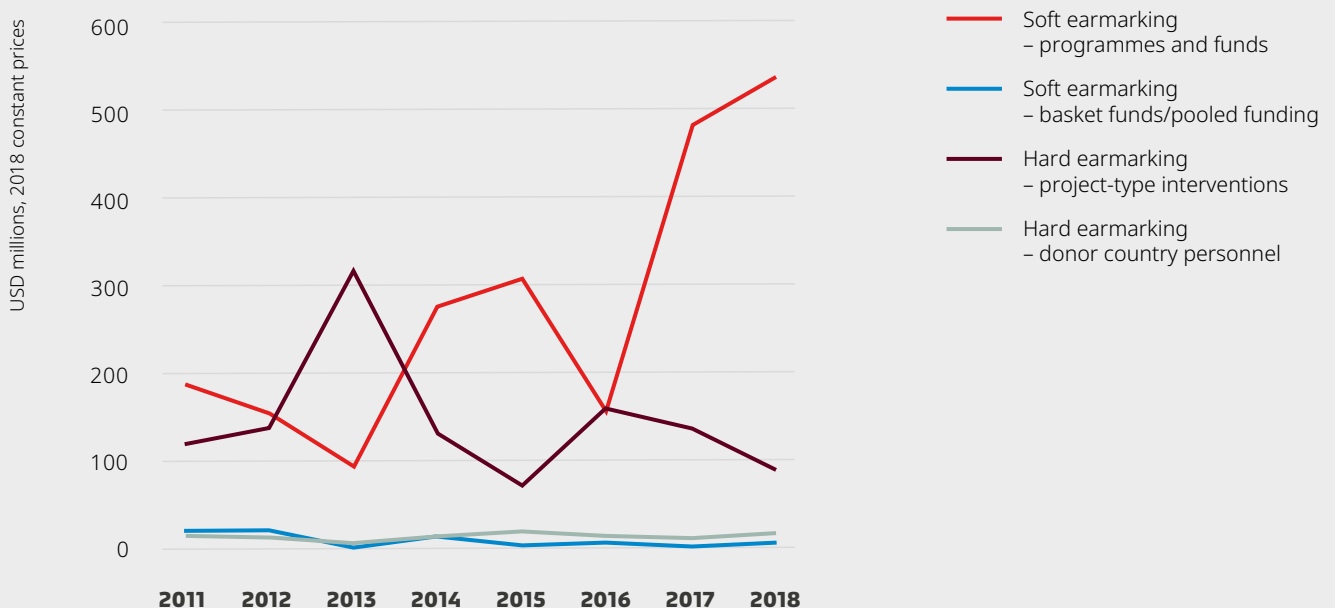


2.10 Hard and Soft Earmarking: Many Shades of Purple

The soft(er) earmarking – support to multi-partner funds and substantial contributions to the UN City in Copenhagen (USD 157m over the period) were classified as “hard” earmarked in 2013 (USD 22m) and “soft” in later years – but though obviously tied, this “base” funding to the UN in Copenhagen cannot be compared with e.g., a traditional project in a partner country. In 2013 when project-type contributions peaked, the contribution to emergencies was classified as project-type interventions – reaching around USD 80m. In 2018, emergency contributions were classified as softly earmarked programme-type interventions, reaching USD 196m. Conflict, peace and security support is classified as both hard and softly earmarked support, without any apparent system in the application of the classifications.

Looking at the details of Danish earmarked contributions over the period, there are few “classical” stand-alone projects. Earmarking is used for emergency funding (responding to appeals from e.g., WPH, UNHCR, etc.) and for support to mostly programme-type interventions in countries where Denmark does not have or does not want to have a more direct managerial or supervisory role, as already discussed in Section 2.3 above.

FIGURE 2.10.1 Softer and Harder Earmarking of Multi-bi



In 2018, governance components of the Danish country programme in the West Bank/Gaza implemented by among others the IBRD were classified as hard earmarked, while apparently similar components of the Danish country programme in Afghanistan and Somalia, also implemented by the IBRD, were classified as softly earmarked. A USD 6m contribution to the ADB executed by Gereshk Electricity Services Improvement Project (GESIP) in Afghanistan seems one of the few traditional, hard earmarked projects on the list – but it is a project initiated by the ADB back in 2011, and thus not a Danish initiative in any way forced upon the ADB (or, presumably, Afghanistan).

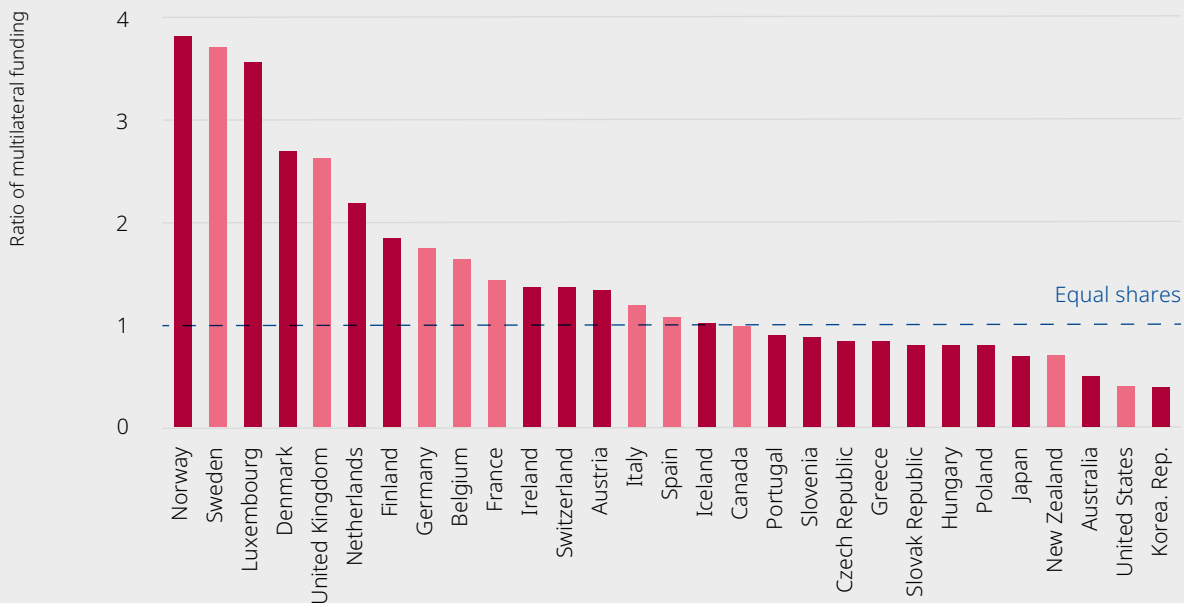
In summary, the present categorisation in OECD/DAC's Creditor Register System of both core versus earmarked, and between "soft" and "hard" earmarking, should be interpreted very carefully and perhaps sparingly. In Chapter 4, this discussion will be broadened to the wider data picture, and Chapter 6 offers further discussion of the earmarking issue.

3. COMPARING WITH PEERS: LARGELY LOOKALIKES

3.1 Among the Most Generous, and Still Small

Denmark is a generous development assistance provider and a generous multilateralist. Denmark ranks among the top five globally in our general ODA level²¹. As a contributor to the multilateral development organisations, measuring Denmark’s share in proportion to its share of the GNI of all DAC countries, Denmark ranks fourth, see Figure 3.1.1. Denmark

FIGURE 3.1.1 Annual Funding to Multilateral Organisations Relative to Countries’ Share in Overall DAC GNI (2016-2018 average)



Source: OECD (2020): Multilateral Development Finance 2020, p.73.

²¹ <https://data.oecd.org/oda/net-oda.htm#indicator-chart>. In ODA level as a share of GNI, Denmark ranks 5th after Turkey (refugee costs count as ODA, bringing Turkey to the top of ODA contributors), Luxembourg, Norway and Sweden which are all at or beyond 1%, while Denmark spent 0.7% in 2018. Luxembourg, Norway and Sweden have higher multilateral contributions relative to GNI than Denmark, reflecting the higher overall ODA level.

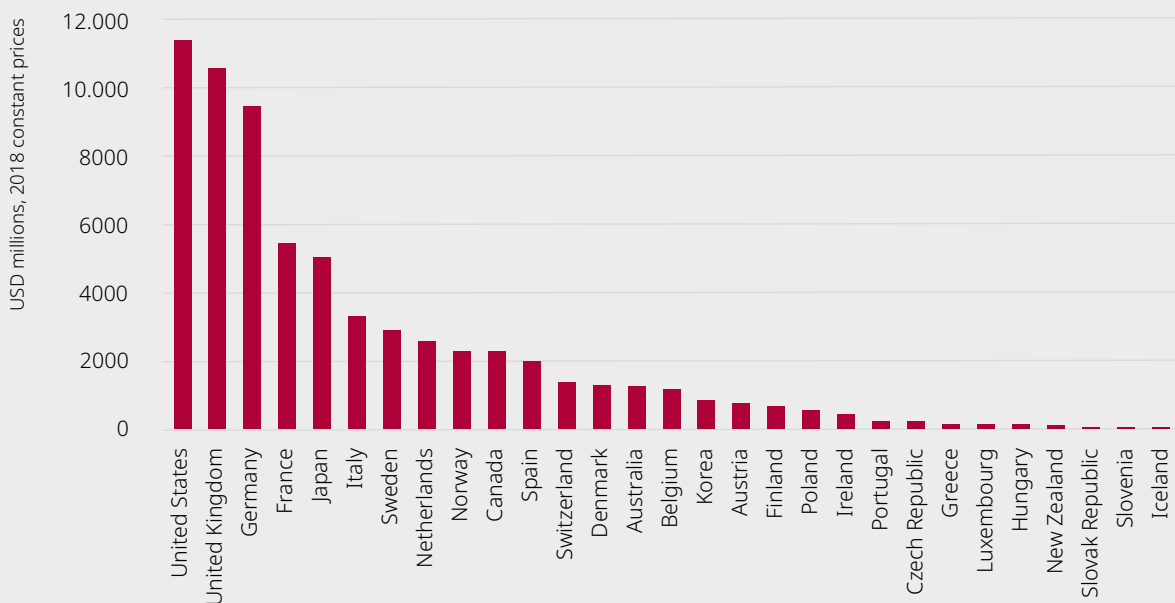
meets the UN Funding Compact²² target of 30% core assistance to the UN development system. Though earmarked contributions have increased over the last years, they are largely softly earmarked, not least to humanitarian interventions in regional or country-specific crises.

The peers selected for closer scrutiny in this report (see Section 3.2. below) are, as Denmark, at the very top of the league of multilateral funders measured by share in relation to GNI.

While Denmark is at the relative top, it is ranking no. 13 overall in absolute amounts among DAC countries as shown in Figure 3.1.2. Including the EU and non-DAC countries, Denmark ranked 16 in 2016-2017, surpassed by the EU (no.7), China (no.14) and Brazil (no.15).²³

Notably, Sweden and Norway are both in the top 10 among DAC countries, spending USD 3bn and USD 2.3bn, respectively to or through multilaterals, where Denmark spent USD 1.4bn per year on average in 2017-2018.

FIGURE 3.1.2 Total Core and Multi-bi Contributions from DAC Countries (Average Disbursements 2017-2018)



Source: Authors' calculation based on OECD (2020): Multilateral Development Finance 2020, Table 2.10, Statlink <https://doi.org/10.1787/888934177461>

²² The UN Funding Compact was agreed upon in 2019, see <https://www.un.org/ecosoc/sites/www.un.org.ecosoc/files/files/en/qcpr/SGR2019-Add%201%20-%20Funding%20Compact%20-%202018%20April%202019.pdf>

²³ McArthur and Rasmussen, 2017.

This overall ranking is reflected in the position as funder in the individual organisations supported by Denmark. Denmark is only 'oversized' in GPE (ranking 6th/7th) and UNFPA, ranking 7th in funding volume in 2016-2017²⁴. In 2018, Denmark ranked 4th in UNFPA²⁵, reflecting an explicit policy decision to double Danish funding to UNFPA because 'other countries' had scaled back their support²⁶. UNFPA is unique among multilaterals in that Sweden, Norway, The Netherlands and Denmark are the biggest funders (in 2018). It is thus an example of the Nordics (and The Netherlands) explicitly deciding to become 'big fish' in a relatively small pond²⁷.

Comparing the spread of multilateral engagements, Denmark is among the least concentrated, ranking 5th. Sweden and Norway rank 1 and 3, respectively, and The Netherlands and the UK are also among the 10 donors that spread their support most broadly²⁸. They are the peers reviewed below together with Finland.

3.2 A Uniform Overall Pattern

Denmark, Finland, The Netherlands, Norway, Sweden and the United Kingdom display a uniform overall pattern in their use of or contributions to the multilateral systems. They largely fund the same organisations, most of them rely more on multilateral channels than they did a decade ago, and most of them have increased the share of earmarked resources.

In 2018, bilaterally executed ODA was between 43-46% except in Finland (37%) and The Netherlands (51%). The share of bilaterally managed ODA decreased from 2011-2018 except in the United Kingdom that increased bilateral execution (from 42% to 44% of all British ODA). Denmark's share fell most sharply, from 61% to 46%, while the other Nordic countries and The Netherlands saw reductions between 5-10% of the share of overall ODA managed bilaterally by the countries themselves. See Figures 3.2.1, 3.2.2 and Tables 3.2.1-3.2.4 in Annex 1.

Core contributions have as a percentage of all ODA remained largely stable (within a couple of percentage points increase or decrease). The exception is Finland where core has increased from 40% to 51% of all Finnish ODA, but this relative increase is more than offset in absolute

²⁴ Ibid., Table 3.

²⁵ <https://www.unfpa.org/data/donor-contributions> (accessed 11 November 2020)

²⁶ Folketingstidende: Aktstykke nr. 38, Folketinget 2017-18.

²⁷ McArthur and Rasmussen, 2017, op.cit.

²⁸ OECD, 2020, and <https://doi.org/10.1787/888934177461>

FIGURE 3.2.1 Total Multilateral Assistance (Core + Multi-Bi) as Share of Total ODA

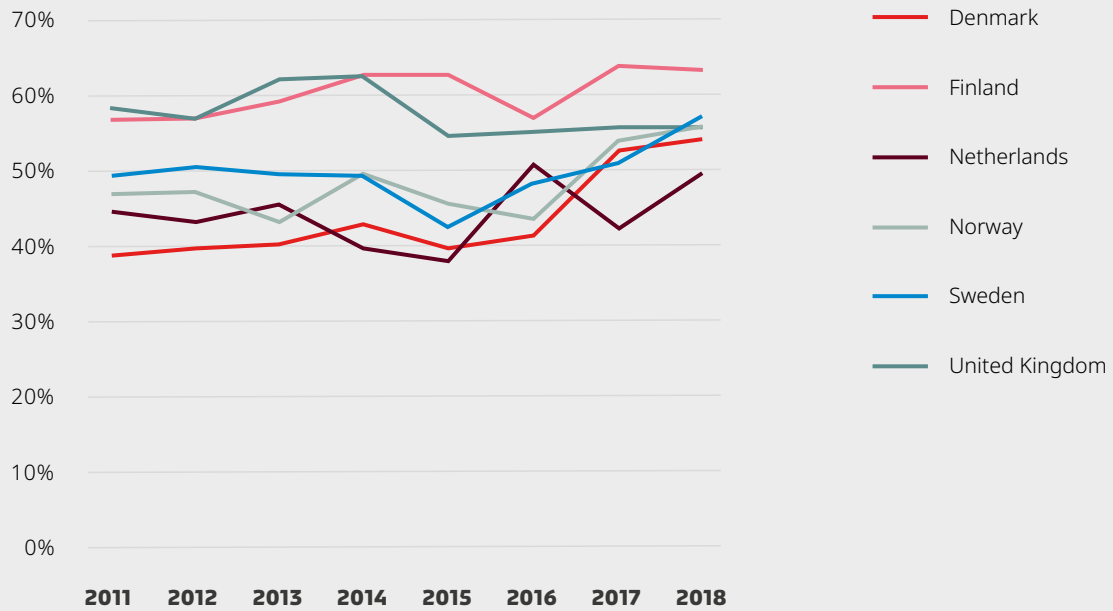
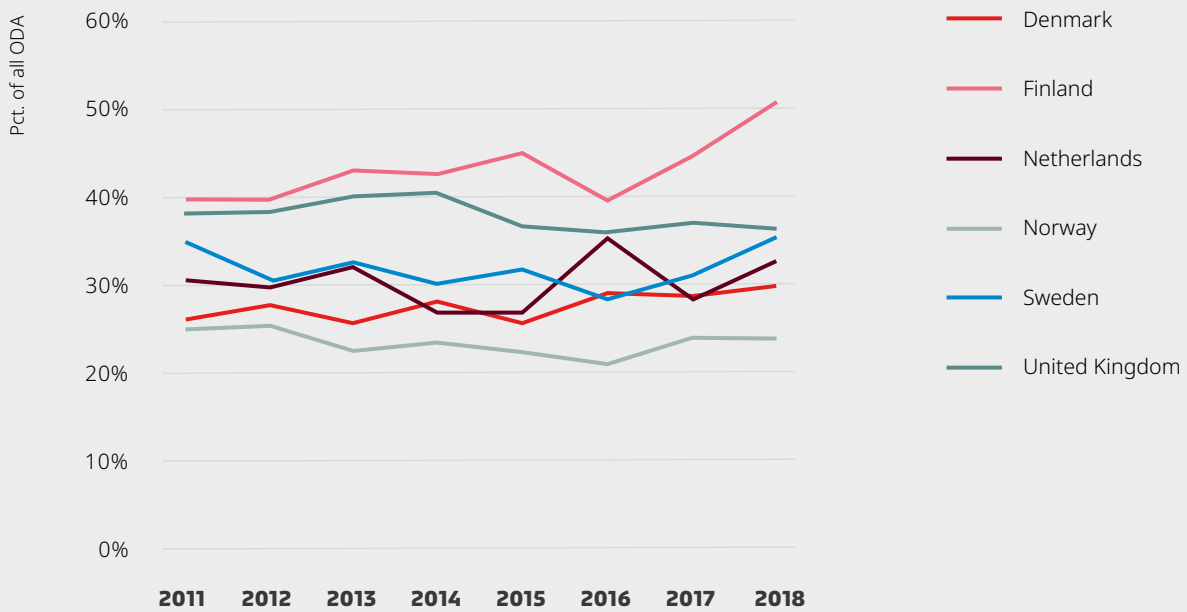


FIGURE 3.2.2 Multilateral Core Assistance



contributions by the reduction of overall Finnish ODA as a percentage of GNI from 0.53% to 0.36% in the same period. Core contributions constitute between 23% and 36% of total ODA in the other countries, with Norway having the lowest core level. Where bilaterally executed aid fell and core contributions remained relatively stable, multi-bi increased correspondingly (in Norway, Sweden, The Netherlands, and, most strongly, in Denmark).

The main recipients of multilateral core and earmarked countries are largely, but not entirely the same, see Figure 3.2.3 and Tables 3.2.2-3.2.4 in Annex 1. The five peers share between seven and nine multilaterals in their top 10 with Denmark and prioritise, just as Denmark, the UN and traditional MDBs (and the EU for EU members). Only the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), and the Global Alliance for Vaccines and Immunization (GAVI) enter the top 10 (of Finland and Norway, respectively).

The uniform pattern could be interpreted as a strong tendency, intended or unintended, to do what peers do, and to follow the herd. It could also be seen as the strength of tradition or previous paths. Since the inception of the multilateral development system in the aftermath of the Second World War, the Nordic countries have been among the staunchest supporters of this system, as discussed in Section 3.1 above.

There is also a supplementary viewpoint: there are few other multilateral organisations around with a scope, scale, topic and track record that would make them easy candidates for major funding of the size it takes to enter the top league of recipients. The health funds, GFATM and GAVI, as well as GEF, have managed to come into the lower part of the top rankings for a few donors in relatively few years – but the traditional UN funds and MDBs are still the go-to multilateral channels.

And the EU, which will be discussed further in Chapters 4 and 5.

FIGURE 3.2.3 Ranking of Peers' Multilateral Contributions Compared to the Danish Top 15

Core + earmarked total, 2011-2018. USD, Millions 2018 constant prices, gross disbursements (#)	Denmark (#)	Finland lands (#)	The Nether- (#)	Norway (#)	Sweden (#)	United Kingdom (#)
European Commission - Development Share of Budget	1	1	1		2	2
United Nations Development Programme	2	6	5	1	3	8
International Bank for Reconstruction and Development	3			5		3
International Development Association	4	2	2	4	1	1
European Commission - European Development Fund	5	3	3		7	4
United Nations Office of the United Nations High Commissioner for Refugees	6	10	11	7	5	14
World Food Programme	7	9	9	12	8	6
United Nations Population Fund	8	5	8	9	9	13
United Nations Children's Fund	9	7	6	2	4	5
African Development Fund	10	4		10	14	10
Other multilateral institutions, Other	11			8		
Global Environment Facility Trust Fund	12	12				
United Nations Office of Coordination of Humanitarian Affairs	13		12		12	
European Union Institutions, Other	14					
Global Fund to Fight AIDS, Tuberculosis and Malaria	15		10	11	10	7

Authors' calculations based on OECD Stats: <https://stats.oecd.org> (Members' total use of multilateral system copy) accessed 26 October 2020.

4. LIES, DAMNED LIES, AND STATISTICS: ANOTHER STORY?

4.1 The Implications If....

All the figures reported in the preceding chapters are accurate. Still, the emerging trends may not be as marked, or even trends, when a few, but significant changes are made to the universe of what is counted – and not. This chapter discusses the implications for the overall picture if some considerable amounts of Danish funding to and through multilaterals are reconsidered either as an entirely different sort of funding (the development funding as a share of our general contribution to the EU budget), or as core funding (e.g., GPE, the UN City in Copenhagen), or as a separate sort of earmarking (emergency assistance).

This chapter also looks at the specifics behind the rapid increase in earmarked contributions following the fall in refugee assistance funding in 2017. Finally, the chapter concludes with a brief look at the preliminary figures for 2019.

4.2 To Core and to Earmark

As already indicated above, the standard overview data on Danish ODA as reported to the OECD/DAC may mix apples and oranges in a way that may obscure the picture. Playing with the classifications here is obviously not an exact science either, so the following is offered not as alternative facts, but as possible worthwhile interpretations of the figures and the overall picture in relation to the major categories of core and multi-bi funding, respectively. Table 4.2 in Annex 1 has the numbers reflecting the following changes:

- The core funding to the EU is taken out of the picture and kept as a separate line. It grew from 9% to 12% of all Danish ODA from 2011-2018 and comprises the contributions to the EU budget and the European Development Fund (EDF). The contributions to the EU differ from funding to the classical multilaterals because they are mandatory (contributions to the EDF are only formally voluntary) and they do not reflect specific Danish development policy priorities – it is part of the package, whether or not

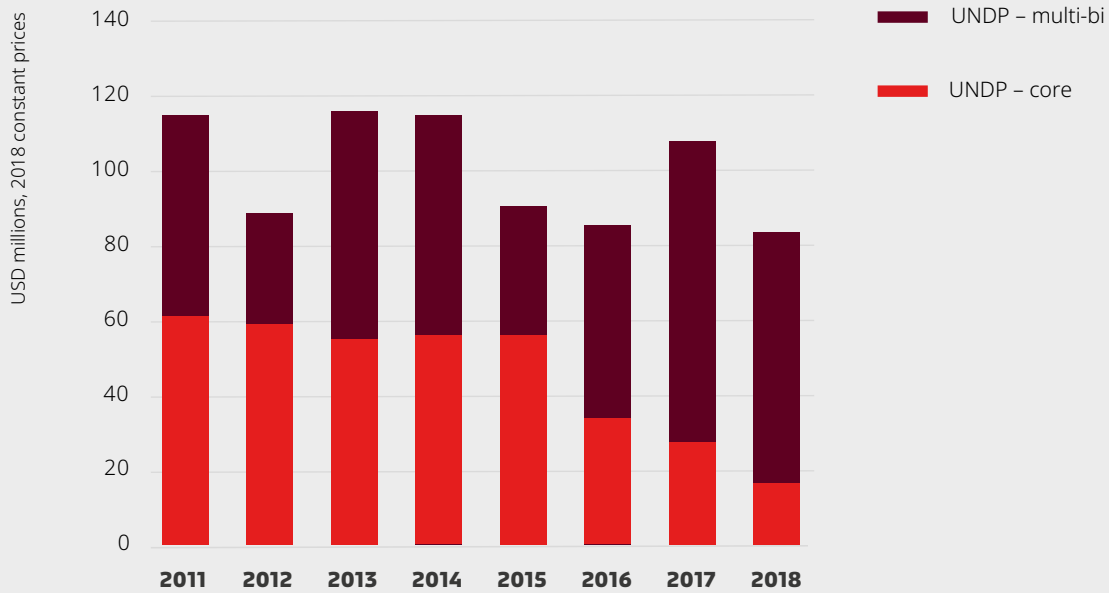
Denmark does its best to shape how the EU conducts its aid business.

- The funding to the Global Partnership for Education (GPE) is counted as a core rather than an earmarked contribution. The GPE is discussed and registered as a vertical fund by e.g., OECD²⁹, like GEF, GFATM and GAVI – and Danish contributions to the latter three are all registered as core contributions. The GPE funding was 1.6% of all Danish ODA in the period.
- The funding to the UN Copenhagen complex (just under 1% of all Danish ODA in the period) is also re-categorised as core rather than earmarked funding. Though clearly targeted, the support covers basic, fixed administrative costs of the beneficiary UN funds and programmes. Normal fungibility principles should allow the organisations to free up the same number of resources as core programmable funds.
- Then there is UNDP, as always subject to sympathy and the opposite regarding its mandate, which many see as unwieldy, and even more so now when the Resident Coordinator function and management has been taken over by the UN Secretariat. Figure 4.2.1 displays UNDP's fall from the graces of core funding to the vagrancies of earmarking. This is better seen as a unique story, rather than a trendsetter for Danish multilateral behaviour – and it is therefore taken out of the equations here and displayed in a separate line³⁰.
- Finally, emergency assistance as well as conflict, peace and security funding categorised as multi-bi – typically directed at regional and country-level crises – are kept as a separate line, recognising that Denmark, as most other donors, offers this kind of targeted funding after crises have emerged and not before (even if Denmark also provides core funding to WFP, UNHCR and others). Figure 4.2.2 shows the considerable increase in multi-bi emergency and conflict, peace and stabilisation support³¹ in 2017-2018.

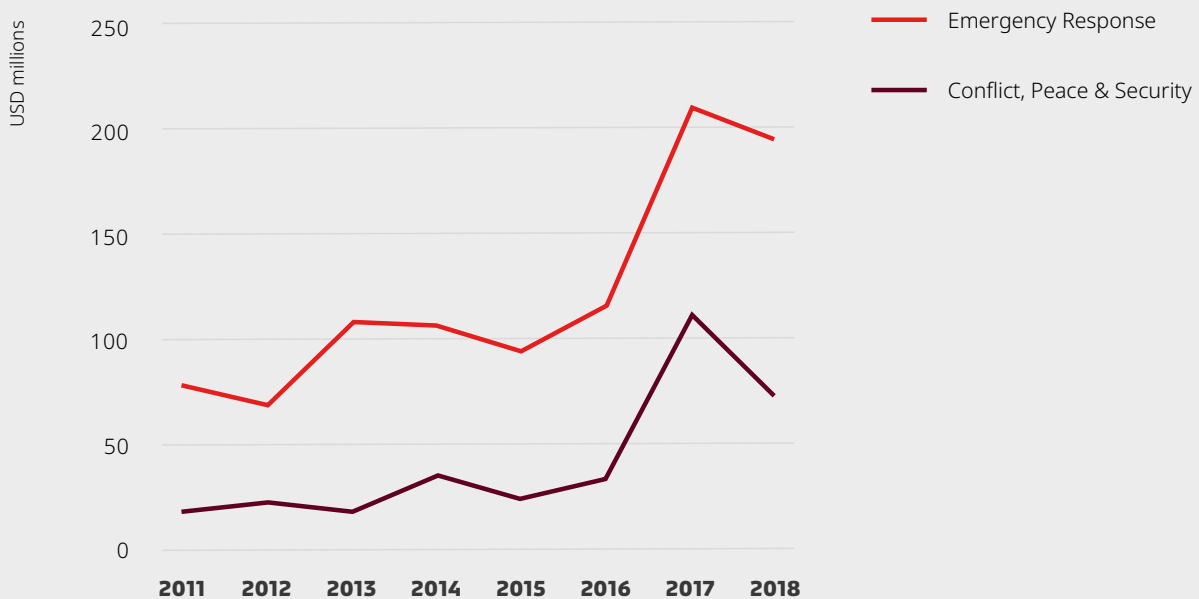
²⁹ OECD, 2020.

³⁰ Multi-bi support through UNDP to the UN City in Copenhagen has only been counted once.

³¹ Conflict, peace and stabilisation support through UNDP is included in Figure 4.2.2, and counted once in the total.

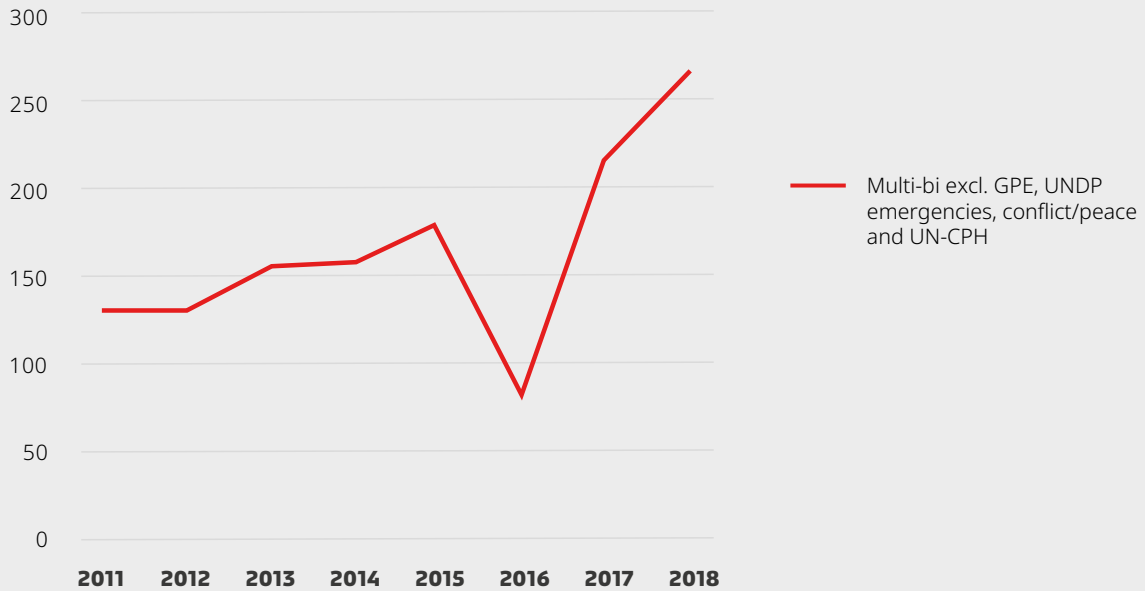
FIGURE 4.2.1 The Declining Appetite for UNDP's Core

Source: OECD Stats: <https://stats.oecd.org> (CRS) accessed 25 October 2020.

FIGURE 4.2.2 Multi-bi Funding to Emergencies and Conflict, Peace and Security 2011-2018

Source: OECD Stats: <https://stats.oecd.org> (CRS) accessed 25 October 2020.

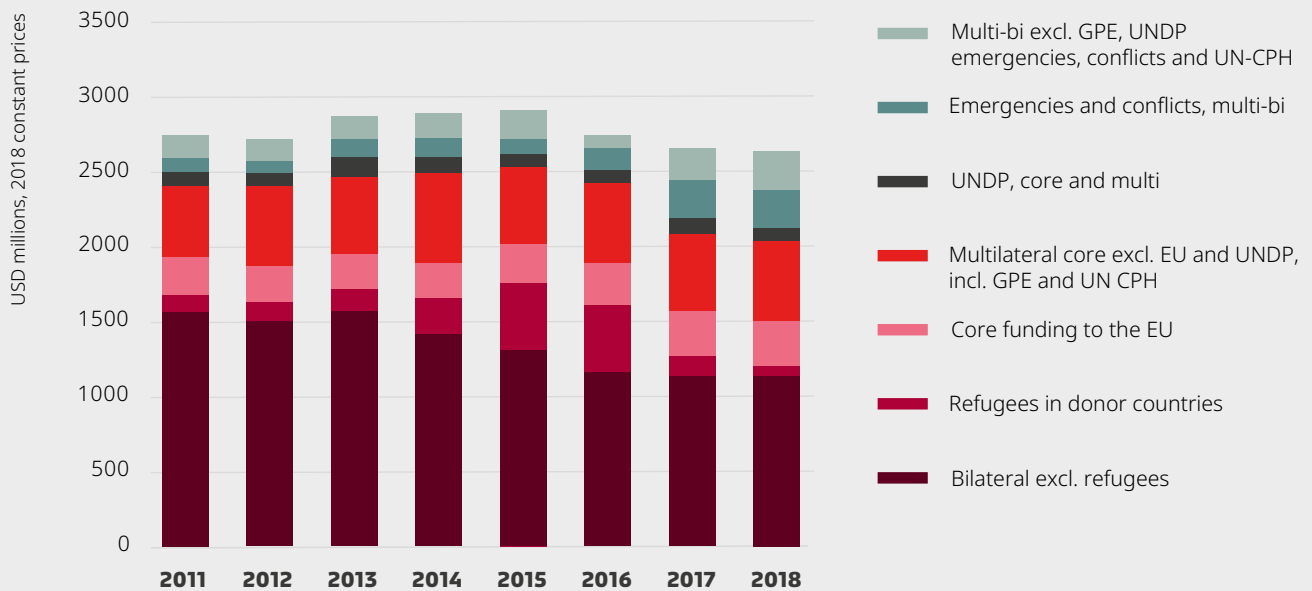
FIGURE 4.2.3 Multi-bi excl. GPE, UNDP, Emergencies, Conflict/Peace and UN-CPH



Source: OECD Stats: <https://stats.oecd.org> (CRS) accessed 25 October 2020.

What is left as core and multi-bi funding after these deductions could be considered illustrative of the underlying trend, removing “noise”. In this revised picture Danish core assistance, excluding the EU and UNDP, hovers between 17-20% of total ODA, with largely similar absolute funding levels over the years. Multi-bi, with the revisions, doubled from 5% (USD 133m) in 2011 to 10% (USD 266m) in 2018 (see Figure 4.2.3).

Accepting the modifications – a free choice – the picture of Danish ODA looks as displayed in Figure 4.2.4. Bilateral assistance is decreasing, while multi-bi to emergencies and conflict, peace and security increased markedly in 2017 and 2018. Core contributions remain well ahead of multi-bi. And although the remaining multi-bi has increased after 2016, it is still a minor share when taking UNDP, GPE, emergencies and conflicts, peace and security out of the equations.

FIGURE 4.2.4 Danish ODA by Main Modalities

Source: OECD Stats: <https://stats.oecd.org> (CRS) accessed 25 October 2020.

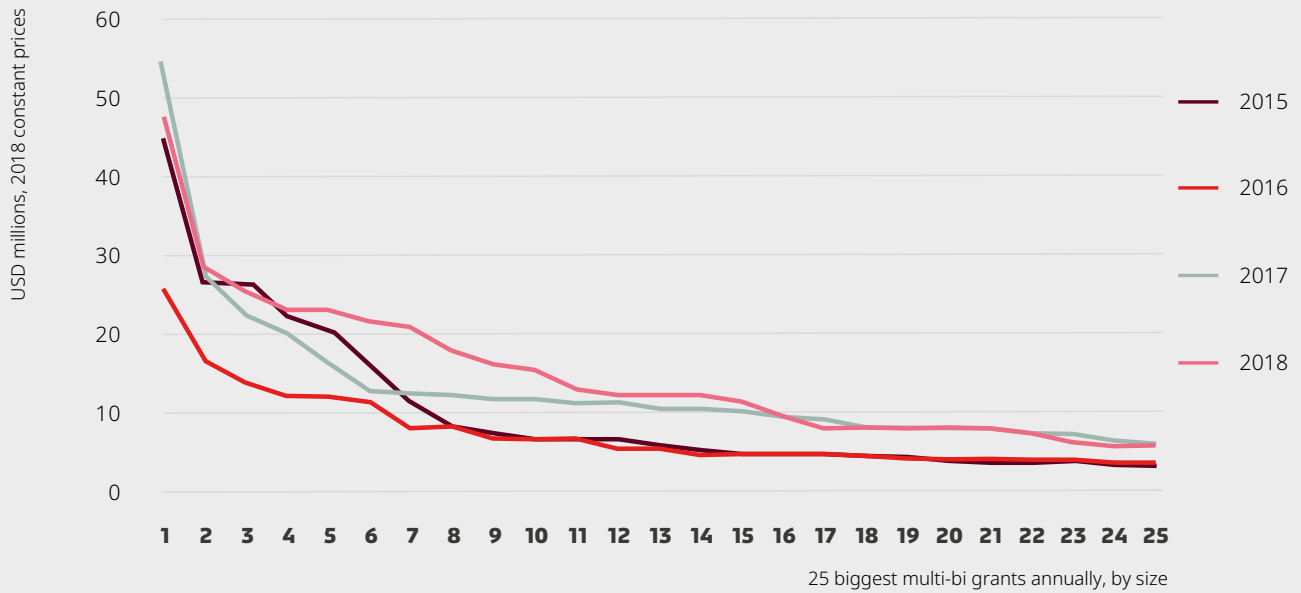
4.3 Earmarking 2017 and 2018: Bigger Grants

The increase in multi-bi from 2016 to 2017 and 2018 is remarkable. Taking the modified picture – excluding emergencies and conflicts, as well as GPE and UNDP (see Section 4.2 above) – multi-bi fell to USD 88m in 2016 when funds were redirected to cover refugee expenses. Then it grew to USD 215m in 2017, and further on to USD 266m in 2018, or 300% of the 2016 level. Looking at the picture of all Danish ODA, multi-bi increased from USD 337m in 2016 to USD 630m in 2017 and USD 650m in 2018. What led to this significant overall increase, even if part of the possible explanation may already have been given in the section above?

Firstly, there were more grants in 2017. From a low of 192 multi-bi grants in 2016 the number jumped to 231 in 2017, but then fell back to 199 grants in 2018.

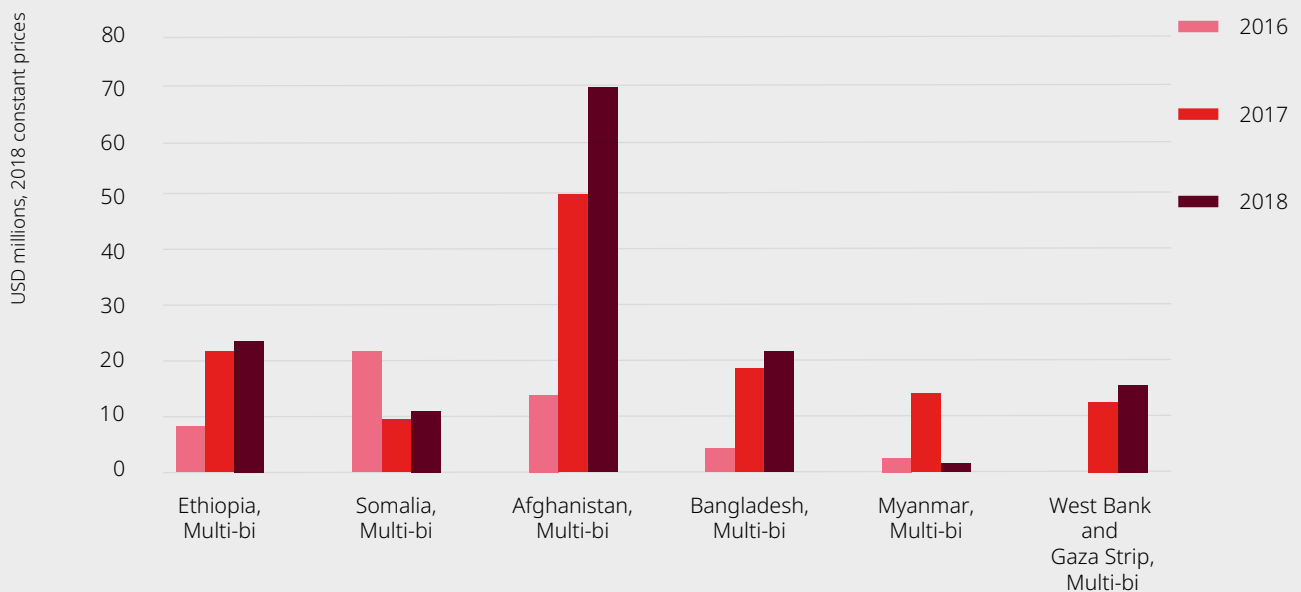
Figure 4.3.1 looks at the 25 biggest grants (all considered) each year from 2015 to 2018. The average size of these grants fell to a low in 2016 of USD 7.5m, doubling to USD 14.9m in 2018. The median grant of these 25 biggest was USD 4.9m in 2016, jumping to USD 11.9m in 2018. There was, then, clearly a general and strong increase in the size of grants across the board of the 25 biggest grants in 2017 and 2018.

FIGURE 4.3.1 The Fluctuations in Multi-bi 2015-2018



Source: Authors' calculations based on OECD Stats: <https://stats.oecd.org/> accessed on 28 November 2020.

FIGURE 4.3.2 Major Changes in Multi-bi 2016-2018, Selected Countries

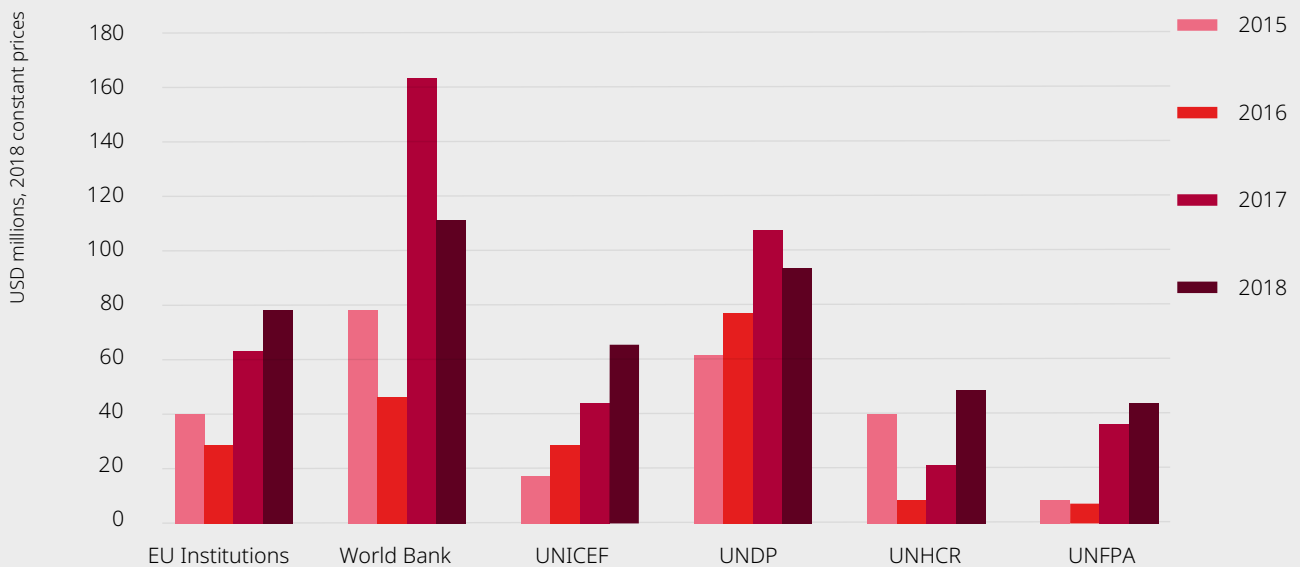


Source: OECD Stats: <https://stats.oecd.org> (CRS) accessed 25 October 2020.

Looking at individual grants, there are some clear increases in multi-bi allocations to countries, see Figure 4.3.2. While grants to Somalia decreased, those to other countries, not least Afghanistan, increased in 2017 and 2018. Bangladesh also increased, mainly through support to the Rohingya refugees. Emergencies, fragile and conflict situations were in focus, except in Ethiopia where the multi-bi support had a strong focus on agriculture, rural livelihoods and population policies.

The increase in multi-bi funding in 2017 and 2018 was greatest for the EU, the World Bank, UNDP, UNHCR, UNICEF and UNFPA, as shown in Figure 4.3.3. The increase in multi-bi funding through these six organisations from 2016 to 2018 amounts to USD 255m, or around 80% of the total increase over that period.

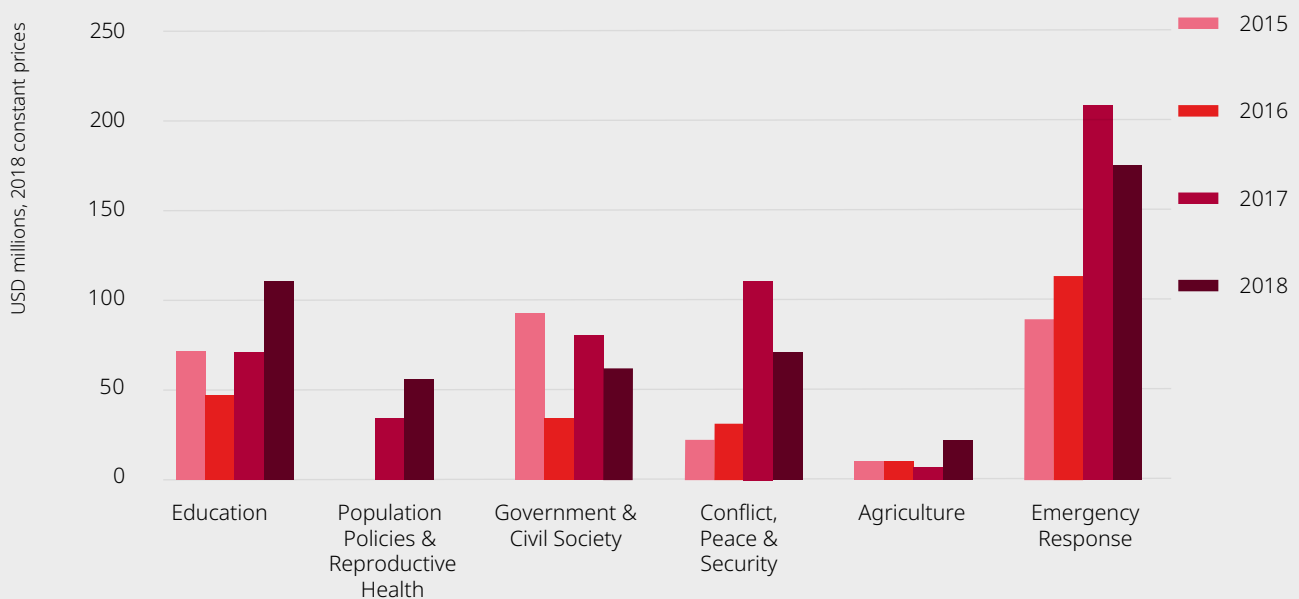
FIGURE 4.3.3 Major Multi-bi Grants by Organisations, 2015-2018



Source: OECD Stats: <https://stats.oecd.org> (CRS) accessed 25 October 2020.

Sector-wise, the biggest increases after the refugee crisis are shown in Figure 4.3.3, concentrating on six sectors. Allocations to these sectors increased from USD 245m in 2016 to USD 503m in 2018, also constituting around 80% of the overall increase in multi-bi allocations in that period.

FIGURE 4.3.4 Major Multi-bi Grants by Sector, 2015-2018



Source: OECD Stats: <https://stats.oecd.org> (CRS) accessed 25 October 2020.

Summing up, the dramatic increase in multi-bi allocations when the refugee costs fell after 2016 is, firstly, less dramatic if e.g., funding to GPE, the UN City and UNDP is taken out of the equation. Secondly, the biggest component of the increase is support to emergency situations, with Afghanistan clearly topping the list. Thirdly, in 2017 and 2018 Danish largesse increased so that grant size on average doubled. Fourthly, the multilaterals that Denmark gives most core assistance also got the largest multi-bi allocations in 2017 and 2018. A win-win situation from a number of perspectives, including that Denmark has to spend the development budget in the calendar year. However, extraordinary times call for care before announcing that the earmarking these years was trendsetting.

4.4 But Didn't Everything Change in 2019?

The OECD/DAC data used in this report does not include 2019. However, based on the Danish registrations (which feed into OECD/DAC statistics, but are differently organised), there are no indications that the picture emerging based on OECD/DAC changes significantly in 2019. Table 4.4. in Annex 1 includes the data.

Core multilateral assistance increased by six percentage points from 2018 to 2019, from USD 776m to USD 820m. Allocations to emergencies and conflicts reached an all times high of USD 354m, up from USD 264m in 2018³². Allocations to private sector development increased strongly over the last years, reaching USD 184m in 2019. There are other variations, but without an analysis of the underlying data, it is not possible to draw many conclusions. Some of the changes in 2019 may end up indicating changes in trends, but there is no indication that 2019 was a transformative year for Danish development assistance.

³² The figures mentioned here cannot be compared with the figures drawn from OECD/DAC.

5. STRATEGIES, POLICIES AND DECISIONS

5.1 Strategies, Policies and Decisions Shaping Denmark's Multilateral Assistance

This chapter looks at available evidence of strategies, policies and decisions of importance for the multilateral share of Danish ODA³³. Explicitly formulated strategies and policies are one source of evidence. Major decisions which have shaped Danish multilateral development assistance are another source, whether they are underpinned by explicit strategies/policies or not. Subsequent chapters will offer interpretations of the evidence, also including the evidence emerging from the figures and trends discussed in the previous chapters.

The highest-level goal framework for Danish ODA is the Act on Denmark's International Development Cooperation from 2012 as amended in 2016³⁴. Defining that "The objective of Denmark's development cooperation is to fight poverty and promote human rights, democracy, sustainable development, peace and stability", the Act also underlines that "Danish development cooperation shall contribute to promoting Denmark's interests in a more peaceful, stable and equal world". The Act mentions multilateral cooperation but grants the Minister for Development Cooperation the authority to decide the mix of cooperation modalities.

At the next level, the strategy and policy framework for Danish development cooperation is provided in the present development strategy 'The World 2030'. The strategy confirms the level of Danish ODA to be 0.7% of GNI. Until 2015, the target was 1%.

The strategy has specific, but short sections devoted to the EU and to multilateral development cooperation³⁵. The strategy emphasises the important role Denmark's development policy attaches to both. However, besides a number of broad priorities, the strategy only gives brief indications of how Denmark will prioritise and implement its engagements with various multilateral organisations.

³⁴ See <https://um.dk/en/danida-en/about-danida/legal/>

There is no strategy or policy for Denmark's overall multilateral development engagement apart from the sections in 'The World 2030'. A deeper analysis was made in 2013³⁶ but did not, as planned for, feed into a separate strategy. The latest separate multilateral strategy was prepared in 1996.

While previous strategies and analyses had a strong focus on the funding proportion to the multilateral system and the importance of having an effective, coordinated multilateral system³⁷, the present strategy is strongly focused on how Danish interests can be promoted in the individual multilateral organisations³⁸. At systems level, the strategy mentions that "... it is a clear Danish priority to promote reform of the international system, ..." but it does not indicate the desired directions of reform. The quest for greater coherence, effectiveness and efficiency of the multilateral system(s) has been staple reform goals for decades, while the road to these goals has been less clearly or not at all articulated, as is the case in the 2017 strategy.

The strategy mentions that Denmark will continue to provide core contributions, but also that various kinds of earmarking will increasingly be used in Danish multilateral development assistance, and that this will be a way to increase Denmark's influence³⁹. This is a different emphasis on and expectation of earmarking than the previous strategy from 2012, which committed to more and more core multilateral funding as a means to maintaining Denmark's ability to influence the overall framework for development. In the 2012 strategy, earmarking was reserved for "strategic and special interventions, for instance in fragile states", but not seen as a way to increase influence as such⁴⁰. The issue of core versus earmarked funding, and influence, will be further discussed in Chapters 6 and 7.

The strategy does not provide any justification or rationale for the choice of mix and proportion of Danish contributions to multilateral institutions. Issues such as the balance of funding between the UN system and the MDBs; the funding of "new" multilaterals; the relative share of core and earmarked funding; and the balance of e.g., geographical and sectoral targeting are not addressed.

³⁶ Ministry of Foreign Affairs of Denmark, 2013.

³⁷ Ministry of Foreign Affairs of Denmark, 2013, 23-24, 40-41.

³⁸ This is also reflected in a recent review of the organisation strategies. See Boesen, 2019, 13.

³⁹ Ministry of Foreign Affairs of Denmark, 2017, 15.

⁴⁰ Ministry of Foreign Affairs of Denmark, 2013, 31. The strategy also stated that "... non-core contributions continue to cause serious problems for the organisations ...", Ministry of Foreign Affairs of Denmark, 2013, iii.

The Guidelines for Management of Danish Multilateral Development Cooperation⁴¹ complement the overall strategy and provide guidance on the practical implementation of the multilateral development cooperation. The Guidelines are not meant to give guidance “on how to implement policy and strategic priorities with regard to engagements with multilateral and international organisations ...”. They refer several times to strategic issues, but without providing much detail on how to address these.

On modalities, the Guidelines state that “Consultation with Technical Quality Support of Development Cooperation (KFU) is recommended before choosing the support modality and instrument for an appropriation”⁴². This seemingly reduces the modality issue to a technical question, but the pros and cons of earmarked funding, including multi-bi support provided through local representations/embassies, are not explicitly discussed in the Guidelines. They emphasise that a holistic approach should be applied, implying that core funding to multilateral organisations should be considered within the context of the total support to the individual organisations (Boesen, 2019, 10).

Zooming out beyond the available higher-level strategies, a number of decisions and events seem to have influenced Denmark’s multilateral cooperation, in terms of size, modalities and geographical targeting. These decisions include the overall size of Danish ODA as well as the size of Denmark’s direct bilateral cooperation. Figure 5.1.1 lists some of the major decisions and events that have influenced Denmark’s aid allocations.

The number of Danish priority partner countries during the period under review fell from 24 to 12, and the allocations to the country programmes more than halved, see Figure 5.1.2. Where this traditional Danish development assistance modality still constituted 35% of all ODA in 2011, it had fallen to only 15% in 2018. Bilateral country programmes are no longer a mainstay in Danish development policy.

At the same time, the interlinked international crises spanning from Afghanistan to the Middle East and Sahel as well as Danish military, developmental and emergency engagement in these crises have also affected aid allocations, reflecting perceptions of different comparative advantages of bilateral and multilateral modalities, respectively. The acceleration of the climate crisis is another important external factor. Chapter 6 will discuss the likely correlations between these many factors and Denmark’s multilateral development allocations.

⁴¹ Ministry of Foreign Affairs of Denmark, 2018.

⁴² Ministry of Foreign Affairs of Denmark, 2018, 5-6.

FIGURE 5.1.1 A Decade of Significant Decisions and Events

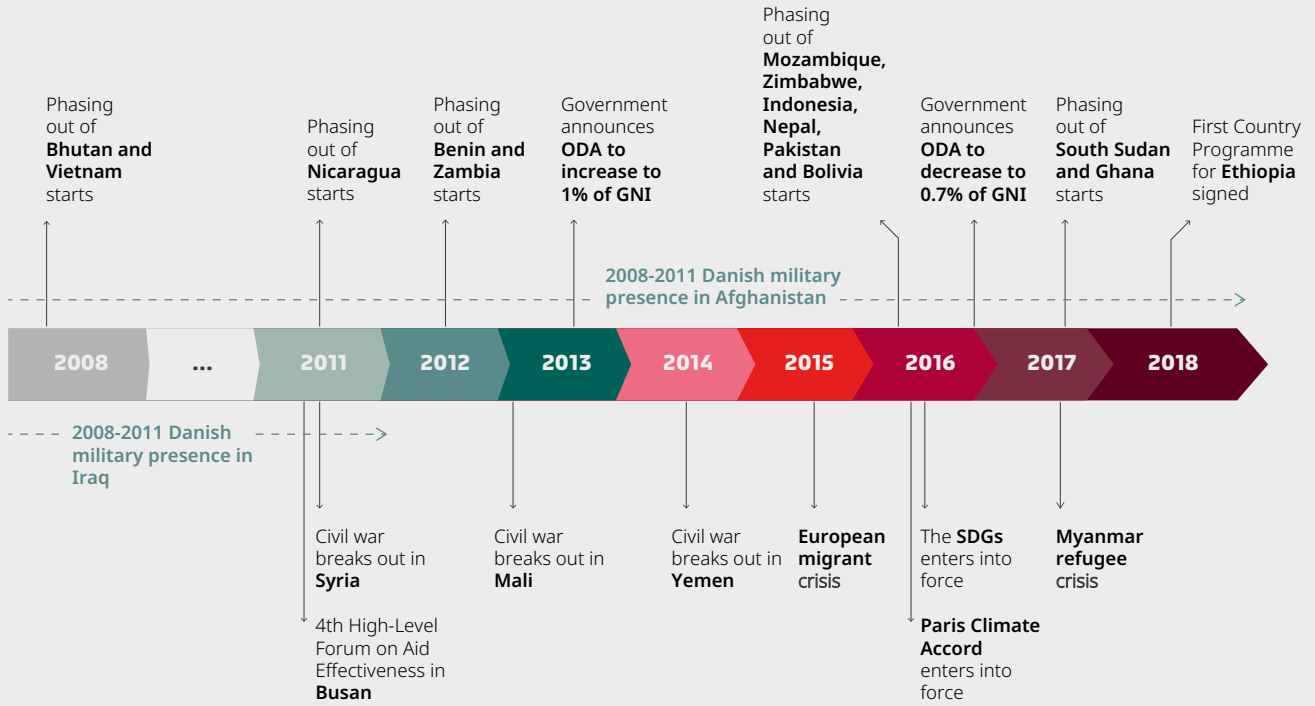
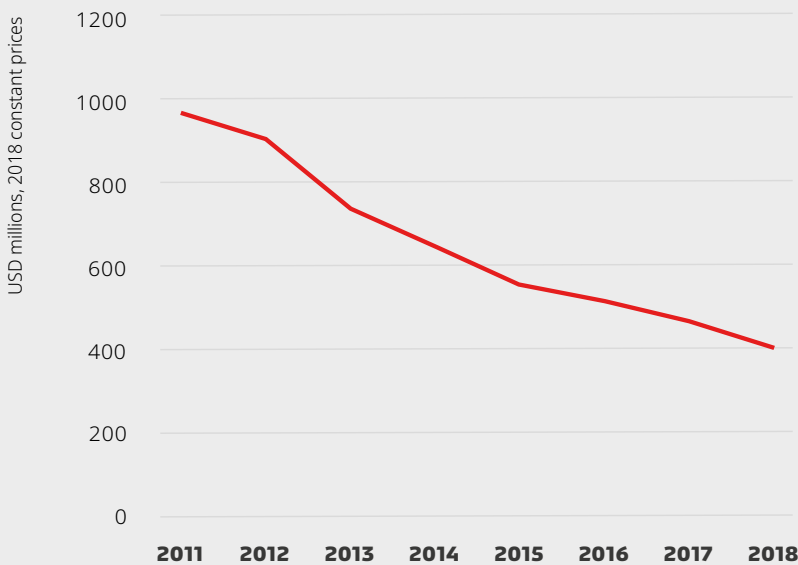


FIGURE 5.1.2 Bilateral Assistance to Priority Countries, 2011-2018



5.2 Strategies and Decisions Regarding Individual Multilateral Organisations

Danish grants to individual multilateral organisations are based on organisation strategies⁴³. These organisation strategies are "... at the centre of managing cooperation with multilateral and international organisations".⁴⁴

A comprehensive review of these organisation strategies concludes that "The strategies are more descriptive than analytical..." and that they "... first and foremost serve accountability and communication functions..."⁴⁵. Further, the review concludes that "... priorities are justified in quite general terms...". The study also finds that "Across the strategies reviewed, there is thus a focus on what Denmark expects to get in return for its (core) funding in terms of development results and organisational effectiveness, rather than on where the organisations – or the system as such – should move and how Denmark can most effectively exert influence in that direction."⁴⁶ This more transactional than strategic approach to individual multilateral organisations will be included in the discussion in Chapter 7.

There are exceptions where the support to or through individual organisations does seemingly reflect wider strategic considerations, also if these are not made explicit in the organisation strategies. Three such cases stand out:

- ***The Global Partnership for Education vs. bilateral support for education.*** As shown in Section 2.8, Danish bilateral support to education has largely disappeared⁴⁷ since 2011 and been replaced by joint efforts through the GPE (and, to a lesser degree, UNICEF). This development is not discussed or described in the Danish organisation strategies for the GPE and UNICEF, or in general Danish development cooperation strategies. The shift is so significant and implemented over such a short time that it is difficult not to interpret it as a deliberate choice.
- ***Increased funding to UNFPA as the US cut its funding:*** In 2017, the US decided that UNFPA violated American legislation regarding

⁴³ Multilateral organisation strategies have been developed for a number of years (see also Ministry of Foreign Affairs of Denmark, 2013, vii). The first strategies were as far back as in 1996 (Boesen, 2019, 8). The strategies can be found at <https://um.dk/da/danida/samarbejspartnerne/int-org/>

⁴⁴ Ministry of Foreign Affairs of Denmark, 2018, 4.

⁴⁵ Boesen, 2019, 4 and 12.

⁴⁶ Ibid, 13.

⁴⁷ The remaining bilateral funding specified for education is mainly to the Danida Fellowship Centre.

sexual reproduction rights, a claim refuted by UNFPA. The US cut funding to the organisation, and Denmark – referring explicitly to the US withdrawal – doubled its contribution in 2017 (from USD 41m to USD 79m) and kept that level in 2018.⁴⁸

- **UNDP losing Danish core big time:** UNDP's total core funding was only 19% of all its resources in 2014. Denmark identified this as a major risk in the Organisational Strategies for UNDP both in 2014 and 2018. Still, in 2014 Denmark planned core contributions of DKK 330m for the 2014-2018 period. In the 2018-2022 strategy, core funding for 2018 was only planned for as a third, DKK 110m, and with slightly decreasing amounts for the following years. Denmark thereby contributed to the very risk that it at the same time demanded that UNDP should confront⁴⁹. The latest organisation strategy provided no justification for the reduced core contributions. However, both strategies note that UNDP has the most comprehensive mandate among all UN agencies, and that Denmark mostly appreciates UNDP's work related to democratic governance, peacebuilding and state-building, but not what it does in other areas. With the reform of the Resident Coordinator system bringing this under the Secretary General, it has become even more difficult for UNDP to claim and perform an effective coordination function in the UNDS. Parallel to what other donors have done, Denmark has therefore allocated funding to support specific areas of work within UNDP's comprehensive mandate, and to specific countries.

An additional element – of quite a different sort – is the EU, including the development share of the EU budget and the European Development Fund. Danish contributions to the EU are not voluntary, also reflected in the fact that there are no Organisation Strategies prepared to justify Danish contributions – there is only the one-page justification in the overall Danish development strategy. Though by formal definition a multilateral, the EU is not comparable to e.g., the UN system or the MDBs. While not a federal state (in which case it would be a bilateral entity just as e.g., the United States), it is a legally binding political and economic union and certainly not open for everyone to join. Using the standard terms of “contributions” and “recipient” to describe the relation may indeed be considered misleading – Denmark is a constitutive part of the EU.

Technically, then, the EU appears as one among other multilaterals – in practice it could as well be considered an outlet for European, including

⁴⁸ Ministry of Foreign Affairs of Denmark, 2018a, Annex 2.

⁴⁹ Ministry of Foreign Affairs of Denmark, 2014, and Ministry of Foreign Affairs of Denmark, 2018b.

Danish, bilateralism. The EU is by far the largest recipient of Danish core funding, getting not less than 40% of all Danish core funding to multilaterals in 2018. Disregarding the EU funding, the share of Danish multilateral core as a proportion of all ODA in 2018 fell from 30% to 20%, and multilateral funding fell from 55% to 45% of ODA. Danish funding to the EU constituted 15% of all Danish ODA in 2018, the same level as the spending on bilateral country programmes.

6. UNDERLYING DETERMINANTS OF MULTILATERAL POLICY CHOICES

This chapter interprets the evidence presented in the previous part of the report. Recognising that “... there is no accepted wisdom on what a sensible allocation across bilateral and multilateral channels should look like or by what criteria this decision should be informed”⁵⁰, the chapter attempts to understand and explain the developments in Danish multilateral development cooperation.

Reflections on these developments may lead to broader discussions on whether the international donor structure is (still) “future-fit” for purpose in fast changing contexts. For the individual bilateral donors, including Denmark, it may also lead to discussions of whether they have established a reasonable division of labour and collaboration with multilateral organisations as well as with other bilateral donors. This is obviously closely related to discussions on drivers of and arenas for coherence, co-ordination, development effectiveness and quality – or the lack of the same⁵¹.

This report identifies not less than seven – not mutually exclusive – perspectives, which may contribute to an understanding of individual bilateral donors’ use of multilateral development organisations. The seven perspectives are:

- Changes in the broader geopolitical context and the impact on the bilateral as well as multilateral development systems
- National – in this case Danish – interests in the multilateral system
- Perceptions of instruments to influence multilaterals
- Effects of non-related events or choices in adjacent policy arenas with impact on multilateral development assistance

⁵⁰ Gulrajani, 2016, 20.

⁵¹ Engberg-Pedersen and Moe Fejerskov, 2018, and Kjaer, 2020 both discuss the tension between a (traditional) focus on development assistance quality and effectiveness, and the views of a “future-fit” system that emphasises development cooperation as a policy arena fully integrated with national foreign policy and economic interest. The interpretation in this and the following chapter draws on these recent contributions to the debate.

- Path dependencies where present decisions are shaped by decisions in the past
- Peer alignment where donors align their positions to those of like-minded peers; and
- Perceived comparative advantages that lead to preference for multilateral channels.

6.1 The Broader Geopolitical Context and International Development Systems

Development cooperation started parallel to the decolonialisation processes and the emergence of new nation states all over the world. The UN started providing technical assistance on a small scale already in 1955, but the MDBs (and IMF) became the major players in a multilateral development system dominated by Western countries, which themselves established bilateral assistance programmes⁵². Despite the clear relation between development assistance and cold war rivalries, ODA had an altruistic and global narrative – the purpose was to support economic growth that would contribute to social progress and political independence all over the world. This was also the official goal of Danish ODA, which initially did not mention Danish interests⁵³.

Two trends undermined the nation-state focused configuration of the development assistance systems: First, globalisation and regionalisation of both economies and problems such as environmental degradation and climate change defined a new, supra-national agenda. Second, poverty reduction took place at unprecedented speed – but did not follow national borders. Poverty changed from being, in practice, an attribute of states, to becoming a multi-faceted attribute of (groups of) people that might well live in middle-income or even rich countries.

In addition, specific events – notably the 9/11 terror attacks in the United States in 2001 and the subsequent wars and upheavals in Western Asia and the Middle East – pushed the already emerging modification of the altruistic discourse underpinning development assistance further: donor countries' own interests, particularly linked to terrorism and migration, but also in relation to climate change and trade, became a stronger part of the vocabulary.

⁵² Andersen, 1986.

⁵³ Ibid., referring to the Act on Denmark's International Development Cooperation adopted in 1971.

In parallel, the focus on comprehensive country-level programmes, notionally formulated and led by partner governments and backed by bilateral as well as multilateral donors, with a strong institution-building ethos⁵⁴, was eclipsed at the time of the Paris and Accra agreements on aid effectiveness in 2005 and 2008, respectively. The high development-in-general ambitions at country level have, in this perspective, been replaced by more specific regional and global agendas on peace, emergencies, terror, migration and climate, to mention some of the most salient. New rivalries around these agendas have been part of the package. New actors have appeared on the scene, notably China and the EU, the latter increasingly being the centre of articulation of Danish foreign policy interests.

This (kind of) storyline would go some way towards explaining four major trends in the changes in Danish development policy: i) the decrease in ODA as a percentage of GNI from 1% to 0.7%⁵⁵, ii) the significant decrease in direct bilateral country-level assistance, and iii) the increasing role of the EU as steward of Danish development assistance and policy; and iv) the stagnation of development-in-general funding, e.g. core contributions to multilaterals that in principle are spent globally rather than focused on areas of specific Danish interest. UNDP is the obvious case in point for this tendency, but so is the increase in earmarking, although most of this is soft.

6.2 Interests in a Strong and Effective Multilateral System

Despite the trends outlined above, Denmark remains a keen protagonist of the multilateral development system. This is often explained by Denmark – as a small country – having an interest in a strong multilateral system⁵⁶ that can maintain a rule-based international system. It is a recognition that global challenges – the present Covid-19 pandemic is a prime example – require international coordinated action and solutions

⁵⁴ General budget support, conditioned on Poverty Reduction Strategy Papers with corresponding batteries of indicators, epitomised this phase of development cooperation, but waned with the recognition that domestic politics and power issues in developing countries mattered more for development than aid. The debate on the difficulties of building democratic governance and institutions, not least in fragile states and situations, came to the fore after the turn of the millennium.

⁵⁵ In a white paper in 1982 by an official commission (“Bang-udvalget”), a majority of the members recommended that Danish ODA should reach 1% in 1992 (later approved by the government) and not less than 2% of GNI in 2000. This last recommendation withered silently away. (Andersen, 1986).

⁵⁶ Ministry of Foreign Affairs of Denmark, 2013, 47. See also Tarp and Hansen, 2013, for a discussion of small countries’ interest and possible influence in the multilateral system.

for which a multilateral development system is useful if small states like Denmark are to have a voice and place. Thus, Danish interests include the policy shaping, development, normative and convening power dimensions of the multilateral system. This goes further than just supporting individual multilateral organisations and justifying this support by purported specific comparative advantages of individual organisations⁵⁷, as the fulfillment of e.g., policy, normative and convening roles is premised on the legitimacy of the wider system. The continued Danish high level of funding of the multilateral system (in both absolute and relative terms) would be seen as a testimony of these interests. Other 'like-minded' donors, including not least the other Nordic countries, have shown a similar trend in their support for the multilateral system⁵⁸.

6.3 How to Influence Multilaterals: The issue of Earmarking

The 2017 development strategy confirmed that "the way to influence the development of international norms and standards, global priorities and strategies that are important in leveraging Danish interests goes through multilateral cooperation". But it also stated that Denmark will increasingly use earmarking of its multilateral development assistance, arguing that in "(t)his way, Denmark will increase its influence on the field work and the visibility of the Danish effort."⁵⁹

In the analysis from 2013, the language was completely different: "... as an expression of Denmark's commitment to multilateralism, Denmark will continue to allocate the largest share of its multilateral aid as core funding..."⁶⁰. Thus, in the 2013 analysis Danish interests were not mentioned, and substantial core funding was considered a strong signal in itself, presumably leading to relevant influence.

Increased use of earmarking is not only visible in Danish multilateral assistance but is a more widespread trend, as shown in Chapter 4. A recent report from OECD refers to this trend as moving towards "à la carte" multilateralism⁶¹, where donors pick and choose from a menu of options.

57 Boesen, 2019, v.

58 See also Boesen, 2019, which contains a comparison of six donors.

59 Ministry of Foreign Affairs of Denmark, 2017, 15.

60 Ministry of Foreign Affairs of Denmark, 2013, iii.

61 OECD, 2020, 15.

The pros and cons of earmarking and of various forms of earmarking have been debated for years⁶². Several issues deserve to be highlighted, also based on how Denmark uses earmarking as described in Chapters 2 and 4:

- First, earmarking can take many forms, and a nuanced and granular discussion is needed to identify the strengths and weaknesses of particular earmarking modalities. The effect on results and incentives, both for donors, for the multilateral organisations and for the ultimate recipients, depends not only on the specific design of the earmarking, but also on the context, the sector, the intervention, etc. Geographically – but not functionally – earmarked contributions to e.g., emergencies may give priority to emergencies close to the home of donors, but it will not have the same effects as e.g., in-kind emergency assistance tied to procurement in the donor countries. Earmarked contributions to emergencies as response to specific appeals from e.g., WFP or UNHCR have historically been the norm. The recent considerable increase in emergency funding also explains part of the rise in earmarking – but the salient issue to discuss seems rather to be the shift from development to emergency funding than the fact that emergency funding is largely earmarked. Thematic, soft earmarking to e.g., broad governance programmes in UNDP will have different effects than the hard-earmarked funding through UNDP of a specific project in a specific country.
- Second, increased use of earmarking – beyond the occasional funding of a specific smaller project deemed worthwhile by a donor and/or well-sold by a unit in a multilateral organisation – is clearly a signal that the donor finds that this is a better way to further own interests than by giving (more) core funding, or that narrower own interests are deemed more important than sticking to an apparent consensus or compromise coming out of e.g., a board composed of all members. At the same time, earmarking may decrease the predictability of funding, and it may also undermine the perceived impartiality and thereby legitimacy of the organisations⁶³.
- Third, the idea that earmarking will give the donor more influence may be true if only one or few donors move towards increasing earmarking. If it is a general tendency – a kind of “race to the bottom” – it may yield influence on what is funded by the donor itself, but also diminish the influence on what other

⁶² See e.g. Eichenauer and Reinsberg, 2017; Barder et al., 2019; Weinlich et al., 2020.

⁶³ OECD, 2020, 21.

donors choose to earmark. It may at the same time weaken the organisation, thereby ultimately making it irrelevant to try to influence the organisation as such. Visibility – e.g., photo opportunities in the broad sense – may increase by earmarking, and thereby respond to domestic needs in donor countries to show immediate results, but it may also act as a substitute for more serious attention to and communication about results and all the complexities linked to that issue.

- Fourth, earmarking may have a strong fragmenting effect on organisations; it provides incentives for gaming behaviour and weakens the role of the governing boards of the multilateral organisations (and the multilateral systems) as well as the possibilities for broad consensus building. These effects are not different from the effects of fragmented development assistance delivered as projects by multiple donors in a country, a phenomenon that leads to the whole movement towards comprehensive development frameworks, sector support and ultimately budget support (core funding, as it is). In some sense, the move towards earmarking to multilaterals could be interpreted as a parallel trend to the breakdown of the attempts to unify country-level assistance around a common framework of policies and plans. The underlying forces behind this move may well be the same and linked to geopolitical movements where the perceived value of claiming consensus on e.g., economic development models or values such as democracy and human rights have diminished.

The Danish development strategy from 2017 indicates a different overall perspective on multilateral development assistance than the previous strategy by its advocacy of earmarking rather than core funding. It remains unclear to which degree this is based on explicit strategising on issues such as those touched upon in this section. Contrary to e.g., Finland, Denmark has no explicit strategy for how it will try to influence multilateral organisations, and how earmarking is seen to contribute.⁶⁴

Looking at the evidence in Chapters 2-4, it does not seem fair to describe Denmark's multilateral behaviour as "à la carte", where the country picks and chooses from a menu, or, worse, a buffet of offers. The trend towards earmarking is, as discussed, weaker than it may appear, and may be driven by deeper trends such as a move away from broad "developmentalism" for its own sake to a stronger focus on own interests and issues. On the other hand, it seems evident that the Danish authorities might benefit from a closer and nuanced discussion both on these

⁶⁴ Boesen, 2019, p. 16ff.

deeper trends and, therefore, on where, why, how and how much to use earmarking, including various kinds of earmarking and core funding, respectively.

6.4 Effects of Events and Choices in Other Arenas

This perspective explores the degree to which multilateral assistance is determined by other policy choices that are not directly or closely related to multilateral assistance. Multilateral assistance would in this perspective be the residual when a donor has spent what it wants or what it could on bilateral programmes or, as happened in 2015, on refugee assistance.

The significant reduction in Danish direct bilateral assistance would thus have the effect that more had to be spent through multilateral channels. The decisions to phase out certain countries – thereby reducing direct bilateral spending – are explicit, while there are no such explicit decisions underpinning the increase in multilateral assistance, giving certain weight to the claim that at least part of the increase in multilateral spending is an effect of bilateral decisions.

The limits on or changes in non-multilateral spending could in this perspective also be linked to programming challenges, e.g., sudden increases in the development budget. The perception is that even with abundant staff resources, disbursement of direct bilateral assistance is far more difficult to increase rapidly than multilateral assistance, where the “burden of disbursement” is left to the receiving multilateral organisation while the donor can register the funds as disbursed once the transfer of funds has been made.

The steep increase in multilateral – mainly earmarked – assistance in 2017 and 2018 when the funds for refugee assistance in Denmark dropped could thus be interpreted as increased multilateral spending being an effect of non-related events.

A potential additional indicator for the relevance of this perspective could be increased multilateral commitments and disbursements in the last couple of months of the budget year and limited active follow-up on the actual results of the multilateral cooperation. If more attention is focused on ‘upstream’ than ‘downstream’ issues – e.g., strategies, appropriations, and disbursement rather than impact, effectiveness, efficiency and lessons learned from implementation – it may also signal

that the multilateral development policy arena is considered secondary to other arenas.⁶⁵

A permanent strong or increasing squeeze on administrative resources could also lead to a preference of funding through multilateral organisations if this is associated with lower staff costs per disbursed currency unit. Though not counted separately – development assistance is staff-wise fully integrated in the Ministry of Foreign Affairs of Denmark – significant staff reductions have taken place in the administration of Danish development assistance.⁶⁶

A variant of this perspective would also see certain multilateral spending – notably funding to and through the EU – as not determined by a development policy preference, but simply as a result of the membership of the Union, which binds Member States legally to pay their assessed share of the budget, including the share of the development budget. The special nature of the EU has already been discussed above.

6.5 Path Dependency

A path dependency perspective would see funding decisions influenced by decisions in the past. In other words, bilateral donors will to a significant extent continue to finance the same multilateral organisations, if for no other reason than they have done this in previous years.

There may be several reasons for this: Keeping to the past will be within an institutionalised policy paradigm, and significant deviations would be perceived as a policy shift rocking the boat that so far has accommodated everyone. It would also require significant analytical work and capacity to continuously adjust the allocations. Obviously, this does not rule out that small adjustments are made, but the basic allocation pattern would be the same. Within decision and organisation theory, this perspective is also closely related to incrementalism and muddling through.⁶⁷

The relevance of this perspective for Denmark dates to the 1960's when the Board of Danida explicitly defined the guideline that bilateral and multilateral assistance should be of equal size⁶⁸. Some of the interest in looking closer at multilateral assistance today, as exemplified in the commissioning of this study (see Annex 4), is that this balance is tipping

⁶⁵ Boesen, 2019, 32f.

⁶⁶ See Boesen, 2019, 10, and Engberg-Pedersen, 2020.

⁶⁷ Lindblom, 1959.

⁶⁸ Andersen, 1986, 10.

towards increased use of multilateral channels⁶⁹ – e.g., that ‘the path’ from the past is changing direction.

An additional indicator for this perspective would be stability over time in the support to specific multilateral organisations, also in periods when the mandates and efficiency of organisations are questioned. The analysis of Danish multilateral development assistance shows a significant stability in the allocation pattern and in the organisations that are the main receivers of Danish multilateral assistance⁷⁰. Another explanation for this could be that the supported organisations have relatively broad mandates and a size that enable them to handle significant support levels.

6.6 Peer Alignment

Aligning to what peers do, where individual donor behaviour is guided by the behaviour of the donor community or certain sub-groups in this community, has been analysed in various connections⁷¹. While it is well-known that there is a tendency to have coordinated responses to shared, positive or negative, assessments of individual multilateral organisations, there seem to be few if any analyses which try to understand shifts in the overall division of labour as a result of peer alignment processes.

Two sub-perspectives may be distinguished. The first would be that donors make alliances with peers and engage in strategic collaboration. In the 2013 assessment this approach was encouraged, including that partnerships should be established with new actors⁷². In relation to the multilateral organisations, it could include collaboration in governing boards. The second would reflect a herd behaviour approach, where donors more passively just do what similar donors do.

An indication of this perspective would be similarity in allocation decisions among like-minded donors, but a more comprehensive assessment would also review various forms of strategic (and perhaps also non-strategic) collaboration with other donors.

Chapter 3 found that the allocation patterns in Denmark and other ‘like-minded’ donors are rather similar. That also includes stability over

⁶⁹ The first Danish development assistance was to the UN, and in 1961 the government commission overseeing this assistance still found that future Danish assistance should be through the UN. Bilateral assistance was seen as an exception. Andersen, 1986, 10.

⁷⁰ This was also the conclusion in Boesen, 2019, 4-5.

⁷¹ See e.g., Frot and Santiso, 2011; Knack et al., 2014.

⁷² Ministry of Foreign Affairs of Denmark, 2013, 43-44.

the years, which indicates that path dependency and peer alignment may well go hand in hand.

A concrete example of peer alignment is the withdrawal of core funding to UN Habitat by the UK in 2012, following a critical assessment, which had a signaling effect leading other donors to withdraw or diminish their core funding, too⁷³. Core funding virtually disappeared, dropping from USD 22.6m in 2011 to USD 4.0m in 2014.

6.7 Comparative Advantages of Multilateral Organisations

This last perspective, which has been widely discussed in the academic literature, focuses on the use of multilateral channels as an explicit strategic choice based on the perceived comparative advantages of multilaterals. This perspective frequently comes out of studies and assessments which assume and/or demonstrate that multilateral organisations have several comparative advantages. These may include economies of scale and lower transaction costs⁷⁴; convening power and global presence⁷⁵; ability to address international public goods⁷⁶; specialised expertise; neutrality and a different impact on recipients than bilateral development assistance⁷⁷; as well as risk sharing. To this could be added that multilateral organisations may have distinct normative mandates and roles which cannot be assumed by individual countries or donors.

From a small-state actor perspective, the multilateral system may offer special advantages in conflict areas both from a legitimacy and operational efficiency point of view. Keeping an arm's distance may offer political advantages, and the capacities required to conduct meaningful development interventions in complex, fragile settings are anyway daunting. The Danish use of multi-bi funding in such settings where there is no or little Danish presence is notable and could reflect this perspective.

The idea of comparative advantages is often affirmed across multilaterals and (sub)-systems of multilaterals as a matter of course that does not need much underpinning by evidence or much measure against the possible comparative disadvantages of certain multilateral development

⁷³ Boesen, 2019, 30.

⁷⁴ Alvi and Sebata, 2012; Ministry of Foreign Affairs of Denmark, 2013, 1; OECD, 2020, 35.

⁷⁵ Milner, 2006; Ministry of Foreign Affairs of Denmark, 2013, 1; OECD, 2020, 35.

⁷⁶ Ministry of Foreign Affairs, 2013, 1.

⁷⁷ Findley et al., 2017.

organisations. The tensions and changes in today's multilateral development system and the underlying deeper geopolitical drivers indicate that such a generalised affirmation should be avoided, and that comparative advantages should be discussed in much more detail and specifically for individual organisations or relevant clusters of organisations.

An indication that allocations reflect a strategic choice based on assessments of comparative advantages should be found in justifications for funding (appropriation notes) or in organisation strategies. The recent review referred to throughout this study⁷⁸ found, however, few indications of such explicit strategic choices. Comparative advantages may be listed, but it is not discussed what they are compared with, e.g., justifying that Danish support to education is better provided through the GPE than through Danish bilateral country programmes.

There is now a solid system of assessments of the individual multilateral organisations⁷⁹, but these assessments do deliberately not compare multilaterals with each other or with bilateral efforts. Neither Denmark nor, to the knowledge of the study team, other donors add to this body of assessments with comparative studies of e.g. effectiveness and efficiency of comparable multilateral and bilateral endeavours.

⁷⁸ Boesen, 2019.

⁷⁹ An example is assessment work conducted by MOPAN and supported by a large number of bilateral donors.

7. POINTERS TO PATHS FORWARD

Danish multilateral development assistance is shaped by most of the determinants discussed above. In this last, short chapter the question to be addressed is whether the sum of changes can best be viewed as an adjustment of a long, rather continuous story of Danish development assistance and development multilateralism, or whether it is better viewed as a shift to or towards a new paradigm.

Whether the glass is, in this sense, best considered half full or half empty would point to the same basic discussion but with differing points of departure: is Danish developmental multilateralism where it should be in terms of purposes, strategies, influencing work, management and follow-up on results and impact at the different levels where Denmark expects a return on its investments? If the evidence points to continuity as the dominant feature, is this continuity then appropriate for a “future-fit” multilateralism? And, conversely, if a new paradigm is coming to the fore, is this appropriate, or is it losing qualities associated with the old paradigm that should be preserved?

To frame the discussion, it may be useful to distinguish between first, second and third order changes⁸⁰:

- **A first order change** implies minor adjustments of existing policies, maintaining policy goals and instruments, but e.g., changing how much each instrument is used.
- **A second order change** is more comprehensive, where policy goals remain unchanged, but existing policy instruments are replaced with others, and the relative use of policy instruments may change significantly.
- **A third order change** would imply adjustment of the hierarchy of goals as well as change of policy instruments. It would be a paradigm shift – often after a period of intense debate in wider circles than normally – where a new set of ideas would become dominant and eventually settle as a new discourse.

⁸⁰ The framework is adapted from Kjaer (2020, 127). It draws on the work of Peter Hall (1993).

Looking at the evidence presented in this study, many changes can be considered of first order: the reduction of overall Danish ODA from 1% to 0.7% of GNI is significant, but Denmark is still at the very top of the global league in generosity, and as a multilateralist. Support to and through multilaterals has increased to 55% of all ODA, from a historical level of 50-50%. Earmarking increased from 12% to 24% of ODA from 2011-2018 looking at the raw figures, but much less – from 5% to 10% – if some “noises” are removed, as discussed in Section 4.2.

Looking at these first order changes alone, a picture of continuity may appear dominant, lending weight to the perspectives of path dependency, peer alignment and comparative advantages discussed in chapter 6, but also to perceptions that Danish interests in the multilateral system and how the country pursues these interests are largely stable.

At the second order level, there are several changes that would question this picture of relative stability. First, the reduction of bilateral assistance over the period, both in the number of partner countries and in budget allocations, goes beyond the level of minor adjustments. The “old” model of country and sector-focused bilateral assistance is, if not disappearing, then moving from its old prime position to a clearly secondary role. Second, the rise of the EU as a channel for Danish development funding is clearly a second order change, also if it happens for reasons unrelated to development cooperation. Third, the dramatic surge in the use of ODA for refugee assistance in 2015 and 2016 could be considered second order, and so can the increasing focus on emergency assistance and conflict-affected and fragile situations, not least through multi-bi support. Finally, there is a modest, but increasing use of new multilateral channels. These changes are not about brand-new instruments, but the use of the instruments has risen to levels where it would be reasonable to see the changes as more than incremental.

The second order changes would link to the perspectives of geopolitical changes and to perceptions of Danish interests in the multilateral system. These interests may be seen as less ‘generic’, and more linked to concrete functions such as emergencies and peace/security interventions, where multi-bi support is clearly preferred to bilateral support. This would also point to a sharper eye on the comparative advantages of organisations and could explain the declining appetite for a member-state governed organisation like UNDP with a broad mandate. The rise of the EU is, on the other hand, clearly an effect of decisions in other policy arenas, and so is the spending from ODA sources on refugee assistance.

Looking at the first and second order changes together, they may point to the relevance of discussing the relative distribution between bilateral and multilateral channels. The evidence on explicit decision-making over the last 10 years indicates that decisions on overall ODA level and on the

decline of bilateral assistance have shaped the multilateral behaviour which in this sense has become a residual or secondary policy arena.

In this secondary arena, the first and second order changes observed would still give rise to a discussion on the use of e.g., core versus earmarked contributions, in relation to individual grants, individual organisations and multilateral systems as such. The detailed data provided in this report would indicate that this should not be a discussion in great categories, but in quite a granular way – the devil is, also here, in the details.

Looking at the level of possible third order changes, this more specific discussion on aspects of Danish multilateralism might benefit from being posited in a wider context.

At the third order level of change, Denmark has notably changed the policy goal of development assistance from being a relatively independent policy arena aiming at poverty reduction through economic growth to becoming an integral part of Danish foreign, security and trade policy which explicitly serve both broader developmental purposes and specific Danish interests. If the second and first order changes discussed above are seen as an effect and articulation of this paradigm change – albeit not an explicit one – then the continuity and path dependency perspectives obviously lose power.

In this third order perspective, the key change is not that there is slightly more earmarking, or that the combined multilateral assistance is now 55% of all Danish ODA. The key change is rather that Denmark increasingly retreats from 'classical' development work with its own permanent presence and instead works through others – the EU, the UN, the MDBs, new multilaterals, and civil society organisations.

This may reflect the fact that the development challenges are increasingly seen as the broader pursuit of global collective goods, and that the pursuit of isolated nation-state development success makes limited sense – also given the notorious difficulties of succeeding in contributing to this and making success – and Danish success – visible.

The debate on these matters is still incipient, maybe indicating that the paradigm shift is still in the making⁸¹. If it is, it seems to be the result of a transactional approach in the area of multilateral development cooperation where the strategic directions that the sum of transactions is pointing to are not yet well articulated.

⁸¹ Engberg-Pedersen and Moe Fejerskov (2018) and Kjaer (2020) are key contributions.

Looking ahead, it therefore seems important to move from this transactional approach to a strategically informed approach to multilateral development cooperation. This requires setting the sight on the bigger picture – not only of multilateralism, not only on development assistance, but on the broader picture of Denmark’s international positions and options.

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