INTERNATIONAL MULTILATERAL ASSISTANCE FOR SOCIO-ECONOMIC DEVELOPMENT OF THE POOREST COUNTRIES OF SOUTH-EAST ASIA

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Abstract: The article is focused on the issues of social and economic development of the poorest countries of the South-east Asian region and the role of international institutions in this process. The article tries to assess the impact of multilateral mechanisms for international development cooperation on the social and economic development of this group of countries. A special emphasis is made on the role of the Russian Federation as a new donor and emerging economic power in the South-east Asian region. Copyright © 2014 John Wiley & Sons, Ltd.

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1 INTRODUCTION

The modern tendencies in the sphere of international development assistance change the established aid architecture and require reconsideration of bilateral and multilateral forms of cooperation. The transition of traditional recipients into the category of new donors (or new partners) makes bilateral cooperation more complex, and international development institutions’ reform poses the issue of multilateral development programmes’ effectiveness more urgently. The ability of multilateral institutions to contribute to the social economic development of the poorest nations increasingly faces more criticism.

Multilateral aid has a different quality and different effects for social and economic development of the recipient countries. Traditional types of international development

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assistance (grants and concessional loans) are external mechanisms for advancing the country to a new level of socio-economic development, whereas innovative mechanisms of international development assistance formulate and strengthen the potential of the recipient associated with self-development, which does not assume external interventions of the donors. The reduction of the number of the programmes in the field of development cooperation is becoming more urgent in the light of the need to achieve the Millennium Development Goals (MDGs) by 2015 and to formulate new agenda for international development cooperation, where the stress will be put on the innovative development mechanisms.

Multilateral mechanisms for managing international development aid projects still continue to be the predominant form of Russia’s engagement into international development assistance, including assisting countries of South-east Asia. According to the concept of Russia’s participation in international development assistance, multilateral mechanisms for international development cooperation are identified as priority instruments for the implementation of aid programmes in recipient countries. Moreover, the South-east Asian region is defined as one of the priorities for Russia’s programmes in the field of international development assistance and economic cooperation. In a short-term period, further work on establishing a Russian national system for international development assistance is announced to be implemented through multilateral mechanisms for international development assistance.

In light of establishing the national development cooperation system of the Russian Federation and the need of integration into the changing architecture of multilateral development assistance, the current paper analyses the existing mechanisms for managing international development assistance programmes. The particular focus is made on the South-east Asian countries, such as Cambodia, Vietnam, Indonesia, Thailand and the Philippines, which are among the key recipients of international development aid in the region, as well as important economic partners of the Russian Federation.

The revealed challenges define the objective of this research, which deals with identifying the economic effects, associated with the activity of the multilateral institutions for international development assistance, as well as elaborating the recommendations for the establishment of the system of international development assistance in the Russian Federation. The achievement of the mentioned objective implies answering two main research questions. The first is whether multilateral international development assistance has substantial influence on the socio-economic development of the poorest countries in the case of the recipients from the South-east Asia. Moreover, the second question is how the Russian Federation could engage into an international multilateral development assistance system and what is its role as a donor in assisting in the socio-economic development of the poorest countries of the South-east Asia.

The methodological framework of the paper assumes three parts. The first one investigates the theoretical grounds of multilateral development assistance. The second part provides a practical perspective on the effectiveness of the multilateral mechanisms in assisting the poorest countries to raise the indicators of socio-economic development for the case of the South-east Asian region. Moreover, the last one is focused on Russia and its role in international development assistance through multilateral mechanisms.

2 THE EVOLUTION OF MULTILATERAL DEVELOPMENT ASSISTANCE ARCHITECTURE IN THE SOUTH-EAST ASIAN REGION

The multilateral system of international development assistance has dramatically evolved from the time of its establishment in the 1940s until nowadays. The analysis of the
evolution process may provide more comprehensive perception of the role of international institutions on the social and economic development of the poorest nations, including countries of the South-east Asia.

The study of literature on international development cooperation helps to identify five key stages (periods) of the establishment and evolution of the multilateral development mechanisms (Zaytsev, 2011). The first after the war period (1945–1960) is characterised by the process of designing the institutional and legal bases of aid provision for international development cooperation. During this period, the USA has contributed to the establishment of intergovernmental bodies, such as the International Bank of Reconstruction and Development (1946), Organisation for Economic Co-operation and Development (OECD; 1948) and UN Enhanced Program of Technical Assistance (1949).

The second period of multilateral aid system development is identified by intensive processes of decolonisation and emergence of a wide range of independent states in Africa and by the beginning of the fight between capitalist and socialist blocks of countries to exert political influence over the poorest countries to realise geopolitical and economic interests. During this period, because of sector and regional diversification of development issues, a number of regional development banks have emerged. These bodies are the African Development Bank (AfDB; 1963), the Asian Development Bank (AsDB; 1966) and the Anti-American Development Bank (1959), as well as a wide range of subregional development banks, such as the Central American Bank of Economic Integration (1960), the East AfDB (1967), the Andean Development Corporation (1968), the Caribbean Development Bank (1969) and the Arab Bank for Economic Development in Africa (1974).

During the third period of multilateral assistance system development (1980–1990), the main regulators of multilateral development assistance became the World Bank and the IMF, which were conducting the policy of structural adjustment, which was directed on the elimination of fiscal and structural disproportions (unbalanced balance of payment and state budget deficit) to reduce high volumes of external indebtedness.

The fourth period of the multilateral system development is described by intensive formulation of key new principles in the area of development, such as mutual accountability, aid harmonisation, aid alignment, managing aid for results and country ownership. Finally, the fifth period (the modern period) of multilateral aid architecture development is identified by the process of shifting the paradigm of international development assistance, which assumes transformation of the substance of development programmes. There is a transformation of international assistance programmes towards international cooperation programmes.

The evolution of the multilateral development system has registered the emergence and change of a wide range of institutional actors. However, at the present stage, three groups of institutions responsible for international development assistance can be identified. They are international financial institutions (the World Bank, the IMF and the regional development banks), the UN bodies and other global institutions (the G8 and the G20) and also non-governmental bodies (NGOs) and private funds.

From the financial perspective, the contribution of these institutions into development financing continues to be significant. During the period of 2000–2010, the volume of international development assistance increased from US dollar (USD) 26.6 billion up to USD 46.7 billion with the average annual increase of 3 per cent and annual increase of the general official development assistance (ODA), which constituted 4 per cent. The share of bilateral ODA made up to 70 per cent of the general volume of ODA, whereas about one
third of the general ODA, provided by the Development Assistance Committee (DAC) OECD members, is directed to finance the multilateral institutions (DAC OECD Report on Multilateral Aid, OECD, 2010, p. 10). The multilateral financing is realised within four key forms of international development engagement: (i) cooperation with international institutions; (ii) trilateral cooperation with participation of international institutions and sovereign donors; (iii) trilateral cooperation with participation of international institutions/sovereign donors and business; and (iv) cooperation with sovereign donors (traditional and emerging donors).

At the current stage, the following key tendencies in the modern architecture of international development cooperation can be identified. First, the role of multilateral institutions as the mechanisms in the global international development assistance system is not reduced. In 2009, the highest level of multilateral assistance was fixed for the last 20-year period (since 1989). What is more, the bilateral donors use to a great extent the multilateral mechanisms for the implementation of their programmes. This leads to militarisation of bilateral development assistance programmes. Second, the multilateral development assistance is concentrated within a particular cluster of institutions. About 80 per cent of multilateral aid is provided through such international bodies, as the International Development Agency (IDA), the European Union (EU) institutions, the programmes and funds of the UN, the AsDB, the AfDB and the Global Fund (Riddel, 2008).

Third, some DAC OECD countries continue to use multilateral institutions as mechanisms for the implementation of international development assistance programmes. Russia and Brazil unlike other BRICS countries provide aid through multilateral institutions and regional organisations (funds and development banks), whereas China and India apply bilateral mechanisms for aid delivery (Manning, 2006). Fourth, most of multilateral organisations undertake the programmes for reform in such spheres as follows: (i) increase of effectiveness and efficiency of the operational activity; (ii) coordination of the national policies with the international development assistance policy; (iii) reduction in aid fragmentarity, particularly, among EU institutions; and (iv) coincidence in the system of management, voting and membership within the institution (Paris Declaration and Accra Agenda for Action, 2008).

Fifth, the role of multilateral institutions as key agents responsible for provision of the global and regional public goods in the field of development is increasing.

These tendencies stipulate the need for strengthening and reconsidering the role of international institutions in the global international development assistance system. That is why several recommendations for short and long-term development of the multilateral system of development assistance can be suggested. In the short term, the most relevant direction of the work will be increasing the flexibility and adapting the ability to the needs of recipient countries and reconsideration of the key mechanisms for financing replenishments of the funds of multilateral institutions. In spite of the fact that today, most of international institutions actively use and introduce the principles of managing for development results, sometimes, the mechanisms of the implementation of this approach are not agreed upon among the institutions, which use, in practice, different methods. That is why in the long term, the work of multilateral institutions associated with international development architecture reform should be directed at creating the united system for aid effectiveness and efficiency assessment within the framework of the concept on managing for development results.

This would help to identify the most effective mechanisms for development programme implementation in particular sectors and regions, which would contribute to increase the competitiveness among multilaterals for the right to implement a particular development project. Competition among multilateral donors would stimulate the excellence of instruments for planning, monitoring and implementation of development programmes.
The existing system of multilateral development aid, which implies a wide range of parallel and duplicating systems and structures at the global and international level, could continue its developments. The model implying a strict division of labour by sectors and by regions is rather simple and next to artificial because competitiveness among multilateral institutions helps to increase their effectiveness and to reserve the most lucrative positions.

3  THE IMPACT OF MULTILATERAL INSTITUTIONS ON THE SOCIO-ECONOMIC DEVELOPMENT OF THE POOREST NATIONS OF THE SOUTH-EAST ASIAN REGION

To assess the impact of the international institutions’ development assistance programmes on the socio-economic development of the poorest countries of the South-east Asian region, the biggest ODA recipients were considered.\(^1\) They are Cambodia, Vietnam, Indonesia, Thailand and the Philippines. The analysis covered the development assistance activity of such multilateral institutions in the region as the EU institutions,\(^2\) IDA, UN agencies, such as United Nations Development Programme (UNDP), United Nations Children’s Fund (UNICEF), United Nations Population Fund (UNFPA), and AsDB.

The multilateral donors’ activity in the region was analysed within two directions. The first one implied measures undertaken to facilitate social and economic development of the country. The second direction assumed measures to integrate partner countries into a wide range of processes of the world economy. The measures covered by the first category included programmes in the field of health, education and infrastructure development. The second category encompassed the programmes associated with aid for trade, investment attraction and investment climate development.

The analysis of the measures, undertaken by the multilateral donors and directed at the development of the key sectors of the South-east Asian countries, has demonstrated that in spite of the substantial growth of the aid, provided for development of the social sphere (sectors such as education and health) in light of the need to achieve the MDGs, the special emphasis is made on the development of the sectors, which strengthen the economic potential of the recipient countries, such as infrastructure development, trade and investment attraction. What is more, strengthening export potential and contributing to increase of investment flows into economies of the poorest nations help the recipient countries to integrate into the modern world economy more efficiently.

To assess the influence of multilateral donors’ programmes on the economic development of the recipient countries, the method for evaluation of the multilateral ODA impact on the level of infant mortality (MDG2) and the level of illiterate adult population (MDG4) was suggested.

To assess the influence of multilateral ODA on the level of infant mortality and the level of illiterate adult population, the regression for the following equation was analysed:

\[
\text{SEDI} = \beta_0 + \beta_1 \text{GE} + \beta_2 \text{Aid} + \beta_3 T + \varepsilon \quad (1)
\]

where SEDI is the appropriate indicator of the social and economic development (the level of infant mortality and the level of illiterate adult population), Aid is the level of ODA,

\(^1\)ODA recipient countries were identified on the basis of an OECD DAC list of ODA recipients. URL: http://www.oecd.org/dac/stats/DAC%20List%20used%20for%202012%20and%202013%20flows.pdf

\(^2\)With respect to EU institutions, the research included such institutions as Development and Cooperation Directorate General—EuropeAid, European Development Fund.
provided by multilateral institutions per capita, GE is the expenditure of the government for health/education per capita, and ε is possible mistakes during the time framework.

The assessment has revealed that the regressions for both cases are adequate, and the coefficients are meaningful (Tables 1 and 2).

From a substantive perspective, the value of the coefficients indicates that the governmental expenditures have a more significant meaning for reduction of the level of the infant mortality as well as for reduction of the level of illiterate population than multilateral ODA. This can be explained by a more deep understanding of the national institutions of health and education problems in developing countries, as well as by more intensive NGO activity in these spheres.

What is more, there is more probability that the problem of infant mortality can be addressed more effectively within the implementation of local initiatives by the NGOs, which possess more comprehensive information about the situation in the country and direct their resources into the regions with high level of infant mortality and low level of literacy. The multilateral institutions can duplicate the existing efforts of the national agencies and NGOs and direct planned beforehand volumes of resources into the countries, where the level of infant mortality and the level of illiteracy are on the adequate level.

However, at the excepted level of significance (5 per cent and in some cases 10 per cent), the assessed coefficients indicate the positive connection between the multilateral

| EU institutions | 0.981 | 0.001 | 0.053 | 4.679 | 0.006 | 1.881 |
| UNDP | 0.991 | 0.099 | 0.061 | 6.099 | 0.008 | 3.675 |
| UNAIDS | 0.971 | 0.009 | 0.015 | 1.832 | 0.006 | 4.677 |
| UNICEF | 0.963 | 0.016 | 0.034 | 1.890 | 0.017 | 1.977 |
| UNFPA | 0.987 | 0.010 | -0.021 | 7.956 | 0.648 | 1.970 |
| IDA | 0.990 | 0.101 | 0.597 | 8.099 | 0.514 | 1.230 |
| AsDB | 0.965 | 0.010 | 0.453 | 8.963 | 0.611 | 1.670 |

Table 1. The values of the assessed regression

Describing the influence of the multilateral ODA and governmental expenditures for health on the level of infant mortality.

Where GE is the government expenditures and the ODA is the level of multilateral ODA.

| EU institutions | 0.980 | 0.001 | -0.055 | 4.679 | 0.045 | 1.881 |
| UNDP | 0.991 | 0.098 | 0.031 | 6.098 | 0.077 | 3.676 |
| UNFPA | 0.987 | 0.101 | 0.001 | 7.957 | 0.597 | 1.970 |
| IDA | 0.990 | 0.101 | 0.067 | 8.099 | 0.307 | 1.230 |
| AsDB | 0.965 | 0.101 | 0.117 | 8.963 | 0.378 | 1.670 |

Table 2. The values of the assessed regression

Describing the influence of the multilateral ODA and governmental expenditures for education on the level of illiterate adult population.

Where GE is the government expenditures and the ODA is the level of multilateral ODA.
ODA and the number of alive children aged 1 year old, as well as between multilateral ODA and the number of literate adult population.

The World Bank and the UN institutions’ multilateral programmes, devoted to reduce the level of poverty and increase the economic growth, put an emphasis on the need to strengthen the national health and education system, which contribute to governmental expenditure increase in these spheres.

In the case of the illiteracy level reduction, the influence of the multilateral assistance was not identical. For instance, for such institution as the UNDP, there is no positive dependence of the multilateral ODA influence on the level of illiterate adult population. This can be explained at first by the low representativeness of the examined multilaterals in the education sector. Second, a 10-year period could not be a sufficient time framework for the analysis of the activity of multilateral institutions in the education sector. Third, the research has not covered the NGOs’ programmes implemented with a help of resources of the multilateral institutions, which could have a positive effect on the reduction of the share of illiterate adult population.

The analysis allows making several conclusions. First, the positive impact of the multilateral aid on the indicators of the social and economic development, such as the level of infant mortality and the level of illiterate adult population, indicates that the donors share the work of the international community in the field of achieving the MDG2 and MDG4.

Second, the effects of multilateral ODA, revealed for the case of South-east Asian countries, allow concluding that development assistance programmes have more efficiency in dealing with the socio-economic issues, which help developing countries to create their ownership and to increase their own development potential. These programmes also contribute to growth of the services in the social sectors, which make a basis for economic development and production growth in the poorest countries of the South-east Asian region. This finding proves the hypothesis, suggested in the previous research in the field.

The country ownership and development potential of the poorest nations helps them to be more independent from the external sources of growth, as well as to extend the economic opportunities, generated by the flows of foreign direct investments and international trade to integrate into the world economy and to broaden the internal markets.

4 THE ROLE OF THE RUSSIAN FEDERATION AS A NEW DONOR IN MULTILATERAL DEVELOPMENT ASSISTANCE TO THE POOREST COUNTRIES OF SOUTH-EAST ASIA

The analysis of the potential of the Russian Federation to participate in multilateral programmes in the field of international development assistance has demonstrated that existing sources create a stable basis for establishing the international development cooperation system in the Russian Federation. Moreover, the practice of implementation of the projects through multilateral institutions gives the impetus to the development of a wide range of cooperation modes in the field of international development assistance. The accumulated experience of participation in multilateral development projects can be logically applied to the existing international development assistance architecture, used by traditional and emerging donors.

In a short-term perspective, the most prioritised direction of Russia’s participation in international development assistance programmes is cooperation with multilateral
development institutions, whereas in a long-term perspective with formulation of an institutional system for managing international development aid, the stress should be put on bilateral mechanisms for international development assistance.

The participation in bilateral development programmes is often a political decision, whereas international development assistance through multilateral mechanisms in most cases does not imply a political context and is provided via programmes of multilateral bodies. What is more, development finance submitted to multilateral institutions is not often marked.

The mechanisms for development aid provision on a trilateral basis are another priority direction of the activity of the government of the Russian Federation to create an international development assistance system. The trilateral basis implies programmes of development assistance, implemented through the trust funds of the World Bank, UN specialised agencies and other bodies, where the Russian Federation actively participates within decision-making processes. Moreover, such form of engagement assumes participation of traditional donors and transnational companies along with activities of emerging donor and partner country.3

For further work and increase of effectiveness in international development assistance, the Russian Federation should perform the following: (i) consolidate aid programmes; (ii) coordinate national policy in international development assistance with international agenda on aid effectiveness; and (iii) contribute to sustainable dialogue with DAC members and non-DAC donors.

Another direction of activities to increase aid effectiveness in the Russian Federation is the work on establishing the system of managing for development results and developing innovative mechanisms for international development assistance and international development architecture decentralisation and flexibility increase. This can be attributed to the fact that the needs in the field of international development assistance change more rapidly than the system itself. The greater number of stakeholders and new donors, represented by civil society and business, emerges in the international development assistance system.

With respect to sector priority development in the South-east Asian region in line with establishing a national development cooperation system at the initial stage, the Russian Federation has to work in those sectors, where it possesses greater potential at the national level. These sectors are food security and agriculture, health and energy.

With respect to assistance to the poorest countries in the South-east Asian region, the presidency of the Russian Federation in the Asia-Pacific Economic Cooperation (APEC) forum in 2012 designs special conditions and prerequisites for expanding the national priorities in the region. The region is characterised by the concentration of the traditional and emerging donors. The main objective of Russia is to identify a balanced approach, which would be directed at enhancing economic development of the region as a whole, as well as at the integration of the least developed countries of APEC into the modern structure of the regional and global economic governance. These two parallel objectives can be implemented through liberalisation of trade and investment flows, innovation development and food security.4

3DAC Peer Review, Luxembourg, Paris: OECD, 2003. URL: http://www.oecd.org/document/28/0,3343, en_2649_34603_2502876_1_1_1_1,00.html
4APEC priorities in 2012. URL: http://rus.apec2012.ru/docs/about/priorities.html
In the light of establishing a national system for international development assistance, planning and implementation of the international development assistance programmes should be accompanied by expert support, provided by the academic community. The involvement of the academic community is crucially important while designing the political commitments, multilateral and bilateral development programmes.

The activity of the NGOs and academic community in the sphere of international development assistance should be substantially extended and strengthened through active cooperation of the NGOs and academics and their engagement into decision-making processes at the national and regional levels. The academic and the civil community should be more effectively integrated into the processes of cooperation with the business.

In order to increase the efficiency of the participation of the academic community and civil society, it is vitally important to strengthen governmental support in such fields, as follows: (i) providing information on the implemented programmes; (ii) building active dialogue with the representatives of communities; and (iii) providing financial support.

The aims of the international business and the international development assistance programmes are increasingly interconnected. The scope of business involvement into the public–private partnership and corporate social responsibility (CSR) projects is considerably expanding. That is why the actions of the government and business should be complementary and mutually beneficial through accumulation of the knowledge, potential and financial resources.

Because of the lack of practice associated with the joint international development assistance projects, implemented by the government and business, the partnership relations between the parties have not been established yet. In order to increase the effectiveness of its participation and cooperation with the government in international development assistance projects, the business should perform the following: (i) provide information to the governmental bodies on the projects, which are interconnected with the government’s programmes on international development assistance and cooperation in the regions where the business undertakes its activities; (ii) take part in elaborating the international development assistance programmes, which deal with CSR in countries where the business is operating; and (iii) consider the needs and the capacities of national development assistance programmes and the activities implemented by other multilateral and bilateral donors while elaborating the social programmes abroad.

5 CONCLUSION

In conclusion, several achievements, provided by the article, should be underlined. The research has contributed to practical as well as to theoretical concerns of development assistance issues. From the theoretical perspective, the research has suggested an empirical method, which allows analysing the impact of multilateral aid mechanisms on the socio-economic development of the region. The model also allows assessing the effect of multilateral aid on the key figures of the socio-economic development of the region, such as the level of infant mortality and the level of illiteracy among the adult population.

Within the practical framework, the approbation of the methods for the case of the recipient countries of the South-east Asian region helped to identify key effects of the multilateral programmes in the field of international development assistance. It stipulated the multilateral aid effects on such indicators of the socio-economic development, as the level of the infant mortality and the level of illiteracy among adult population. The donors
share the work of the international community directed on the MDGs’ achievement. What is more, multilateral donors’ programmes have more effect in solving the social and economic issues, which contribute to the ownership and capacity building for development in the poorest countries.

Another practical contribution of the research was recommendations for establishing and development of the mechanisms for managing Russian international development assistance processes by such categories as aid geography, aid delivery sectors, modes of engagement at the international level and cooperation with the key stakeholders at the national level.

The findings of the research provide additional argument in favour of the choice of the Russian government to assist development of health and education sectors in the poorest countries. Moreover, the increasing role of the South-east Asian region in the world economy will attract Russian business more intensively. The development assistance programmes of the Russian government in this region will contribute not only to protection of the Russian business and investment climate improvement but also to socio-economic development of the region as a whole.

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