

The Costs of Multilateral Action: A Note on Research in Process

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This explanatory note accompanies five tables developed and prepared over the past two years by graduate assistants at the Center on International Cooperation (CIC), New York University. Together, the tables describe CIC's preliminary efforts to aggregate the costs of international public goods and services provided through intergovernmental organizations. It does not account for bilateral funding nor for expenditures from non-governmental and other private actors. While the data is partial and subject to methodological deficiencies, it does provide a framework for estimating annual expenditures associated with the provision of goods and services through intergovernmental organizations as well as an indication of their distribution across sectors and regions. Reporting our findings at this early stage of the work is intended to encourage commentary on both the methodology employed and the findings to date, as well as to stimulate further research on the costs and financing of the international public sector.

Background

The past half-century has witnessed an enormous proliferation of global, regional and sub-regional intergovernmental organizations (IGOs), thousands of international conventions and treaties and tens of thousands of NGOs that today affect virtually every aspect of international affairs and domestic well-being around the globe. In effect, a veritable if incipient and little known international public sector has emerged to set the standards, make the laws, and regulate the conduct that governs the relations between states, as well as to provide public goods and services upon which people the world over have come to depend. The composition of this international public sector is heterogeneous and evolving. The intergovernmental organizations that comprise its core range from larger global organizations that are household names, such as the UN and the World Bank, to small, somewhat obscure regional organizations consisting of just a few

member countries, such as the Danube Commission, the West African Health Community and the Caribbean Food and Nutrition Institute. Together with a rapidly growing number of non-governmental and private sector organizations, these IGOs provide the frameworks and processes for functional international cooperation in diverse fields, ranging from peace and security to trade and finance, environmental management, human rights, education, law enforcement, health, science and technology, and the use of the global commons.

There are few if any studies that examine the structure, organization, governance, and financing of the international public sector per se. Most treatments of the subject focus either on defining the nature of international public goods and services -- that is, identifying those activities that qualify for the labelⁱ --or on assessing the structure and performance of particular international organizations tasked with providing these goods -- that is, examining their capacity to deliver.ⁱⁱ A few more recent studies have begun to consider whether these public goods are most effectively provided at the national, regional or global levelⁱⁱⁱ and what roles the private sector should play in their delivery.^{iv} Although there is a growing literature on alternative sources of financing, much of it devoted to advocacy for particular taxes on financial transactions or carbon emissions, the field of international public finance itself is almost non-existent.^v

The Center on International Cooperation at New York University, a policy research institute that examines the legal, political, financial, and management issues that impede or advance multilateral action, has employed a group of graduate assistants over the past

several years to map the international public sector. An initial survey identified more than twenty areas of broad-based international cooperative activity, taking note of the goals and beneficiaries in each functional area, the institutions and actors involved in their fulfillment, costs and sources of financing, methods of action, and, where resources permit in particular areas, their performance. These functional areas of cooperation have been grouped into 6 major categories: (1) Political and Administrative Cooperation; (2) International Security, including arms control; (3) International Justice and Law, including international crime control; (4) International Cooperation for Development, which includes social and economic development assistance, trade and monetary cooperation; (5) Science, Technology and Education, including research and development as well as training activities; and (6) Human Rights and Humanitarian Affairs, comprised of a set of global and regional agencies, committees, and treaty bodies providing protection and services to refugees, displaced persons and victims of human rights abuse. A refined categorization of these sectors, grouped under six thematic areas, appears as Table 1.

Table 2A lists the primary inter-governmental organizations. This is by no means an exhaustive list of the more than 1800 intergovernmental organizations active in these fields, nor does it include bilateral agencies or private sector service providers.^{vi} While their contributions should not be minimized, the primary purpose of this exercise is to estimate the expenditures for international public goods and services provided through intergovernmental organizations.

This focus on intergovernmental organizations results from some methodological choices forced on us by the availability of data and staff resources to pursue a broader inquiry. Initially, a decision was made to focus on the costs of multilateral as opposed to bilateral expenditures. While national accounts do provide a relative measure of public expenditures for international activities, an initial effort to track these on the basis of U.S. budgets proved elusive since many expenditures appear in individual agency accounts rather than under the single State Department 150 Account for international expenditures and others are outsourced through private agencies. Similar problems arise in analyses of other governments' budgets. Moreover, since different nations utilize different accounting and budgeting methods, it proved impossible for us to attempt to aggregate expenditures in the various functional areas through an examination of their individual budgets. While the OECD database on bilateral and multilateral funding provides some measures of member states' expenditures, they are limited to expenditures in the area of overseas development assistance and often suffer comparability problems because of the way member states account for spending in particular areas. For example, it proved extremely difficult to disaggregate expenditures for humanitarian assistance and post-conflict reconstruction from general aid.^{vii} Moreover, data provided by OECD members, while representing an extremely significant portion of international public expenditures, does not account for expenditures by regional and sub-regional organizations outside of the European Community.

In the end, it was decided that a reasonable first step at approximating the costs of international public goods and services could be taken by examining the expenditures of

multilateral organizations. Beginning with the list of 1846 multilateral organizations reported in the Yearbook of International Organizations,^{viii} 600 were chosen for closer examination based on their stated goals, the existence of an active secretariat, the size and scale of their operations, and regular reporting. Budget data was obtained for 263 of these organizations, either from their websites or by written request. From this list, 205 organizations with annual budgets of \$1 million or more were selected for a database. (see Table 2A) While some organizations with a budget of over \$1million may have eluded the search, the survey appears to cover a substantial sample of multilateral organizations and certainly those that account for the bulk of spending.

Of particular concern, nonetheless, is the fact that the budgets we were able to obtain for these organizations range over a ten-year period, from 1991 for some of the small sub-regional organizations such as the Economic Community of West African States (ECOWAS) to 2001 for the Food and Agricultural Organization, although the majority refer to the late 1990s and those of the largest organizations such as the UN, the EU and the World Bank are consistently from 2000. Table 2B lists the year from which the source data comes for each organization. Roughly half of the figures reflect 1998 numbers. Under the assumption that individual organizations' budgets have not varied sufficiently to drastically affect aggregate amounts from year to year, values were assigned to them in constant 2000 dollars.^{ix} Table 3 provides a breakdown of expenditures by area of cooperation and suggests an approximate annual total of \$114 billion. This figure could prove to be a conservative estimate since some of the data reflects budgets from organizations that have subsequently grown and gained new

responsibilities, including the sub-regional organizations whose data come from the early 1990s. Table 4 lists the expenditures of the principal organizations included under each category, noting whether the expenditures emanate from a global or regional organization and providing sets of estimates inclusive and exclusive of the EU. Table 5A provides a relative distribution of IGO expenditures by region and by area of cooperation. Table 5B presents this same distribution in 2000 dollars.

Although the data is obviously incomplete and is drawn from diverse institutional budgets from different years, it provides a framework for analyzing international public expenditures and suggests several interesting trends which merit further examination and analysis. Most notable is the regional distribution of expenditures with European organizations accounting for 77% of the global total, while Latin America and the Caribbean, Asia and Africa lag far behind. In sharp contrast to the EU's expenditures of some \$81 billion, spending through regional organizations in sub-Saharan Africa amounted to only \$516 million on an annual basis in the same period. Again, while the data is porous, it also suggests that, absent the EU, global spending outpaces regional spending in most categories, with regional expenditures particularly spotty in food aid and health protection, education/science and the environment. Not surprisingly, the bulk of spending in the developing regions of the world comes through the regional development banks and follows their funding priorities.^x

Examining expenditures by area of cooperation raise interesting questions in this regard. Table 3 suggests that slightly over four-fifths (86%) of IGO spending goes toward

economic development, a large category that includes eleven specific areas of cooperation. Largely due to European agricultural subsidies, well over one-third of all development expenditures is devoted to agriculture. Just under one-third is devoted to regional cooperation, including spending within Europe and neighboring countries on a range of activities to increase the cohesiveness of the region, from building public infrastructure to alleviating poverty. Financial cooperation accounts for the third largest expenditure in International Cooperation for Development, at roughly 15%, with relatively modest expenditures remaining in the sub-categories of social development, food aid, environment, energy, health and human settlements.

Table 3 also shows relatively small expenditures in other areas of multilateral cooperation. Less than 10% of global outlays occur in the area of science and technology cooperation; political and administrative cooperation consumes some 4.8%. The smallest expenditures are for international security (1.5%) not including peacekeeping operations, human rights and humanitarian affairs (0.52%), and international justice and law (0.39%). Considerable controversy surrounds these organizations. At the global level, there is mounting concern about their dominance by major donor countries and their lack of transparency and accountability. Often they are described as bloated bureaucracies that operate at high cost and with little measurable output. Yet, very little is really known about their costs and operating structures, and few accounts exist of actual cost-effectiveness in achieving their objectives. Less in evidence are much-needed efforts to address in a pragmatic and systematic way the structure, functions, governance and financing of the international public sector per se.

Contrary to generally held opinion, actual expenditures are quite low. CIC's preliminary research suggests that the goods and services provided by the major inter-governmental organizations demand annual public expenditures approximating \$114 billion – a modest amount in relation to many national accounts, and only about one-third of one percent of gross world product. Still, these sums are significant enough to warrant more careful evaluation and better accountability than is now the case.

.While various efforts are underway to promote reforms within specific multilateral organizations, such as the UN, the World Bank and the IMF, a broader examination of the constituent parts of the international public sector, their cost structures and their capacity to deliver needs to be undertaken if the sector is to respond effectively to the growing global needs and opportunities that no single nation, not even the world's most powerful, can attend to on its own. In particular, further research is needed on how the sector is financed and on its distributional effects. It is hoped that the data presented here will spark interest in further research in this field, including necessary methodological refinements. In the long run, it should direct attention to the need for a comprehensive tracking and monitoring system for international public expenditures.

ⁱ Kaul, Grunberg, and Stern, *Global Public Goods*.

ⁱⁱ Forman and Patrick, eds., *Good Intentions*.

ⁱⁱⁱ Kaul, Grunberg, and Stern, eds., *Global Public Goods*; Kanbur and Sandler, *The Future of Development Assistance*.

^{iv} Reinicke, *Global Public Policy*.

^v Mendez, *International Public Finance: A New Perspective on Global Relations*.

^{vi} While multilateral organizations account for the lion's share of international public expenditures, international public sector activity increasingly occurs outside the institutional framework of global and regional organizations, including bilateral assistance. It emerges in diverse non-institutionalized

mechanisms for promoting policy objectives among “like-minded” states, such as the G-24 and the G-8, and in the “coalitions of the willing” on which much of peacekeeping has come to depend. It also manifests itself through the kinds of public-private partnerships that Wolfgang Reinicke identifies as functionally based public policy networks,^{vi} need to incorporate references into footnote from Manageable World paper, and in the transnational networks of public servants described by Anne Marie Slaughter.^{vi}

^{vii} Forman and Patrick, *Good intentions*

^{viii} Annual publication of the Union of International Associations

^{ix} Since peacekeeping budgets do vary considerably from year to year, they have not been included in the tables.

^x Further research is needed to determine regional targets as opposed to regional sources of expenditures.