

# 2008 DAC Report on Multilateral Aid



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## Acronyms

AAA	Accra Agenda for Action
AfDB	African Development Bank
AfDF	African Development Fund
AMCs	Advance Market Commitments
AsDB	Asian Development Bank
AsDF	Asian Development Fund
BADEA*	Arab Bank for Economic Development in Africa
BMZ*	Federal Ministry for Economic Co-operation and Development (Germany)
CABEI	Central American Bank of Economic Integration
CarDB	Caribbean Development Bank
CEB	Chief Executives Board for Coordination (UN)
CGIAR	Consultative Group on International Agricultural Research
CIDA	Canadian International Development Agency
CPA	Country Programmable Aid
CPIA	Country Policy and Institutional Assessment
CRS	Creditor Reporting System (OECD)
DAC	Development Assistance Committee (OECD)
Danida	Ministry of Foreign Affairs of Denmark
DFID	Department for International Development (UK)
DG	Directorate General
DOCO	Development Operations Coordination Office (UN)
DoL	Division of Labour
DPG	Development Partners Group (Tanzania)
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECHO	European Commission's Humanitarian Aid Office
ECOSOC	Economic and Social Council (United Nations)
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EU	European Union

GAVI	Global Alliance for Vaccines and Immunization
GEF	The Global Environment Facility
GNI	Gross National Income
HIPC	Heavily Indebted Poor Country (World Bank initiative)
IATI	International Aid Transparency Initiative
IBRD	International Bank for Reconstruction and Development
ICPD	International Conference for Population and Development
ICRC	International Committee of the Red Cross
IDA	International Development Association
IDB	Inter-American Development Bank
IDB Sp.Fund	Inter-American Development Fund for Special Operations
IDCD	Inter-Departmental Committee on Development (Ireland)
IFAD	International Fund for Agricultural Development
IFFIm	International Finance Facility for Immunisation
IFIs	International Financial Institutions
ILO	International Labour Organization
IMF	International Monetary Fund
IMF-PRGF	International Monetary Fund – Poverty Reduction and Growth Facility Trust
IOM	International Organization for Migration
JMAP	Joint Management Action Plan (Bretton Woods Institutions)
LDC	Least Developed Country
LHI	Legal Harmonisation Initiative
LIC	Low-Income Country
MDBs	Multilateral Development Banks
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MEFF	Multilateral Effectiveness Framework
MfDR	Managing for Development Results
MIGA	Multilateral Investment Guarantee Agency
MOPAN	Multilateral Organisations Performance Assessment Network
NEPAD	New Partnership for Africa's Development
OCHA	Office for the Coordination of Humanitarian Affairs (UN)
ODA	Official Development Assistance
ODI	Overseas Development Institute (UK)
OECD	Organisation for Economic Co-operation and Development
OEI	Organización de Estados Iberoamericanos
OHCHR	Office of the High Commissioner for Human Rights
OPEC	Organization of the Petroleum Exporting Countries
OSCE	Organization for Security and Cooperation in Europe
PAF	Performance Assessment Framework
PBA	Performance Based Allocation
PIUs	Project Implementation Units

PMF	Performance Management Framework
RBM	Results Based Management
RBSA	Regular Budget Supplementary Account
RC	Resident Coordinator
SDC	Swiss Agency for Development and Co-operation
SECAB	Secretaría Ejecutiva del Convenio Andrés Bello
SECO	State Secretariat of Economic Affairs (Switzerland)
SWAp	Sector-Wide Approach
TCPR	Triennial Comprehensive Policy Review
The Global Fund	The Global Fund To Fight AIDS, Tuberculosis and Malaria
UN	United Nations
UNAIDS	Joint UN Programme on HIV/AIDS
UNCT	UN Country Team
UNDAF	UN Development Assistance Framework
UNDG	UN Development Group
UNDP	UN Development Programme
UNDPKO	UN Department of Peacekeeping Operations
UNEP	UN Environment Programme
UNFPA	UN Population Fund
UNHCR	Office of the UN High Commissioner for Refugees
UNICEF	UN Children's Fund
UNIDO	UN Industrial Development Organisation
UNIFEM	UN Development Fund for Women
UNODC	UN Office for Drugs and Crime
UNRWA	UN Relief and Works Agency for Palestine Refugees in the Near East
UNTA	UN Regular Programme of Technical Assistance
WADB	West African Development Bank
WFP	World Food Programme
WHO	World Health Organization

\* Acronym in original language.

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## Executive Summary

In 2006, gross official development assistance (ODA) by Development Assistance Committee (DAC) member countries amounted to USD 117 billion. Multilateral ODA of USD 28 billion accounted for over a quarter of this. Around a further USD 11 billion was channelled through multilateral organisations as grants to trust funds and other earmarked contributions. The proportion of development assistance channelled through the multilateral system – over a third of total ODA – indicates that bilateral donors see multilateral organisations as knowledgeable, neutral and generally effective development actors.

In recent years the multilateral aid system has become more complex. There are more agencies and more instruments. As a result, donors – as major shareholders in the system – are increasingly focusing on the performance of multilateral organisations and their ability to adjust to development challenges, including achievement of the Millennium Development Goals (MDGs), when allocating aid. Donors have thus expressed a need for a better understanding of the multilateral aid system.

To meet this need, the Organisation for Economic Co-operation and Development (OECD) Development Co-operation Directorate (DCD) has produced this report on multilateral aid, the first of its kind. The report gives an overall picture of multilateral aid architecture. It maps out patterns of multilateral aid (mainly from DAC member countries), financial flows, and multilateral aid strategies and policies. The report also touches upon issues such as fragmentation of aid, the effectiveness of multilateral organisations and reform processes, and gives the views of some partner countries on multilateral organisations.

### *Multilateral aid at a glance*

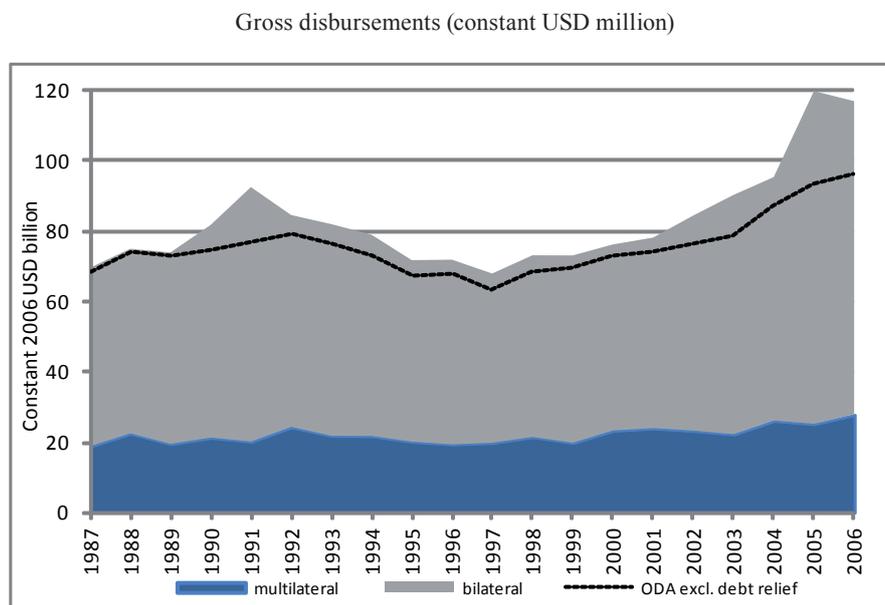
Over the last two decades multilateral ODA has risen by nearly 50% in real terms, from USD 19.1 billion in 1987 to USD 28.2 billion in 2006 (at 2006 prices and exchange rates). The proportion of ODA channelled through multilaterals was relatively stable in this period, ranging from 27% to 32% net of debt relief (Figure 0.1). However, the proportion of aid from DAC member countries channelled through the multilateral system varied widely. For example, in 2004-06 Italy channelled 72% of ODA through the multilaterals and the United States 12%. The three multilateral organisations that receive the most core contributions from donors are the European Commission (EC) accounting for 36%, the World Bank accounting for 24% and the United Nations system accounting for 20%.<sup>\*1</sup>

The EC is unique because it plays a dual role. It receives development funds from EU Member States and channels funds through other multilateral organisations (Box 3.5).

\* The United Nations system refers to the whole network of international agencies, treaties and conventions that were created by the United Nations. Note that the information in this report covers the entire UN system and does not break down information for each part of the UN system.

This report reflects this dichotomy: it reports on the EC both as a multilateral organisation and as a donor. Reporting on the EC as a multilateral organisation is consistent with longstanding statistical practice and treatment in other DAC publications such as the annual *Development Co-operation Report*. In reporting on the EC as a donor in the sections on allocations, objectives and policies for engaging with multilateral organisations (see Appendix) the EC is treated in the same way as other DAC members. The EC acts as a multilateral organisation only with respect to EU Member States. This means that, when comparing how DAC members use the multilateral system, the results when multilateral ODA *includes* the EC are different from when multilateral ODA *excludes* the EC. When looking at ODA channelled through the multilateral system *excluding* the EC, the proportion ranges from 9% for Greece and 12% for Portugal, to 28% for Canada and Norway, and 29% for Italy.

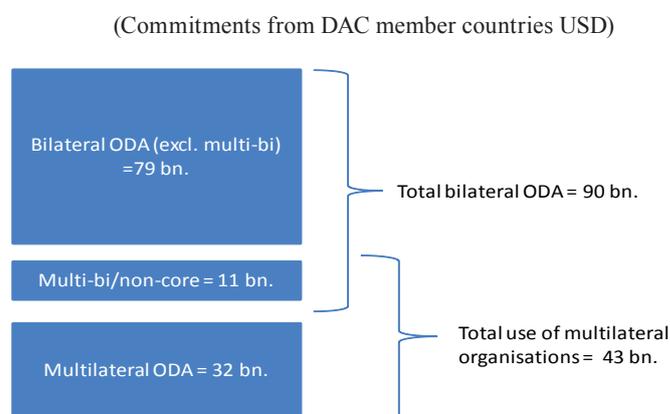
Figure 0.1. **Gross ODA by DAC member countries 1987-2006**



Source: DAC Aggregate Statistics

DAC member countries also channel large amounts of multi-bi or non-core aid through the multilateral system. This is aid that is earmarked for specific sectors, themes, countries or regions. DAC members report these funds as bilateral ODA in DAC statistics (Figure 0.2). Hence, the multilateral ODA data presented above do not include aid channelled *through* multilateral organisations. In 2006, non-core funds amounted to some USD 11 billion of commitments. By adding these non-core funds to the core commitments of USD 32 billion, we estimate that USD 43 billion (35%) of total ODA, was routed through the multilateral system in 2006. The data for non-core funding are not as accurate as they could be as not all DAC members fully report the channels through which they deliver their aid. To improve understanding of the multilateral aid system DAC members are encouraged to urgently improve the accuracy and detail with which they report.

Figure 0.2. Relationship between bilateral, non-core and core multilateral ODA in 2006



Source: DAC Aggregate Statistics and Creditor Reporting System supplemented by a few member country estimates of non-core funding.

South-South co-operation is increasing. However, it is not possible to get a full picture of aid from non-DAC donors because of the lack of data from large players, such as Brazil, China and India. Moreover, they are expected to increase their aid commitments in the next few years, as are the new EU members who have committed to specific targets for 2010 and 2015. Multilateral organisations could play a large role in channelling much of these increases in aid – the EC in the case of the new EU members and other multilaterals for other emerging donors. Multilaterals may also play a larger role in channelling ODA from long standing, large bilateral donors such as China Taipei, Kuwait and Saudi Arabia who currently channel 5% or less of their aid through the multilateral system.

### *Multilateral aid policies in DAC member countries – key messages*

DAC member countries engage with multilateral institutions for many reasons. These include the ability of multilaterals to provide economies of scale, access to know-how, ensure political neutrality, provide public goods, and reduce burdens on donors and partner countries.

*Large number of multilateral partners:* DAC member countries show considerable differences in how they use the multilateral aid system. Most of them channel a large share of their multilateral aid through just a few strategic partner organisations and the remaining small share through a large number of organisations. While spreading multilateral allocations so broadly may serve political purposes, it may also mean that some DAC member countries might not be making best use of their resources and influence. Some DAC member countries could have more influence in the multilateral system if they took a more focused approach.

*Main objectives and priorities of multilateral policy:* The overarching aims of multilateral engagement, aims that nearly all DAC member countries stress, are to reduce poverty and achieve the Millennium Development Goals (MDGs). Other priorities are health, gender equality, climate change and support for fragile states. Countries also emphasise that their engagement with multilaterals should be effective and efficient, and that reform is a main concern.

*Overall multilateral strategies:* Almost half DAC member countries have recently developed – or are in the process of developing – an overall multilateral aid strategy. The strategies vary in style and scope. Some strategies are more effective than others in guiding allocation of multilateral aid. Some define priorities as well as implementation processes. Others set general directions and give little guidance on framing policy and making decisions on allocation. For the strategies to be useful they need to be strengthened, by stimulating new ways of working with multilaterals, for example.

*Managing multilateral aid:* The way in which DAC member countries manage and organise multilateral assistance internally also varies. The usual arrangement is for the ministry of finance to manage core contributions and lead policy dialogue with the International Monetary Fund (IMF), the World Bank Group and other major development banks, and for the ministry of foreign affairs and/or the development agency to be responsible for relations with most other multilateral agencies. In all cases the ministry of foreign affairs coordinates policies on multilateral organisations with other line ministries. Promoting greater coherence among ministries responsible for different aspects of multilateral aid is still a challenge for DAC member countries.

*Follow up on DAC peer reviews:* Most DAC member countries – at varying rates and to different extents – have addressed recommendations with respect to multilateral assistance made by DAC peer reviews. For example, in some cases a peer review has prompted countries to develop an overall multilateral strategy. Peer reviews recommend that DAC member countries should avoid allocating a large share of assistance to non-core funding to reduce the risk of “bilateralising” multilateral aid. Countries channelling significant amounts of non-core funds, earmarked for specific sectors or countries, through multilaterals can skew or redirect their priorities and diminish their multilateral character. Some argue that an increase in earmarked funding to UN agencies could impede the “One UN” reform; others say that an increase in earmarked funding could be a key mechanism for influencing, directing the focus of programmes and increasing the effectiveness of UN agencies.

### *Multilateral and bilateral distribution of aid*

*Geographical:* Multilateral organisations direct nearly two-thirds of their aid to sub-Saharan Africa, and South and Central Asia. In contrast, DAC member countries direct just over one-third of their bilateral aid to these regions. Multilateral aid focuses somewhat more than bilateral aid on fragile states, although maybe not to the extent that the multilateral strategies of DAC member countries would suggest.

*By income:* For the most part, the priority of DAC member countries in engaging with the multilaterals is to reduce poverty. Multilateral organisations reflect this and direct two-thirds of their aid to least developed and other low-income countries. In contrast, just one-third of bilateral aid is directed to these countries.

*By sector:* The sectoral distribution of multilateral and bilateral aid is similar but multilaterals direct a smaller share to education and humanitarian sectors than bilateral donors and a larger share to general budget support and the productive sectors.

### *Proliferation of organisations eligible for ODA*

Currently 263 international organisations are eligible for ODA, against 15 in 1940. By 1960 there were 47. Over 80 agencies became eligible in the 1960s and 1970s, including 10 environmental agencies and 10 agricultural research institutions. In the 1980s proliferation

slowed and “only” 30 agencies became eligible. Another 45 eligible organisations emerged in the 1990s and by 2006 a further 20 were created, notably in the health sector.

In 2006, donors committed USD 43 billion core and non-core funding to these agencies. But, two thirds of this was committed to just five agencies (EC, International Development Association, Global Fund, Asian and African Development Banks). In contrast, over 100 agencies each manage less than USD 20 million annually and collectively account for only 2% of the total core and non-core funding of multilateral organisations.

The mandates of the 29 agencies in agriculture, livestock and fishing show little overlap. But, while just one agency deals with livestock, there are eight crop-specific agencies each receiving less than USD 50 million a year. Of the eight other research agencies, only the Consultative Group on International Agricultural Research (CGIAR) receives over USD 100 million.

In 2009, more analysis will be done to gain a better understanding of the range of agencies as a possible first step towards rationalisation. The 2009 report will also examine the 1 000 World Bank Trust Funds, and UN earmarked funds and accounts.

### *Reducing fragmentation through division of labour*

The Accra Agenda for Action (AAA) commits donors and developing countries to “complete good practice principles on country-led division of labour” and to “start dialogue on international division of labour across countries by June 2009”. This means that division of labour is as firmly on the agendas of multilateral donors as on the agendas of bilateral donors. This report examines aid fragmentation and concentration with a special focus on the multilateral agencies. A better understanding of fragmentation will enable donors to make adjustments in aid allocations among agencies and countries.

Whether or not an agency is present in a partner country is largely determined by the agency’s mandate. The EC is present in 149 out of the 153 developing countries eligible for ODA. UN agencies are present in over 100 countries except for UNRWA (UN Relief and Works Agency for Palestine Refugees in the Near East), which has a country-specific mandate. Organisations with regional mandates are present, on average, in 21 countries.

The report uses the proportion of partner countries to which an agency extends more than the agency’s share of global aid as a measure of concentration. By this measure, multilateral agencies concentrate their aid more than bilateral agencies. The Global Environment Facility (GEF) is the only multilateral agency with less than 50% whereas 15 bilateral agencies have less than 50%.

Out of a possible 15 multilateral agencies covered by the analysis, 14 were present in 15 partner countries. Twelve partner countries also had 15+ DAC member countries working in their country. Multilateral agencies provide the majority of aid in nearly half the countries in sub-Saharan Africa, the Middle East and North and Central America. Multilateral agencies provide the majority of aid in 14 of the 22 fragile states in Africa.

The greatest opportunities for the multilateral agencies to concentrate their aid are in the 35 countries where nine or more multilateral agencies together provide less than 10% of total aid. A matrix in this report shows the countries in which multilateral agencies operate. Multilateral agencies could use this matrix when discussing with partner countries and other donors how the Accra Agenda for Action (AAA) undertaking to “improve allocation of resources within sectors, within countries, and across countries” could be

met. This could be done, for example, if multilaterals focused on fewer partner countries but played a bigger role and concentrated on fewer sectors. However, it may be a challenge for multilateral agencies to concentrate their efforts as their members from developing countries may continue to expect to receive some funding, however small a part of their total aid this might be.

The Secretariat is working to produce matrices for the major sectors to identify areas where there is scope for concentration. However, the analysis will be limited as only a few multilateral agencies provide disaggregated data on their activities. More detailed reports from multilateral agencies could enhance discussions on division of labour. The International Aid Transparency Initiative (IATI), which was signed in Accra by the EC, Global Alliance for Vaccines and Immunization (GAVI), UNDP, World Bank, nine bilateral donors, and the Hewlett Foundation gives a clear signal that for the UN and the World Bank providing more detailed and timely information is a priority.

The international good practice principles on in-country division of labour call for partner countries to lead the process. Multilaterals actively support partner country leadership in division of labour. This means considerable changes for some major agencies in the way they operate. In the past, they have often been called on to lead donor coordination groups or to be the “lead donor” in a sector. While this will change, nevertheless, some specialised UN agencies may still be obvious candidates to be lead donor in their field of expertise.

A study in Tanzania found that almost all of the UN agencies work on HIV/AIDS and gender issues. In the case of HIV/AIDS this indicates excessive fragmentation. The study went on to note that the “One UN” reform process in Tanzania is leading to clearer prioritisation of sectors and assignment of lead roles within the UN system. The study also showed that while the Sector Wide Approach (SWAp) in the health sector has improved coordination, harmonisation, policy, planning and resource allocation, it has not brought down donor transaction costs because coordination and consultation processes are complex. Moreover the SWAp is being bypassed by new global funds and initiatives, which “offer sizable financial resources negotiated at high government level while ignoring existing SWAp structures and mechanisms”.

### *Multilateral aid effectiveness – Paris Declaration Survey and other tools*

In 2005, twenty-five international organisations, along with 90 countries, adopted the Paris Declaration on Aid Effectiveness. The 2008 survey of progress in implementing the Paris Declaration shows that, while the scores of multilaterals are higher than the scores of bilateral donors on most indicators, multilaterals need to accelerate progress to reach their commitments for 2010. They particularly need to accelerate progress in reporting a larger proportion of aid flows on partner country budgets, in using country public financial management and procurement systems (where the quality of those systems permits), and in making their aid predictable. The multilateral organisations have progressed faster than the bilateral donors on five Paris Declaration indicators, but only significantly faster in aligning and coordinating technical co-operation, and reducing parallel implementation structures.

There is considerable duplication of effort in assessing the effectiveness of multilateral agencies. But current assessment tools do not provide a full picture and all have strengths and weaknesses. Assessment studies undertaken by individual donors often seek the same kinds of information from multilaterals, and surveys of development stakeholders at country level often ask the same questions. This duplication of effort wastes the time of key

decision-makers. Answering questions about aid effectiveness diverts them from their core business of improving the effectiveness of aid.

*Ways forward:* Bilateral donor assessments of the effectiveness of multilateral agencies could become unnecessary if the multilaterals themselves assessed their own effectiveness sufficiently and comprehensively to satisfy bilateral information requirements. This makes a strong case for bilateral donors to change the way they advocate for multilateral reform. Instead of making opaque assessments of multilateral effectiveness from the outside, bilateral representatives on multilateral executive boards could unite to advocate for change from within and better reporting on effectiveness. One way forward is to build on initiatives such as the Common Performance Assessment System (COMPAS), a joint attempt by the multilateral development banks to improve reporting of their results.

A shift towards self reporting by multilaterals would be a way to apply Paris Declaration principles to contributions to multilaterals. Further work by the DAC on analysing the multilateral system could examine this application of Paris Declaration principles. The issues in funding multilaterals have strong parallels with aid effectiveness at country level, lack of predictability, over prescriptive donors, multiple reporting systems, for example. Applying Paris Declaration principles would encourage multilateral agencies to “own” aid channelled through them. It would mean that donors would need to align with and make use of multilaterals’ existing systems for reporting and encourage mutual accountability for results. Such a shift would, of course, need to reflect that there are differences in the effectiveness of multilateral governance structures and how well they operate. Until self reporting is adequate, separate external assessments may still be needed. Nevertheless, a strong case can be made for bilateral donors: (a) to conduct assessments collectively to reduce duplication and transaction costs, and (b) to develop a consensus on the minimum requirements and appropriate standards to guide the design of assessments, and a common position on advocacy for improving multilateral reporting itself.

### *Partner country views on multilateral organisations*

Most assessments of multilateral effectiveness are carried out for and by bilateral donors. Assessments are, therefore, primarily geared to meeting donor needs, rather than the requirements of partner countries. In the context of the Paris Declaration and the move towards greater country ownership, more input from partner governments should be sought when developing and revising methods to assess multilaterals. Survey responses indicate that “partner countries clearly want to be heard” and suggest that an important issue in the multilateral reform process is how to address partner country demands for “voice”. Without input from partner countries, financing decisions and aid may be less effective.

### *Reforming multilateral organisations*

Reforming the multilateral system is currently a high priority for DAC member countries and will continue to be for some years, as it is not possible to design and put in place reforms that deliver results “overnight”. Nevertheless, many multilateral organisations are making progress with reform initiatives although it is still too early to assess the results. Time will tell whether or not the reforms currently underway will simplify the multilateral system and, hence, enhance the effectiveness of multilateral assistance.\*

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\* The report does not reflect the discussion of major Bretton Woods reform following the financial and economic crisis of autumn 2008.

For reforms of the multilateral system to be successful they must be integrated throughout the development system – among donors, development organisations and partner countries. Within the multilateral organisations themselves it is likewise vital that any reform – its ideas, instruments, and aims – is owned by *all* staff. If staff does not “own” the reform it will be just another initiative. The issue is how DAC and other donors can take the multilateral reforms forward on management boards, and in HQs and partner countries. What needs to be borne in mind is that reforms need to simplify and modernise, and to improve coordination and policy coherence. They must not just add to bureaucracy. To promote effective reform bilateral donors serving on multilateral boards need to keep their distance from day-to-day workings in order to maintain their independence and retain an objective view.

This report responds to the demand for a clearer picture of the multilateral aid architecture. It is an analytical report, issued on the Secretariat’s authority, and fills some of the information gaps about multilateral aid. The report makes suggestions to inform future policy discussions; it does not propose specific recommendations for endorsement. It is hoped the report will inform and inspire a dialogue between bilateral donors and the multilateral system on the role of multilateral agencies and the development of common tools to assess their effectiveness. This dialogue should actively involve partner countries and the major multilateral agencies in line with the Paris Declaration principles for the effective provision of aid. The examination of DAC member policies towards multilateral organisations could help in developing principles of “good multilateral donorship”. The analysis of the proliferation of multilateral organisations and fragmentation of aid – together with similar analyses of bilateral aid – may help to inform future discussions on strategies to achieve better cross-country and in-country division of labour.

## Chapter 1

### Background

In recent years, the multilateral aid system has become more complex. Indeed, some claim that the multilateral development finance system is not a system but a “non-system”, because it is unplanned, incoherent and is, basically, a “child of spontaneous disorder”.\* The complexity of the multilateral system leads to high transaction costs for both donors and partner countries. Too many multilateral organisations, duplication of work, complex funding arrangements, and a multiplicity of requirements for accounting and reporting seem at odds with the aid effectiveness agenda.

As donors have committed to scale up aid and to achieve the Millennium Development Goals (MDGs), they are scrutinising the performance and ability of multilateral organisations to adjust to the development challenges of the twenty first century. Donors, as major shareholders of multilateral organisations, must ensure that they provide maximum value for taxpayers’ money. Multilateral organisations must document their results so that donors can justify scaling up aid through them and provide evidence that donors can use to inform decisions about choosing and dealing with multilateral partners.

The growing complexity of the multilateral system and its financing has been addressed at several events in the last couple of years. On the premise that the complexity was “here to stay”, an informal workshop in Berlin (January 2007), as part of the OECD Global Forum on Development, explored options for making the multilateral aid system more coherent and effective.† Workshop participants made three recommendations: (a) support developing countries in dealing with the complexity; (b) act collectively in monitoring and assessing the performance of multilateral organisations; and (c) work towards a better understanding of the duplications and gaps, as well as comparative advantages, in the multilateral system to identify opportunities for greater system-wide coherence and aid effectiveness. In June 2007, the Department for International Development (DFID) hosted a High Level Meeting on Multilateral Effectiveness and Financing for members of the Multilateral Organisations Performance Assessment Network (MOPAN) and a few other donor countries. Participants strongly supported work by the OECD Development Co-operation Directorate (DCD) on analysing assessment tools, refining statistics, economic management of multilateral aid and strengthening evaluation. A follow-up meeting among MOPAN+ countries in Sweden in January 2008, on International Aid Architecture and Assessments of Multilateral Organisations, strengthened the case for using existing tools to improve statistical reporting, both by bilateral and multilateral donors.

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\* Development Centre Studies (2008), *Financing Development 2008 – Whose ownership?* Paris. [http://www.oecd.org/document/62/0,3343,en\\_2649\\_33959\\_39696830\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/62/0,3343,en_2649_33959_39696830_1_1_1_1,00.html).

† <http://www.oecd.org/dataoecd/58/11/38271776.pdf>.

This, the first DAC report on multilateral aid, responds to this request for more information on the multilateral system. It is the first in a series of annual reports that will examine this topic. Even if complexity is here to stay, mapping the multilateral system will help address fragmentation and poor coordination between organisations, and will help the system become more effective in delivering aid. Addressing these issues will benefit donors and partner countries alike. This report is one tool among many that may help those involved in refining development strategies, setting future allocations and rationalising and reforming multilateral organisations.

The emphasis in this report is on data flows and multilateral strategies. The report describes the advantages and disadvantages of the assessment tools currently in use and the efforts to improve them. Subsequent reports will follow up on some of the themes in this report, including multilateral aid effectiveness, division of labour, partner views, system reform, data improvements in multilateral aid and system fragmentation. Future reports will also study issues, such as non-DAC donor use of the multilateral system, in depth. Because this report was written during the summer of 2008 it does not reflect the discussions on major Bretton Woods reform following the financial and economic crisis of autumn 2008. This will be covered in subsequent reports.

The report draws mainly on DAC data, information from member countries and information on member country Internet sites. It is organised into nine chapters. Chapter 2 shows how donors use the multilateral organisations and the historical trends in multilateral ODA, and gives estimates of non-core funding to multilaterals. Chapter 3 describes DAC member country multilateral aid strategies and policies. Chapter 4 compares bilateral and multilateral allocations. Chapter 5 serves as an appetiser for an ongoing study on the size, age and mandate of the multilateral organisations eligible to receive ODA. Chapter 6 is a study of multilateral fragmentation with case studies on the division of labour. Chapter 7 touches on multilateral effectiveness, including an analysis of the Paris Declaration process, and new and existing assessment tools. Chapter 8 presents some partner country views of the multilateral system. Finally, Chapter 9 takes a look at the ongoing reform initiatives in some of the major multilateral organisations.

## Chapter 2

### Multilateral Aid at a Glance

This chapter presents a picture of multilateral aid, including: (a) the historical trends in overall multilateral ODA and DAC member country use of multilateral ODA; (b) current DAC member country multilateral allocations to major multilateral organisations; and (c) estimated ODA commitments channelled through the multilateral system as non-core funds. Unless otherwise stated, all data are at constant 2006 prices and USD exchange rates.

#### Historical trends in multilateral aid

Over the last two decades gross<sup>1</sup> multilateral ODA provided by DAC member countries has been relatively stable compared to the fluctuations in bilateral contributions (Figure 2.1). While bilateral ODA dropped between 1991 and 1997, multilateral ODA stayed more or less constant. Nevertheless, over the period 1987-2006 DAC members'

#### Box 2.1. Definitions and main categories of multilateral institutions

For DAC purposes, aid contributions qualify as multilateral assistance only if:

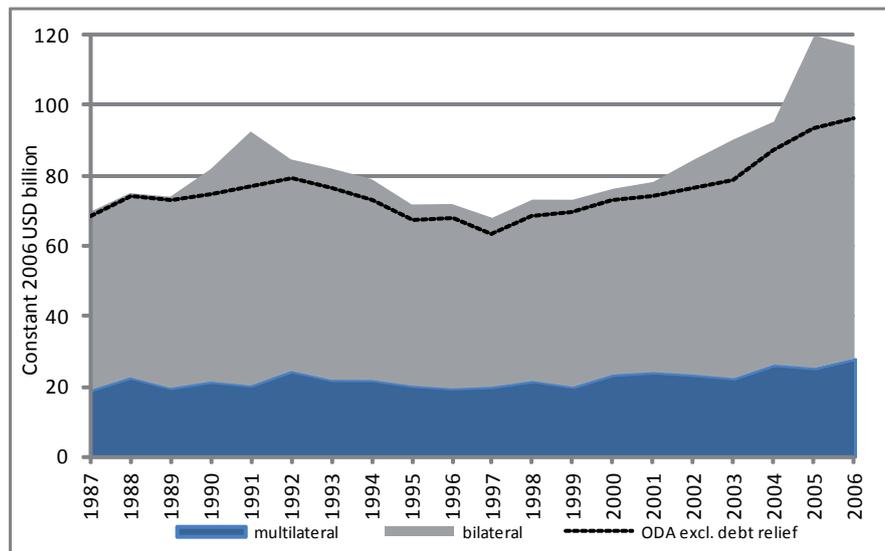
- They are made to an international institution whose members are governments and which conducts all or a significant part of its activities in favour of development; and
- Those contributions are pooled with other amounts received so that they lose their identity and become an integral part of the institution's financial assets.

Pooling implies that the contributions are disbursed at the institution's discretion. Any ODA which does not fulfil these criteria is classified as bilateral assistance. This includes non-core/multi-bi assistance (i.e. voluntary contributions from donors to a multilateral agency supplementary to core membership contributions) earmarked for specific purposes. Earmarked funding at any level – whether to a specific partner country, region, sector or theme – is classified in DAC statistics as bilateral aid because the bilateral donor effectively controls or directs the use of funds. However, most bilateral donors indicate which multilateral agency they are using to deliver the funds. This information helps DAC to analyse the use of the multilateral system more fully.

The main categories of multilateral aid are: (a) multilateral development banks (MDBs), including the World Bank Group and its International Development Association (IDA), and the regional development banks and their soft loan windows (e.g. the African Development Bank (AfDB), the Asian Development Bank (AsDB), and the Inter-American Development Bank (IDB)); (b) agencies, funds and programmes of the United Nations (UN); and (c) European Commission (EC) covering European Union Member States. EC multilateral aid includes the European Development Fund (EDF) as well as development activities financed from the EC's own budget resources. DAC statistics attribute aid from the EC budget to each EU member state in proportion to their contribution to the EC budget.

multilateral core assistance rose by USD 9.1 billion, from USD 19.1 billion in 1987 to USD 28.2 billion in 2006. The multilateral core contributions of DAC member countries over this period grew 47% compared to growth in bilateral assistance of 75%.

Figure 2.1. **Gross ODA provided by DAC member countries 1987-2006**  
Gross disbursements (constant USD million)

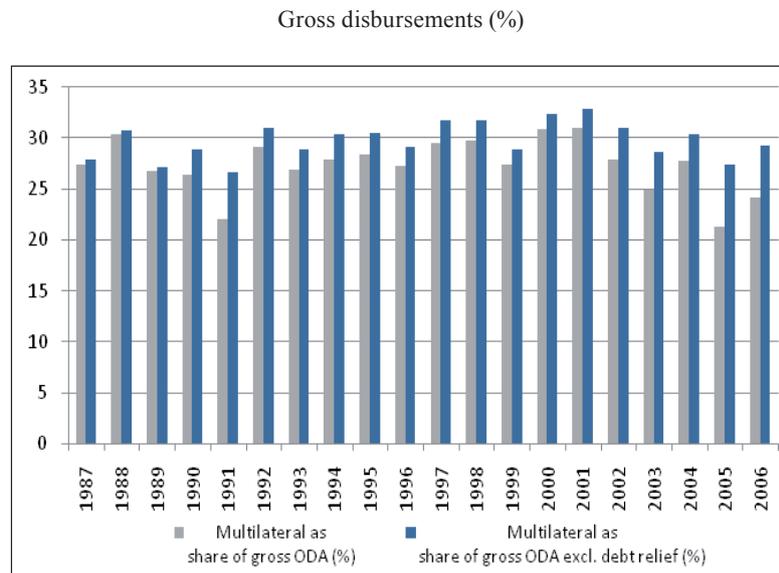


Source: DAC Aggregate Statistics

In 2006, core contributions to multilateral organisations made up 24% of DAC member countries' gross ODA. Debt relief accounted for a significant share of some DAC member countries' total ODA, especially during the last five years (Figure 2.2).<sup>2</sup> Net of debt relief, core contributions to multilaterals made up 29% of DAC member countries' gross ODA in 2006. In terms of the share of total ODA, DAC member countries' multilateral aid fell from 27% to 24% over the period 1987-2006, including debt relief; and rose from 28% to 29% excluding debt relief. During this period, the share of multilateral ODA as a percentage of total ODA fluctuated, with a low of 21% in 2005 and a peak of 31% in 2000-01. The low shares of multilateral ODA at the end of the period can be explained by exceptional debt relief to the Democratic Republic of Congo, Iraq and Nigeria between 2003 and 2006. Net of debt relief the share of multilateral ODA as a percentage of total ODA has been more stable, ranging from 27% to 32%.

The amounts and proportions of ODA that DAC member countries provide to multilateral organisations vary considerably. In absolute terms, Germany and France, with annual average core contributions amounting to USD 3.3 billion in 2004-06, provided the largest amount to multilaterals. New Zealand and Luxembourg provided the smallest amount to multilaterals with core contributions of USD 52 million and USD 78 million respectively (Figure 2.3 and Table 2.1). In terms of the proportion of multilateral aid net of debt relief Italy, Austria and Greece provided shares of 72%, 53% and 51% as core contributions respectively (Figure 2.4). Thirteen out of 23 DAC member countries' core contributions were above the average proportion of 29% in 2004-06. The proportions that the United States and Australia provided as core contributions were the lowest, 12% and 17% respectively.

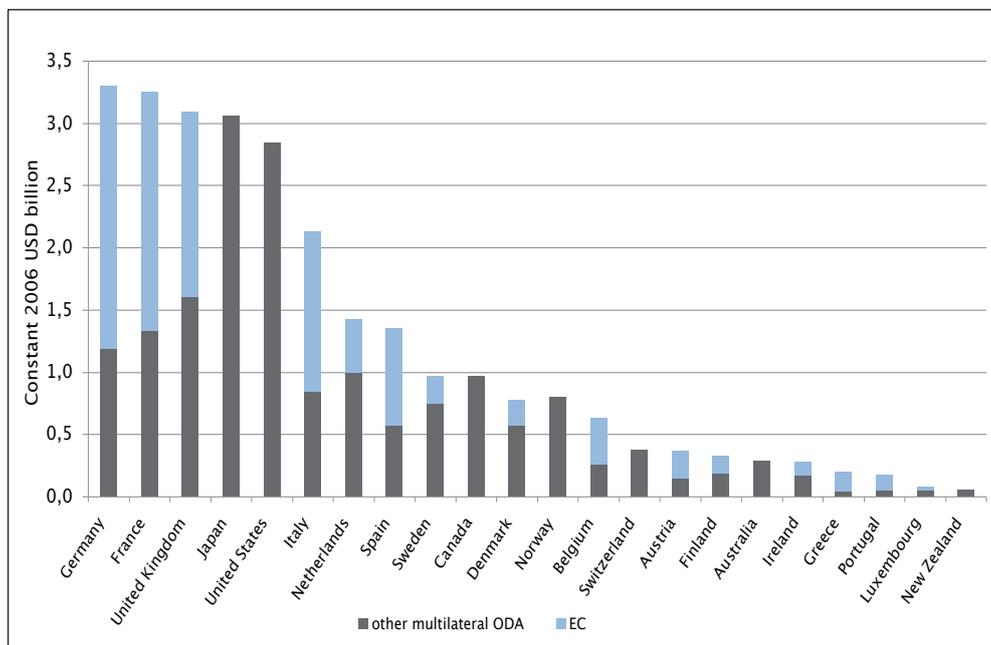
Figure 2.2. DAC member countries' multilateral ODA as share of total ODA 1987-2006



Source: DAC Aggregate Statistics

Figure 2.3. Multilateral ODA disbursements by DAC member countries 2004-06

Gross disbursements, 3-year average 2004-06 (constant 2006 USD billion)



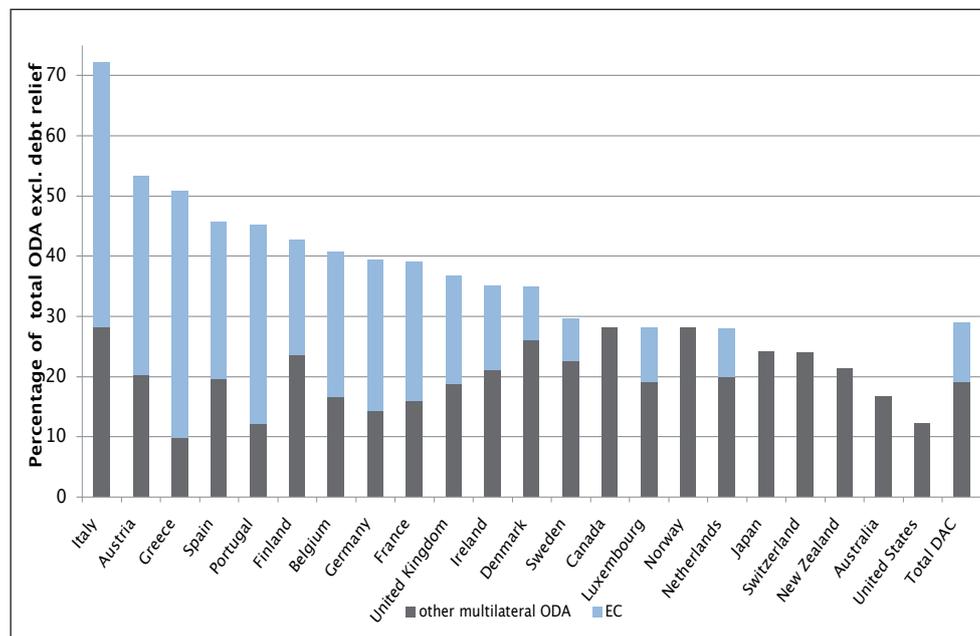
Source: DAC Aggregate Statistics

Note: DAC-EU members' ODA to the EC was USD 9.6 billion and DAC member countries' total multilateral ODA was USD 26.7 billion.

As the EC plays a dual role in development (see Box 3.5) and it is restricted to EU Member States, the picture is different when contributions to the EC are excluded. These range from 9% for Greece and 12% for Portugal, to 28% for Canada and Norway, and 29% for Italy. The average for all DAC member countries is 19%. When contributions to the EC are excluded, Japan is the largest multilateral donor (USD 3.1 billion), followed by the US (USD 2.8 billion).

Figure 2.4. **Multilateral ODA as share of total ODA by DAC member countries (excluding debt relief)**

Gross disbursements, 3-year average 2004-06 (%)



Source: DAC Aggregate Statistics.

## Allocations to multilateral agencies

Table 2.1 shows the core contributions that DAC member countries provided to the major multilateral organisations for the period 2004-06. Core contributions to the EC as a share of total multilateral aid over this period were 36%, to the World Bank Group 24%<sup>3</sup> and to the UN system 20%.<sup>4</sup>

Figure 2.5 shows the trends 1987-2006 in DAC member country contributions to the major agencies. Over the two decades, contributions to the EC increased in real terms, from USD 3.4 billion in 1987 to USD 9.9 billion in 2006. The EC overtook the World Bank Group as the main recipient of multilateral core contributions in the second half of the 1990s. Core contributions to the UN system and the regional development banks were relatively stable over the period. Core contributions to the International Development Association (IDA) peaked in the late 1980s/early 1990s and declined thereafter. The share of the Global Fund – created in 2001 – grew to 5% of multilateral core contributions 2002-06.

Table 2.1. **Core contributions provided by DAC member countries to the major multilateral agencies, 2004-06**

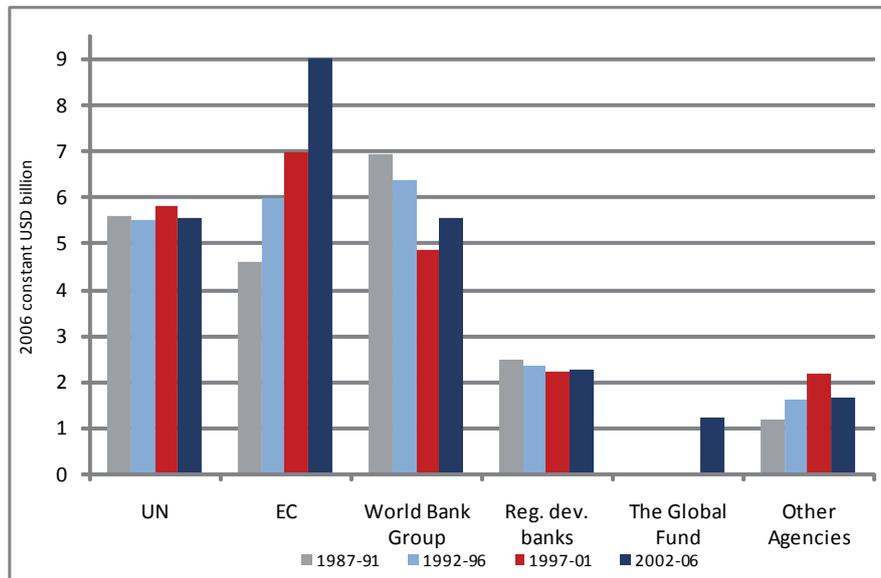
Gross disbursements, three-year average 2004-06 (constant 2006 USD million)

Donor	UN Agencies	EC	The World Bank Group	Regional Dev. Banks	The Global Fund	Other multilateral agencies	Multilateral ODA, total	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)	Multilateral (excl. EC) as share of gross ODA excl. debt relief
Australia	51	-	132	61	14	30	290	16	17	17
Austria	31	224	65	35	-	12	366	28	53	21
Belgium	53	375	131	30	12	28	629	33	41	16
Canada	279	-	248	173	126	137	963	26	28	28
Denmark	317	203	99	52	22	83	775	36	37	28
Finland	107	143	39	19	3	16	326	40	43	24
France	199	1,922	394	197	225	317	3,255	28	39	16
Germany	253	2,104	589	177	81	91	3,295	30	39	14
Greece	10	161	17	0	0	9	198	51	51	9
Ireland	85	112	62	6	15	2	282	35	35	21
Italy	249	1,286	274	122	77	122	2,129	52	72	29
Japan	917	-	1,452	440	105	144	3,058	19	24	24
Luxembourg	20	25	14	11	2	5	78	28	28	19
Netherlands	448	426	328	100	64	53	1,418	26	28	19
New Zealand	18	-	8	6	0	20	52	21	21	21
Norway	507	-	162	91	30	9	799	28	28	28
Portugal	11	126	13	18	1	4	173	27	45	12
Spain	116	787	198	141	38	62	1,343	37	45	19
Sweden	431	227	118	88	58	45	967	28	30	23
Switzerland	121	-	151	51	4	48	375	22	24	24
United Kingdom	492	1,487	688	173	121	120	3,082	28	37	19
United States	621	-	1,188	330	438	259	2,836	11	12	12
<b>Total DAC</b>	<b>5,334</b>	<b>9,609</b>	<b>6,373</b>	<b>2,322</b>	<b>1,438</b>	<b>1,614</b>	<b>26,690</b>	<b>24</b>	<b>29</b>	<b>19</b>
<i>Share of total multilateral ODA</i>	20	36	24	9	5	6	100			

Source: DAC Aggregate Statistics.

Figure 2.5. **DAC member countries' multilateral ODA (core contributions) to major agencies 1987-2006**

Gross disbursements, five-year averages 1987-2006 (constant 2006 USD billion)



Source: DAC Aggregate Statistic

### Excluding debt relief from the remaining analysis

In the tables that follow in this and the following chapters in this report, debt relief has been excluded in order to provide a more representative picture of a “typical” year. In 2006 there was exceptional bilateral debt relief to Iraq and Nigeria. Total gross debt relief from DAC members amounted to USD 20.8 billion. In addition, the Multilateral Debt Relief Initiative reduced debts by Heavily Indebted Poor Countries (HIPC) countries to the African Development Bank (AfDB) and International Development Association (IDA); this relief of USD 37.2 billion – to be provided over a number of years – was fully accounted for in the 2006 statistics on multilateral outflows.

### Gross disbursements and credit reflows

DAC statistics record both the flow of funds *into* the multilateral agencies (as shown above) and the flow of funds *out of* the multilateral agencies to developing countries. Figure 2.6 shows these two flows in schematic format for 1997-2006. During that period, USD 237 billion flowed into the multilateral system and USD 242 billion flowed out to developing countries. The virtual balance between inflow and outflow holds for the EC, but masks two very different situations for other multilateral agencies. Outflows from IDA and regional banks exceed inflows because reflows from loans and other income, for example International Bank for Reconstruction and Development (IBRD) lending, are reinvested in new concessional lending.

In contrast, inflows to the UN system and other multilaterals exceed recorded outflows. The reason for this is probably because the UN definition of outflows differs from the DAC definition of ODA flows. Inflows are calculated according to the standard DAC definition of ODA. This means that all, or in some cases, a specified percentage of contributions to each agency are included. Outflows, however, are calculated according to the UN definition of “operational activities for development”. In many UN bodies, especially the large specialised agencies, only the direct costs of activities in developing countries are included. The large central budgets of these agencies are excluded, even though these may support operational activities or, in some cases, even drive them. Another possible reason for the discrepancy is that contributions (inflows) to development-oriented agencies such as UNDP have always been reported as ODA, whereas outflows may have been to countries that were not defined as “developing” (e.g. Russia, Eastern Europe) and, so, were not reported as ODA. The DAC is working with the UN to help clarify these issues and reconcile data wherever possible. Annex 1 of the Economic and Social Council (ECOSOC) report *Comprehensive statistical analysis of the financing of operational activities for development of the United Nations system for 2006* analyses these differences.<sup>5</sup>

### Total use of the multilateral system

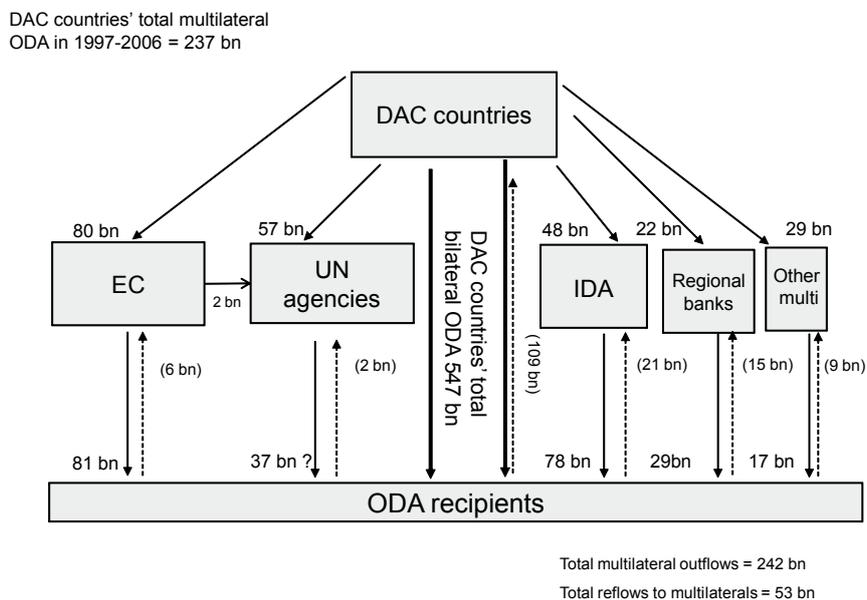
For the purposes of DAC statistics, assistance which is earmarked by sector, theme, country or region is defined as bilateral aid, *even if it is routed through multilateral agencies* (so called non-core/“multi-bi” aid). This means that standard DAC ODA statistics do not show the full importance of the multilateral system. Analysis of the overall multilateral aid architecture must take non-core/“multi-bi” aid into account.

### *ODA channelled through the multilateral system by DAC member countries*

The DAC Creditor Reporting System (CRS database of aid activities) collects information on the “channel of delivery” as a means of identifying aid routed *through* the multilateral system. However, not all donors use the codes identifying channels. This means that, at present, it is difficult to estimate the amounts channelled through specific agencies, for example through a specific UN agency. Although a few members have begun using the channel codes, they are in the minority and many still need to adapt their information systems to accommodate these codes. These data are, at present, available only on a commitment basis.

Table 2.2 illustrates the value of reporting channels of delivery to obtain a complete picture of how donors use multilaterals. The data from members who report fully or quite comprehensively, show that core contributions (commitments) to multilateral agencies made up 21% of their total ODA in 2006 (excluding debt relief). Aid channelled through the multilaterals was a further 10% of their total ODA. The sum of core contributions plus aid channelled through the multilaterals (31%) is a better indication of how these donors use the multilateral system than the data on core contributions alone. Most of the countries that did not provide data on “channels of delivery” did provide estimates of their non-core funding in 2006 for this report. The CRS data together with these estimates of non-core funding put the total non-core funding in 2006 at an estimated USD 11 billion. Adding this

Figure 2.6. **ODA gross disbursements (core contributions) and reflows 1997-2006, cumulative (excluding debt relief)**  
Constant 2006 USD billion



Source: DAC Aggregate Statistics.

Note: The EC both receives and provides multilateral aid. Core contributions from the EC to other multilaterals 1997-2006 were: UN – USD 2.2 bn (shown in the figure), World Bank Group – USD 2.2 bn (IDA 1.7 bn, IBRD 0.5), regional development banks – USD 18 million, and other agencies – USD 605 million.

to core commitments of USD 32 billion in 2006, an estimated 35% of total ODA passes through the multilateral aid system (USD 43 billion in 2006).

The extent to which DAC member countries provide non-core and core funding varies greatly. New Zealand and Norway provide slightly more in non-core funding than they do in core funding. Australia, Canada, Luxembourg, the Netherlands, Sweden and the United States provide non-core funding at levels above the DAC average. At the other extreme, Germany and Greece provide over 95% of their multilateral ODA through core funding to the multilateral system.

Table 2.2. **Non-core funds channelled through multilaterals:  
Creditor Reporting System and donor estimates**  
Commitments<sup>6</sup> 2006 (current USD million), excluding debt relief

Donor	Total bilateral aid	of which; channelled through multilateral agencies (non-core)	Total core multilateral aid	Total use of the multilateral system	Core multilateral as share of total ODA (%)	Core and non-core as share of total ODA (%)	Core as share of total use of the multilateral system (%)
	(A)	(B)	(C)	(B+C)	(C/(A+C))	((B+C)/(A+C))	(C/(B+C))
Australia	1,519	243	327	570	18	31	57
Austria	365	34	436	470	54	59	93
Belgium	1,142	177	868	1,045	43	52	83
Canada	2,433	559	1,141	1,699	32	48	67
Denmark	1,113	75	741	816	40	44	91
EC*	12,311	1,677	582	2,259	5	18	26
Finland	604	93	357	450	37	47	79
Germany	6,443	210	3,753	3,963	37	39	95
Greece	189	3	235	238	55	56	99
Italy	904	128	1,629	1,757	64	69	93
Luxembourg	205	57	86	143	30	49	60
Netherlands	8,788	1,552	1,796	3,347	17	32	54
New Zealand	297	69	58	127	16	36	46
Norway	2,422	822	769	1,578	24	50	48
Portugal	217	21	185	206	46	51	90
Sweden	2,810	646	1,146	1,792	29	45	64
Switzerland	1,145	187	637	824	36	46	77
United States	22,606	2,035	2,385	4,421	10	18	54
<b>Donors Reporting Channel in the CRS</b>	<b>65,515</b>	<b>8,587</b>	<b>17,131</b>	<b>25,706</b>	<b>21</b>	<b>31</b>	<b>67</b>
France <sup>^</sup>	6,047	80	5,081	5,161	46	46	98
Ireland	632	..	389	389	38	..	..
Japan	9,832	371	3,731	4,102	28	30	91
Spain <sup>^^</sup>	1,854	147	1,721	1,868	48	52	92
United Kingdom <sup>^^^</sup>	5,763	1,374	3,766	5,140	40	54	73
<b>Donor estimates/partial reporting</b>	<b>24,128</b>	<b>1,972</b>	<b>14,689</b>	<b>16,661</b>	<b>38</b>	<b>43</b>	<b>88</b>
<b>Total DAC</b>	<b>89,644</b>	<b>10,559</b>	<b>31,821</b>	<b>42,367</b>	<b>26</b>	<b>35</b>	<b>75</b>

Source: DAC Aggregate Statistics and Creditor Reporting System (CRS)

\* EC is included in the table since it is a DAC member and as such is reporting to the CRS on its non-core use of other multilateral agencies through 'channel of delivery'.

<sup>^</sup>France has not reported on channel of delivery in CRS; the table includes a partial estimate on non-core funds from the French Ministry of Foreign Affairs.

<sup>^^</sup>Spain has not reported on channel of delivery in CRS; estimates on non-core funds from the Ministry of Foreign Affairs and Cooperation of Spain were used.

<sup>^^^</sup>The UK has not reported on channel of delivery in CRS; DFID's provisional estimates on non-core funds were used.

DAC member countries often provide funding to UN specialised agencies earmarked for specific projects and programmes. Table 2 in each of the country pages in the Appendix shows this is a common funding instrument. Figure 2.7 shows the allocation of non-core funds in 2006 to specific agencies. The UN accounts for almost two-thirds of all non-core funds and the World Bank for 20%. The top five agencies that receive the most non-core funding within the UN system are WFP, UNICEF, UNDP, UNHCR and WHO, reflecting that 35% of non-core funding is for humanitarian aid.

### Box 2.2. DAC data collection from multilateral agencies

DAC collects data from multilateral agencies covering their operations in developing countries, including support costs directly linked to delivering these activities. Data are limited to regular (core) budget expenditures to avoid double counting. As explained in Box 2.1, DAC statistics consider earmarked funding at any level – whether to a specific partner country, region, sector or theme – as bilateral aid.

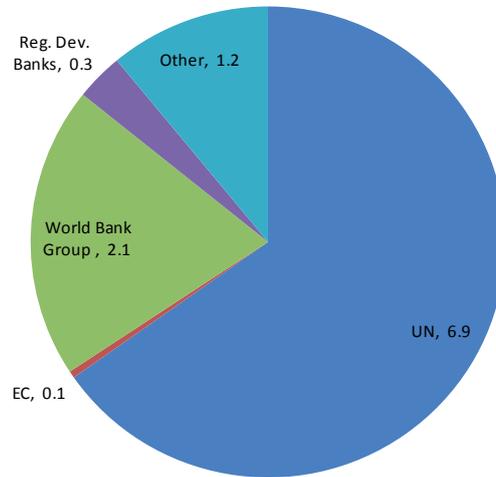
There are no formal requirements for multilateral agencies (other than the EC which is a DAC member) to report to the DAC. In practice, the level of reporting varies. The MDBs report both their concessional and non-concessional lending as well as grants. MDBs, UN funds and programmes, a number of UN specialised agencies, The Global Fund, the Global Environment Facility and the Montreal Protocol provide aggregate statistics on expenditure in each partner country. Activity-level reporting to the Creditor Reporting System (CRS) aid activity database – necessary for analyses of the resource receipts by developing countries at the sectoral level – is less complete.

- The **World Bank** does not currently provide data for the CRS. The DAC Secretariat downloads data from the World Bank website, formats and classifies the data so that they can be compared to bilateral aid data, and enters the data in the CRS. This process does not produce data of the same quality as the data for bilateral donors. DAC and the World Bank staff are collaborating to develop a more accurate system for entering World Bank project data into the CRS sector code structure.
- The **African Development Bank**, the **Asian Development Bank**, the **Inter-American Development Bank** and **IFAD** provide activity-level data that can easily be converted to the CRS. Sector codes are assigned by the DAC Secretariat.
- **UNFPA**, **UNICEF**, **UNAIDS** and **The Global Fund** provide activity-level data on expenditures in a format that is easily convertible to the CRS. Sector coding is based on mapping the CRS and the agencies' internal codes.
- One of the largest data gaps concerns the **UNDP**. The DAC Secretariat and UNDP are discussing ways to close remaining gaps in UNDP's reporting of its development expenditures to the DAC. UNDP support for this was demonstrated through UNDP being one of the founding subscribers of the International Aid Transparency Initiative, launched at Accra in September 2008.

Obtaining accurate, detailed data on the expenditure of multilateral agencies is essential. Only by obtaining such data will DAC be able to develop a complete picture of global aid architecture and properly reflect the very substantial role of multilateral agencies in development co-operation. Detailed data on aid at the partner country level are also necessary for making accurate statistical analyses, as well as for informing discussions on aid fragmentation, division of labour and donor harmonisation, for example.

Figure 2.7. **Non-core funding provided to multilaterals, 2006**

Commitments, excluding debt relief (Total USD 10.6 billion)



Source: Creditor Reporting System and estimates for UK, France and Spain.

Note: The chart is based on data on channels of delivery of non-core funding provided by 16 DAC members to CRS (including partial data from Japan), estimates on channels of delivery of non-core funding from UK, France and Spain, and Secretariat estimates for Germany, Italy, and Sweden from reports of total amounts of non-core funding (not broken down by agency). Ireland is not included due to lack of data.

### *Allocations of non-core funding*

Among DAC members, Norway earmarked the largest share of funds in 2006. Table 2.3 shows that in 2006 Norway's core contributions (commitments) to the UN were USD 470 million. However, this was only 43% of the total aid that Norway routed through the UN that year. Another USD 620 million for specific projects and programmes was channelled through the UN and non-core funds channelled through the World Bank were also significant. In aggregate, Norway's core contributions only accounted for 48% of funding to the multilateral system. According to the Norwegian Ministry of Foreign Affairs, the proportion of ODA allocated to non-core funding has been increasing recently, whereas the proportion of core multilateral funding has been relatively stable.<sup>7</sup> In terms of both core and non-core funding, Norway channelled some 50% of its total aid to and through the multilateral system in 2006.

Table 2.3. **Norway's core contributions to multilateral agencies and aid channelled through multilaterals, 2006**

Commitments (excluding debt relief) 2006, USD million

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>483</b>	<b>620</b>	<b>1,102</b>	<b>44</b>
<i>of which:</i>				
UNDP	108	98	206	52
UNICEF	131	131	262	50
UNFPA	41	4	45	91
UNHCR	27	2	29	92
WFP	32	72	104	31
UNRWA	16	10	26	60
WHO*	36	114	150	24
<b>World Bank Group</b>	<b>136</b>	<b>144</b>	<b>279</b>	<b>49</b>
<b>IMF</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>
<b>Reg. Dev. Banks</b>	<b>87</b>	<b>9</b>	<b>96</b>	<b>91</b>
<b>Other Multilaterals</b>	<b>63</b>	<b>49</b>	<b>112</b>	<b>56</b>
<b>Total</b>	<b>756</b>	<b>822</b>	<b>1,578</b>	<b>48</b>

Source: DAC Aggregate Statistics and Creditor Reporting System.

\* Data for WHO refers to ODA eligible core contributions (51%).

### Use of the multilateral system by non-DAC countries

The sources of financing for development are multiplying. South-South co-operation has become more important and ODA from some non-DAC donors has increased significantly in the last couple of years. This trend is likely to persist and further scaling up by some of these countries is expected. For example, the European Union (EU) set a collective average ODA target of 0.56% ODA/GNI by 2010. The Member States that joined the EU after 2002, and that have not achieved an ODA/GNI ratio of 0.17%, will endeavour to increase ODA to that level, within their respective budget allocation processes, by 2010. Other emerging market countries are also expected to scale up ODA. Multilateral organisations could play a major role in delivering this increase in ODA to developing countries, at least initially. The new EU members already provide some ODA by virtue of their membership of the EC. Once a country begins reporting ODA, its contributions to the UN and other multilateral organisations will be included. Channelling aid through multilaterals is a way new donor countries can contribute aid, while at the same time creating their own institutions to manage bilateral aid flows.

The Secretariat does not have comprehensive data on the funds that non-DAC donors provide to multilateral organisations. Only a few non-DAC countries report to the DAC and some larger players (Brazil, China and India) do not. Table 2.4 shows funding provided to multilaterals by the 18 non-DAC donors that do report to the DAC. As expected, the new EU members provide a large proportion of their total gross ODA through multilaterals (including the EC), ranging from 50% for Hungary to 93% for Latvia. The average proportion of total ODA provided to multilaterals by non-DAC donors, however, is only 18%, which is below the DAC average. Three donors (Chinese Taipei, Kuwait and Saudi Arabia) are long-standing, large bilateral donors and bring down the average proportion of ODA provided to multilaterals by non-DAC donors.

As information from major non-DAC providers of development assistance becomes available, subsequent reports will give a more comprehensive picture of non-DAC flows to the multilateral system.

It is hard to estimate the amount of non-core contributions made by non-DAC donors from their reporting. Among non-DAC donors, Korea provides information for the CRS, including on channels of aid delivery. Korea gives very little non-core funding. Core contributions make up 97% of its total multilateral aid (Table 2.5). Only USD 7 million is channelled through the multilaterals as non-core funding, of which almost half is allocated to the United Nations Department of Peacekeeping Operations (UNDPKO).

Table 2.4. **Non-DAC donor ODA, 2004-06**

Gross disbursements, three-year average 2004-06 (constant 2006 USD million)

Non-DAC Donor	Total ODA	Bilateral ODA	Multilateral ODA	Multilateral as share of gross ODA (%)
Cyprus*	14	6	8	55
Czech Republic	143	73	70	49
Estonia	10	2	8	84
Hungary	107	53	53	50
Latvia	11	1	10	93
Lithuania	17	3	13	79
Poland	220	68	152	69
Slovak Republic	49	23	26	53
Slovenia	26	11	16	60
<i>EU 10 total (excl. Malta)</i>	<i>596</i>	<i>240</i>	<i>357</i>	<i>60</i>
Chinese Taipei	320	309	10	3
Iceland	31	22	9	29
Israel	59	51	8	13
Korea	629	445	184	29
Kuwait	511	489	22	4
Saudi Arabia	1,124	1,068	56	5
Thailand	25	22	3	12
Turkey	554	491	63	11
United Arab Emirates	105	105	-	-
<b>Total Non-DAC</b>	<b>3,953</b>	<b>3,242</b>	<b>711</b>	<b>18</b>

Source: DAC Aggregate Statistics.

\* Footnote by Turkey: The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the “Cyprus” issue.

Table 2.5. **Korea: Core contributions to multilateral agencies and aid channelled through multilaterals**

Commitments (excluding debt relief) 2006, USD million

	Core Contributions	Bilateral aid channelled via agency	Total use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>53</b>	<b>6</b>	<b>59</b>	<b>91</b>
<i>of which:</i> ESCAP	-	1	1	-
FAO	4	0	4	97
UNDPKO	-	3	3	-
WHO	7	1	8	90
<b>World Bank Group</b>	<b>80</b>	<b>0</b>	<b>81</b>	<b>99</b>
<b>Reg. Dev. Banks</b>	<b>70</b>	<b>-</b>	<b>70</b>	<b>100</b>
<b>Other Multilaterals</b>	<b>13</b>	<b>1</b>	<b>14</b>	<b>96</b>
<b>Total</b>	<b>217</b>	<b>7</b>	<b>223</b>	<b>97</b>

Source: DAC Aggregate Statistics and Creditor Reporting System.

## Notes

1. In this report, the gross Figure has been chosen deliberately to show what proportion of out-flows from each DAC member goes to multilateral organisations, without netting off return flows for donors which have loans programmes. Net figures would overstate the multilateral share for some countries as their net ODA is much lower than their gross ODA.
2. Debt relief covers debt forgiveness, rescheduling and other action on debt.
3. The World Bank Group includes the International Bank for Reconstruction and Development (IBRD), IDA, IFC and the Multilateral Investment Guarantee Agency (MIGA), though most ODA is to IDA as the concessional arm of the World Bank.
4. The United Nations system refers to the whole network of international agencies, treaties and conventions that were created by the United Nations. Note that this report does not disaggregate information for each part of the UN system.
5. United Nations (2008), A/63/71–E/2008/46, “Comprehensive statistical analysis of the financing of operational activities for development of the United Nations system for 2006”, New York, [www.un.org/ecosoc](http://www.un.org/ecosoc).
6. Sections 2.1 to 2.3 are based on gross disbursement of core contributions. Section 2.4 looks at the overall use of the multilateral system, for which we only have data on commitments.
7. The Norwegian Ministry of Foreign Affairs (2007), *Norwegian Development Assistance in 2008 – Priority Areas*, Oslo, <http://www.regjeringen.no/en/dep/ud/selected-topics/Development-cooperation/norwegian-development-assistance-in-2008.html?id=493308>.

## Chapter 3

### Multilateral Aid Policies of DAC Donors

Chapter 2 presented the overall picture of multilateral aid as shown by DAC statistics. The Appendix to this report presents the multilateral aid allocations and policies of each DAC member. This chapter summarises key messages and trends, gives an overview of the main objectives and strategies of DAC member countries in engaging with multilateral organisations, and describes how they manage multilateral aid. The chapter also describes the dual role of the EC in ODA.

#### Multilateral partners

DAC member countries share similar reasons for engaging with multilateral institutions and cite similar advantages in doing so. The advantages include economies of scale, and the know-how, political neutrality, and public goods that multilaterals provide. Working with multilaterals may also reduce the burden for donors and partner countries compared with bilateral aid (Figure 3.1). These advantages make the multilateral organisations important players in development co-operation.

Figure 3.1. DAC member countries:  
Advantages of and priorities for engaging with multilateral agencies

Advantages of engaging with multilateral agencies	Priorities in engaging with multilateral agencies
Economies of scale	Effectiveness and efficiency
Global governance – setting global development principles and standards	Achievement of MDGs – especially poverty reduction
Political neutrality and legitimacy	Fragile states
Abundant resources – capital and know how	Humanitarian crisis
Providing advisory and technical assistance	Health – especially HIV/AIDS
Low transaction costs	Food security
Providing public goods	Climate change/environment
	Gender equality
	Education
	Human rights
	Closer co-operation between multilateral organisations

Source: DAC member pages in the Appendix.

The extent to which DAC member countries engage with the multilateral aid system varies widely. Most – even the smaller DAC member countries – engage with many different multilateral organisations. But, the main share of most countries' multilateral aid budget goes to just a few strategic partner organisations. The remaining budget is shared among a

large number of organisations which receive only small, almost symbolic amounts. This can partly be explained by the fact that contributions to many agencies are obligatory.<sup>1</sup> However, although spreading multilateral allocations widely may serve political purposes, it may indicate that some DAC donors are not making best use of their resources and influence in engaging with multilateral agencies. On the other hand some argue that by providing just a small amount of funding to a specialised multilateral organisation a country may get a lot in return, in the form of information and intelligence about the work of the organisation. Moreover, ministries of foreign affairs and development agencies are often under pressure from line ministries to maintain even small contributions to specialised organisations.

DAC peer reviews have recommended that some countries, mainly the smaller ones, should take a more focused approach to the multilateral system so that they can become more influential. Only a few countries have followed up on this recommendation and reduced the number of multilateral organisations they engage with (e.g. Ireland: see Box 3.1). This means there is scope for further rationalisation.

### Box 3.1. Ireland's rationale for multilateral engagement

In 2001, Ireland took a strategic approach to multilateral engagement, reducing the number of UN partners from 35 to 20. Ireland stopped making symbolic contributions and contributions to agencies that had a poor fit with Ireland's development objectives in general. However, in 2003, the DAC recommended that Ireland pursue an even more strategic and programmatic engagement with key multilateral agencies. Ireland followed up this recommendation by undertaking a strategic review in 2006-07. The recommendations of this review have been implemented, resulting in focused and strategic partnerships with ILO, UNICEF, UNFPA and UNHCR. Further agreements with UNDP and WHO are pending. Ireland has improved the predictability of its contributions to these agencies by committing multi-annual funding based on agreed development objectives. The shared objectives draw on the Strategic Plan of the partner organisation and include agreed indicators to ensure quantitative evidence. Ireland synchronises the timeframes of funding commitments and planning horizons with partner organisations. Where a Strategic Plan covers four years, Irish Aid commits funding for four years, contingent on progress towards the agreed objectives. Progress is assessed annually in bilateral consultations, by Irish field offices reporting at country level and by other means.

*Source:* OECD (2003), DAC peer review of Ireland, Paris and Irish Aid, Department of Foreign Affairs.

## Multilateral strategies

DAC member countries express a broad spectrum of very similar objectives and priorities for multilateral co-operation. All DAC member countries put a high priority on engaging with multilateral organisations. Nevertheless, many recent DAC peer reviews have recommended that countries should be more strategic and more focused in engaging with multilaterals, and that they should develop comprehensive multilateral strategies. A growing number of DAC member countries have either implemented, or are in the process of developing, a strategic framework for their policy and engagement with multilateral organisations. These frameworks define priorities and objectives for multilateral aid. In other countries, multilateral priorities are set out in development policy documents, such as white papers. However, the level of detail about priorities and objectives for multilateral development co-operation differs from one country to another. In some countries,

strategies are comprehensive, the result of extensive consultation; in others, the strategies are more like working papers than politically endorsed strategies.

Among DAC member countries there are two main ways of framing objectives and priorities as regards engagement with multilaterals. Countries either align their multilateral policies with their bilateral priorities and objectives, or they complement their bilateral strategy by engaging with multilateral agencies in regions, countries and sectors not reached by their bilateral aid. Most DAC member countries take the first approach.

### *Main objectives and priorities of DAC member country multilateral policies*

The overarching aims of multilateral engagement, stressed by nearly *all* DAC members, are to reduce poverty and achieve the MDGs. Many DAC member countries also stress health and gender equality as priorities for multilateral engagement, as well as issues such as climate change, support for fragile states, and protection and promotion of human rights (Figure 3.1). They also emphasise the value of multilateral institutions in setting standards for successful economic, social and environmental policies, and playing a crucial role in implementing and coordinating development co-operation in developing countries.

Another reason why DAC member countries engage and work with multilaterals is to improve multilaterals effectiveness and efficiency. Some stress the need to delimit the mandates and define the specific strengths of the institutions more clearly, and to exploit their strengths more vigorously. Another priority commonly expressed is for the multilateral organisations to co-operate and coordinate their activities. Countries call for co-operation and coordination not only within the UN system but also between the UN and the international financial institutions (IFIs).

An examination of how individual DAC member countries engage with the three major players in the multilateral system (IFIs, the UN and the EC) points to the specific priorities of individual countries and the particular advantages they derive from engagement. Countries have many priorities in common, such as reducing poverty and achieving the MDGs, but some of their specific priorities mean that they use specific multilateral institutions. In making decisions on allocating aid, donors weigh up the advantages of lending institutions such as the IFIs against other multilaterals which make grants, as well as taking into account their relative focus on low- and middle-income countries.

With respect to development co-operation with IFIs, many DAC member countries say their priorities are micro-finance, private sector development, infrastructure, fragile states, good governance, regional integration, and advisory and analytical services. In co-operating with the UN system, DAC member countries stress reforms and the “One UN”<sup>22</sup> as key priorities. They also stress the core advantages of the UN in areas such as peace keeping and conflict prevention, humanitarian aid, fragile states and food security. Some countries also mentioned the value of the UN’s dual role as convenor/capacity builder on the one hand and disbursing aid on the other. But they also noted that this dual role poses challenges in coordinating development and humanitarian responses effectively.

The priorities of DAC-EU countries as regards development co-operation with the EC include effective delivery of aid, implementation of the Code of Conduct on Complementarity and the Division of Labour in Development Policy, policy coherence, and coordination of EU aid funds. However, the multilateral aid strategies and policy documents of most DAC-EU countries do not give as much attention to their priorities for engaging with the EC as they do to their priorities for engaging with other major agencies. Given that the

EC is the largest recipient of multilateral aid, future peer reviews could give more attention to this. During 2008, the 11 countries in the Multilateral Organisations Performance Assessment Network (MOPAN) assessed EC development co-operation for the first time. The report was published in January 2009. The latest peer review of the EC in July 2007<sup>3</sup> could also be useful to DAC-EU countries in reviewing their strategies for development co-operation with the EC.

### *Overall multilateral strategies*

Almost half DAC member countries have recently developed – or are in the process of developing – a comprehensive multilateral aid strategy. Denmark, Germany, Greece, Portugal and Spain are all in the final stages of adopting multilateral strategies, whereas Finland, Luxembourg, New Zealand, Sweden and Switzerland are already implementing theirs (see Boxes 3.2 and 3.3 for two examples). The strategies differ in nature and scope. Some may work better than others as political tools to guide the multilateral aid allocation

#### **Box 3.2. Sweden's multilateral strategy**

Sweden launched a Strategy for Multilateral Development Co-operation in April 2007 as a first step towards clearer and more results-oriented Swedish involvement in multilateral development co-operation. The Strategy states that relevance and effectiveness are the main criteria for assessing and deciding on aid channelled through multilaterals. Relevance means that activities should be compatible with Swedish development goals and the role of the multilateral. Effectiveness means that the multilateral should contribute to agreed goals, and that the activities should be results-oriented and use aid resources effectively. The Strategy emphasises effectiveness as embodied in the Paris Declaration, such as a focus on results, evaluation, reliable auditing, co-ordination with other development actors and the private sector, and respect for national ownership.

Sweden will assess multilateral partners according to these criteria for relevance and effectiveness. The assessments will guide financing decisions in annual budget rounds and replenishments. The Strategy sketches out the principles for setting priorities which Sweden will use as a basis for deciding multilateral allocations. If a multilateral is deemed not relevant, contributions will be reduced and possibly phased out. If a multilateral is deemed to be relevant contributions will depend on its effectiveness and the progress it is making to improve effectiveness. The Strategy directs that financing should contribute to adequate and predictable funding, and indicates that Sweden prefers non-earmarked contributions and long-term financing. The Strategy explains the risks in earmarking funding, including a lack of focus on core activities, lack of clarity in distribution of work and the danger of undermining accountability. Sweden will contribute to vertical funds only in special cases and give multi-bi support only in the context of country programmes or activities prioritised by Sweden. Humanitarian financing should follow internationally agreed good practices in humanitarian donorship.

Finally, the Strategy sets out the need for Sweden to develop new instruments and working methods in multilateral development co-operation. Among these are: (a) an assessment template; (b) organisation-specific strategies for the most important institutions; (c) a review of the division of labour between the Ministry of Foreign Affairs and Sida as regards multilateral co-operation; and (d) a review of statistics and reporting on multilateral aid.

*Source:* Ministry of Foreign Affairs (2007), Strategy for Multilateral Development Co-operation, Stockholm.

### Box 3.3. Switzerland's multilateral strategy

In 2005, the Federal Department of Foreign Affairs' Swiss Agency for Development and Co-operation (SDC) and the State Secretariat of Economic Affairs (SECO) approved Switzerland's Multilateral Development Co-operation Strategy. The Strategy is the basis for co-operation between the SDC and SECO in exercising their multilateral development co-operation mandate. Switzerland stresses that, as a small country, it has an interest in a multilateral system that functions effectively. In all multilateral activities, Switzerland commits to achieving the MDGs and emphasises that this will only be possible by co-operating politically and financially with multilateral institutions. The Strategy defines the following principles for multilateral commitments:

- *Strengthen the multilateral system:* Sharing tasks and coordination within the multilateral system must improve; the multilaterals must concentrate on areas and functions to which they bring political legitimacy and in which they have clear comparative advantages in terms of expertise and financial conditions.
- *Co-operation in the multilateral system must be results-oriented*
- *Set priorities:* Engagement with multilateral institutions and programmes should be prioritised according to criteria such as a focus on results and strategic and/or political relevance. Institutions that are important in development financing architecture, are important for Swiss Foreign Policy and play a leading role in the global policy dialogue (e.g. UNDP and the World Bank) are a high priority. Organisations with a regional outreach or specialised UN agencies with limited strategic scope are a lower priority.
- *Seek synergies with bilateral development aid:* Optimise synergies between multilateral and bilateral efforts.
- *Select new multilateral partners carefully:* Switzerland will participate selectively in new forms of multilateral co-operation, new multilateral initiatives and new programmes, evaluating them openly but critically. New institutions must prove that they add value to the multilateral system.
- *Actively support partner countries:* Switzerland will endeavour to build alliances with partner countries in the South and strengthen their presence in relevant organisations.

The Strategy sets out guidelines and questions to be answered in monitoring co-operation and performance reviews of multilateral partners:

- Is the involvement in multilateral development co-operation relevant, results-driven and transparent?
- Do the partners exhibit clear comparative advantages, engage in dialogue and exhibit learning and good governance?
- Is Switzerland's involvement likely to exert a significant influence on the partner institution, create added value in terms of development impact and help promote other Swiss interests and/or concerns?
- Must Switzerland enter new areas, change its priorities, build capacities and/or make modifications?

To supplement the Multilateral Strategy, Switzerland has developed guidelines (Institutional Strategy Papers) including detailed objectives and priorities for co-operation with major multilateral partners such as the World Bank, UNDP and the African Development Bank. Switzerland is in the process of developing a monitoring instrument for measuring the results and effectiveness of strategic multilateral partners.

*Source:* Swiss Agency for Development and Co-operation and the Federal Department of Economic Affairs (2005), *Switzerland's Multilateral Development Co-operation Strategy*, Berne.

process. Several define both priorities and the implementation process; others are less specific and provide little guidance on framing policy and making decisions on allocations.

Another way that DAC member countries guide multilateral engagement and decide on allocations to multilaterals is by developing specific strategies for individual multilateral agencies. The UK guides multilateral engagement in this way. DFID has developed Institutional Strategies and Performance Frameworks for each of the main multilateral organisations. These set out how DFID aims to achieve its White Paper<sup>4</sup> objectives with each organisation. The strategies set the framework for engagement with the multilateral and, based on its mandate and effectiveness, the role it will play in achieving DFID's overall vision. The strategies also define the objectives for partnership, strategies for financial support, and action plans to assess progress against agreed objectives. Institutional Strategies take a partnership approach, emphasise joint setting of objectives and mutual benefit, and serve as a tool for justifying, negotiating, implementing and monitoring partnerships. DFID produces these strategies every 3-4 years in consultation with each multilateral, and a range of civil society and other organisations. The Institutional Strategies, however, do not provide guidance on how to allocate multilateral funds between multilateral donors.

### *Partnership agreements*

Most DAC member countries have partnership agreements with several multilateral organisations. This form of co-operation has become increasingly popular in recent years. In response, some multilateral organisations have developed new funding rules so as to become more flexible. These new rules allow donors to voluntarily contribute core funds (funds that are not earmarked) over and above their assessed contribution. However, this raises an issue with regard to reporting ODA where a coefficient is applied to calculate the ODA-eligible part of core contributions to a multilateral agency. Any additional funding that is not earmarked should be reported applying the same coefficient, unless the funding can be shown to be only for ODA-eligible purposes, for example, technical co-operation with developing countries.<sup>5</sup>

The International Labour Organisation (ILO) examined some of its partnership agreements with donors (Box 3.4). The findings suggest ways in which donors could usefully apply Paris Declaration principles to non-core funding channelled through multilateral organisations. A partnership agreement with a donor gives the ILO greater ownership of non-core funds. As the study notes, the so-called “core-voluntary account” aligns with ILO programme and budget priorities. Eight donors have harmonised their reporting standards to “fully align with ILO’s result-based and reporting frameworks” (*i.e.* use ILO systems) which fosters mutual accountability and managing for results. Another example of how DAC members are putting Paris Declaration principles into practice in a multilateral organisation is their voluntary contributions to the DAC Secretariat. These contributions are consolidated into accounts that are aligned with the programme of work and budget. Harmonised reporting focuses on results and builds on the move by OECD countries towards results-based reporting. Ownership is shared because priorities are set by the DAC, and the Secretariat is free to implement them in the most effective way. In both the ILO and DAC examples, the reforms have led to more predictable long-term funding, which in turn leads to more effective outputs because less time is spent chasing funding and more on substantive work. The DAC should examine how such evolving principles of “good multilateral donorship” could be adopted more widely.

### Box 3.4. ILO perspective

The International Labour Organization (ILO) is the tripartite UN agency that brings together governments, employers and workers of its 182 member states to promote decent working conditions throughout the world. The new MDG Target 1.B “Achieve full and productive employment and decent work for all, including women and young people” reflects the mandate of the ILO. The work of the ILO is financed partly by assessed contributions from its members (core budget 2008-09: USD 641 million), and partly by voluntary extra-budgetary contributions from more than 60 donor institutions (average USD 194 annually 2003-07). Contributions for 2008 look promising, with a total of USD 215 million pledged by October 2008, compared to USD 70 million for the same period in 2007.

Recognising the need to promote donor collaboration and reduce transaction costs, in 2004 the ILO Governing Body adopted a strategy to mobilise voluntary contributions. In June 2006, the International Labour Conference reaffirmed that technical co-operation will continue to be the major means whereby the ILO will realise its objectives. The “Declaration on Social Justice for a Fair Globalization” (ILO, 2008) will be the guide and instrument for allocating resources to demand-driven and nationally-owned implementation of the Decent Work Agenda, in line with aid effectiveness principles.

The ILO and its constituents have since established a Regular Budget Supplementary Account (RBSA). The RBSA is a “core-voluntary account”, for un-earmarked voluntary contributions over and above their assessed contributions. These voluntary contributions allow donors to expand and deepen ILO’s capacity to deliver on programme and budget priorities, in particular the implementation of Decent Work outcomes and priorities that contribute to UNDAFs and national development frameworks. So far, eight donors have contributed more than USD 42 million. They have also agreed to uniform reporting standards that fully align with ILO results-based programming and reporting frameworks.

The ILO seeks the support of donors and its constituents to:

- Move towards a three-pronged approach to funding technical co-operation, which should be un-earmarked, predictable, inclusive and linked to decent work outcomes, through: (1) RBSA, (2) multi-annual partnership agreements, and (3) access to UN joint programmes, including the “One UN” Funds;
- Facilitate greater coordination among ILO donors by organising regular meetings with the donor community, where the ILO will present a broad outline of its work and technical co-operation programmes. These meetings will help streamline cycles of planning and submissions, project design, budgeting, reporting and evaluation procedures, as well as financial and legal requirements. This will reduce the high transaction costs involved in adapting and applying multiple donor-specific contract requirements;
- Promote normative and rights-based approaches as well as gender equality in partnership agreements, proposals, programmes and projects;
- Support the development and submission of specific products and proposals tailored to employer and worker organisations, and develop incentives for promoting tripartism across the technical co-operation programme; and
- Work with the ILO’s International Training Centre in Turin, Italy.

In early 2007, the ILO conducted an internal review of multi-annual partnership agreements with nine DAC donor countries. The objective was to identify good practice and assess how well these agreements incorporated policy decisions taken by the ILO Governing Body. All partnership agreements aligned well with the strategic priorities of the ILO. However, ILO Governing Body policy decisions concerning technical co-operation and gender equality, tripartism, International Labour Standards and capacity development through the ILO’s International Training Centre were unevenly implemented. Partnership goals and outcomes had been defined in consultation with each donor, and three donors out of nine earmarked funds for specific programmes and projects in selected regions and countries. Only five out of nine partners fully aligned funding timeframes with ILO programming cycles and, in most cases, timeframes were deemed to be too short to demonstrate results. Eight out of nine donors released funds reliably and predictably. Donor reporting requirements harmonised with standard ILO reporting cycles in only five out of nine cases.

### Box 3.4. ILO perspective (continued)

When compared with a project-by-project approach, partnership agreements provide more reliable, better planned and more predictable voluntary financing for the ILO technical co-operation programme. Nevertheless, there is considerable room for the ILO and donors to better align voluntary contributions with ILO technical co-operation. There are also opportunities to reduce transaction costs by further harmonising donor financing and reporting arrangements with ILO programming and reporting cycles.

*Source:* ILO

## Managing multilateral assistance

The way DAC countries internally manage and organise multilateral assistance and strategic relationships with multilateral agencies varies. Almost all countries divide administrative and policy responsibilities among different ministries. However, how they do this differs from one member country to another. Usually, ministries of finance manage core contributions and lead policy dialogue on the MDBs, especially as regards the World Bank, whereas ministries of foreign affairs or, in some cases, member development agencies, are responsible for relations with most other multilateral agencies. The responsibility for multilateral issues within ministries of foreign affairs, including multilateral co-operation and policy, typically lies with a specific department or section where there are separate teams dealing with the UN agencies, the EC (where relevant) and, in some cases, international financial institutions. In all cases ministries of foreign affairs coordinate policy on multilateral organisations with other line ministries.

In the case of specialised UN agencies, relationships often span several ministries. Core contributions and relationships with the World Health Organisation (WHO), for example, are usually led by ministries of health, but may be backed up by both development and technical specialists within development agencies or ministries of foreign affairs. Other areas in which there is close co-operation between ministries of foreign affairs (or development agencies) and other ministries are climate, agriculture and employment. In these areas, environment, agriculture and labour ministries respectively either have lead responsibility or provide technical expertise. In most DAC member countries civil society, including academia, think tanks and NGOs, also plays an important role in framing multilateral policies.

Some countries emphasise the need to make their multilateral co-operation policy more coherent. Ireland, for example, has set up a new Inter-Departmental Committee on Development to strengthen internal coherence in the government's approach to multilateral development in general, and to make the best use of the expertise and skills across the public services.<sup>6</sup> Another example is the Belgian intergovernmental coordination mechanism (COORMULTI) which ensures coherence in multilateral issues. Promoting greater coherence among ministries responsible for different aspects of multilateral aid is a particular challenge for DAC member countries. They need to link all facets of their national aid systems which affect the multilateral development channels, in the interests of more efficient world-wide aid architecture and more impact in the field. This push for coherence is consistent with the UN High Level Panel Report "Delivering as One", which recommends an all-of-government approach to coordinate the positions taken by donor representatives in the decision making structures of each relevant UN organisation.

## DAC peer review and other national review recommendations for multilateral engagement

DAC peer reviews include a short section on multilateral aid and often make specific recommendations for engaging with multilateral agencies. DAC member countries address these recommendations at varying rates and to various extents. As mentioned above, some countries have already addressed – or are in the process of addressing – one of the recommendations made in peer reviews and have developed comprehensive multilateral strategies.

DAC peer reviews recommend that member countries that channel a large proportion of non-core funding through multilateral agencies should take measures to avoid “bilateralising” multilateral aid. Within the DAC there are conflicting views on non-core aid. Significant amounts of non-core funds, particularly when earmarked for specific sectors or countries, may redirect the priorities of a multilateral agency and diminish the multilateral nature of the institution. Some also argue that the growth in earmarked funds channelled through the UN system may even impede the “One UN” reform. On the other hand, some DAC members consider that voluntary contributions are a key mechanism for gaining influence, directing the focus of programmes and increasing the effectiveness of multilateral agencies. Administration fees may encourage some bilateral donors to earmark funding or to choose one agency over another.

### Box 3.5. Management of European Commission assistance

The European Commission (EC) is unique among DAC members in that it plays a dual role in development assistance. The EC manages funds on behalf of the EU (European Union), acts as a “federator” of aid from the 27 EU Member States and contributes non-core funding to multilateral organisations. The European Development Fund (EDF) can be considered to be a multilateral agency, with EUR 22.7 billion committed to the tenth replenishment covering 2008-13. The EDF is replenished periodically by the 27 EU Member States that negotiate specific contributions key for each replenishment. For the annual budget, the EC proposes, and the European Parliament and the Council (Member States) decide, how much funding from the EC’s own resources will be provided for development activities that will be implemented by the EC. Programming and implementing development co-operation activities is largely the responsibility of the Commission. The key actors are the Directorate General (DG) Development (in charge of overall development policies and relations with sub-Saharan Africa, Caribbean and Pacific (ACP) States), the DG External Relations, the DG Enlargement, the EuropeAid Co-operation Office (the office created in 2001 to implement the Commission’s external aid instruments) and the European Commission Humanitarian Aid Office (ECHO).

The EC co-operates with multilateral organisations where such co-operation supports EC policy objectives and adds value. Decisions to fund particular programmes are based on selecting the most appropriate channel to achieve geographical or thematic policy objectives. The Directorates General (DGs) responsible for policy and programme guidance (Development, External Relations) and EuropeAid co-operate closely to manage EC external aid. The Commission has progressively devolved management of aid programmes to field delegations and only a few programmes are still managed from headquarters. The Directorates General for Enlargement and Humanitarian Aid manage pre-accession aid and humanitarian assistance respectively. Many other DGs channel small amounts of funds through multilateral organisations and most have a unit responsible for relations with international organisations.

*Source:* The European Commission

DAC thinking in this area needs to be clarified. If there is general acceptance that the Paris Declaration principles should be applied then funding should take “programme-based approaches” that align with the priorities of each agency as set out in programmes and agreed by the Executive Board. This minimises the risk of distortion. DFID has addressed some of the risks associated with earmarked funding by launching a new allocation instrument which gives multilaterals incentives to provide more and better development results (Box 3.6).

### Box 3.6. DFID performance funding

DFID seeks to give more core funding to the more effective UN agencies. It will do this by giving performance bonuses to agencies that achieve agreed performance targets. It also wants funding to be more effective. Cutting back on earmarked funds and increasing the amount of pooled or core funding will encourage UN agencies to set priorities with partner governments.

DFID will assess the performance of UN agencies according to targets and indicators defined in UN agency plans and will reward those that meet targets with more core funding. These “performance bonuses” complement and do not replace approved multi-year contributions to the core resources of agencies. The aim is to progressively provide more and better funding to UN agencies that perform well and meet agreed targets.

*Source:* DFID

In some DAC member countries, national audit offices also deal with aspects of multilateral co-operation and make recommendations with respect to development assistance. In the UK, Denmark and Germany, audit offices make recommendations on assessments, strategies, review of multilateral portfolios and external evaluation tools. Countries usually follow up on these recommendations from their audit offices.

## Allocation and scaling up of multilateral aid

### *Capping multilateral aid*

In allocating bilateral and multilateral aid only a few DAC member countries put a cap on multilateral aid. One of these is Germany, which stipulates that annual allocations to multilateral organisations must not exceed one-third of the Federal Ministry for Economic Co-operation and Development (BMZ) budget. In some instances, this cap has meant that there have been minor amendments to allocations at the expense of multilateral organisations.

There are pros and cons regarding these types of predetermined allocations. While, for example, the debate in Switzerland about introducing a cap on multilateral aid continues, other countries, such as Denmark, have replaced a cap on multilateral aid with a policy of putting funds where they are most likely to achieve results. In other words, Denmark applies the effectiveness principle.

## *Scaling up multilateral aid*

### *Multilateral replenishments*

In 2007, the donor community was “tested” on promises and commitments to scale up ODA during the replenishment negotiations with major multilateral organisations. At the IDA15 replenishment discussions in December 2007, donor countries pledged a record USD 25.1 billion for the World Bank. Together with donor compensation under multilateral debt relief (MDRI) debt forgiveness, credit flows and expected World Bank Group transfers, the IDA15 replenishment total was USD 41.6 billion, that is USD 9.5 billion (25%) more than the previous replenishment (IDA14). Not only was the total a record, but the number of countries making pledges (45 countries) was the highest in IDA history.<sup>7</sup>

At the end of 2007 donor countries also agreed on a record level of support, USD 8.9 billion, for the concessional arm of the African Development Bank (AfDB) in the eleventh resource replenishment (ADF11) – an increase of 52% compared to the previous replenishment (ADF10).<sup>8</sup> In May 2008 the Asian Development Bank (AsDB) secured a total of USD 11.3 billion for its concessional development fund over the next four years – an increase of more than 60% over the previous period, though some is from reflows and internal resources.<sup>9</sup> Replenishments of other large funds, such as The Global Fund, the Global Environment Facility (GEF) and GAVI Alliance, have also recorded significant increases.

The latest replenishments testify to a strong willingness among donor countries to scale up aid through multilateral organisations. There will, however, be a time lag before these funds reach developing countries. The funds will count as ODA in 2009-10 when donors deposit promissory notes with the IFIs. Based on these inflows the IFIs will commit future spending in countries from 2009 to 2012. These firm commitments will help partner countries to plan their spending. However, this financing process (replenishment => promissory notes => commitments => expenditure) means that much of the scaled-up funding will only reach countries after 2010.

### *Survey on scaling up*

In late 2007 and early 2008 the DAC conducted the first full annual Survey on Aid Allocation Policies and Indicative Forward Spending Plans.<sup>10</sup> The survey identified resource gaps and opportunities for scaling up in partner countries. The work will stimulate improvements to the predictability of aid in the medium term, as called for in the Paris Declaration and by the UN Secretary General’s MDG Africa Steering Group. The survey focuses on how DAC donors and ten multilateral organisations plan to allocate funds to partner countries. However, to improve predictability it is also important for donors to be forthcoming about their plans to scale up contributions to multilaterals. Future surveys will cover this aspect.

### *Donor plans to scale up multilateral aid*

In preparation for this report, DAC member countries were asked whether or not they have specific plans to scale up allocations to multilateral organisations. In general, DAC member countries do not have specific plans to scale up multilateral aid allocations at this stage. However, at least two countries stress that in scaling up aid they will allocate more to multilaterals (Box 3.7).

### Box 3.7. UK and Spain – Scaling up aid to multilateral organisations

The White Paper *Eliminating World Poverty: Making governance work for the poor*<sup>1</sup> emphasises the UK's strong determination to deliver on the commitments made at Gleneagles in 2005. The UK plans to increase its development budget to the UN target of 0.7% of GNI by 2013. The UK stresses that international organisations play a major role in delivering aid and that donors will need to rely more on multilateral channels to distribute the bigger allocations. DFID publishes plans for forward spending in the DFID Annual Report, which also includes details of projected core funding to multilaterals and headline projections for non-core funding. However, these figures are indicative and subject to change.

Spain's multilateral aid has grown substantially in the last few years and now represents more than half (core and non-core) of total ODA. The rapid growth was from a low base and was spurred by a political commitment to engage with the multilateral system, particularly the UN. In further scaling up aid, Spain plans to level off the multilateral share at roughly where it stands now. To manage the rapid increase in multilateral funding, Spain has developed a multilateral strategy which sets out its guidelines for selecting and concentrating resources. Spain is also considering a shift to multi-annual planning for its multilateral assistance, through bilateral agreements at least for core funding and especially for the main UN agencies, in order to increase predictability.

1. DFID (2006), *Eliminating World Poverty: Making governance work for the poor*, London (<http://www.dfid.gov.uk/Pubs/files/whitepaper2000.pdf>).

*Source:* DFID and Ministry of Foreign Affairs and Co-operation of Spain.

## Notes

1. The regular budgets of UN specialised agencies are financed primarily through assessed contributions. The General Assembly determines the share of each member. This is in contrast to contributions to UN funds and programmes which are entirely voluntary.
2. “One UN” refers to the current reform “Delivering as One” in the United Nations (see Chapter 9 for details).
3. [http://www.oecd.org/document/0/0,3343,en\\_2649\\_34603\\_38897408\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/0/0,3343,en_2649_34603_38897408_1_1_1_1,00.html)
4. DFID (2006), *Eliminating World Poverty: Making governance work for the poor*, London (<http://www.dfid.gov.uk/Pubs/files/whitepaper2000.pdf>).
5. Contributions to many UN specialised agencies that are not earmarked are not fully counted as ODA when these agencies: (a) do not have a mandate entirely devoted to development and, (b) carry out activities that do not qualify as ODA; or (c) do not specifically target their activities to countries on the DAC List of ODA recipients.
6. Government of Ireland (2006), *White Paper on Irish Aid*, Dublin ([www.irishaid.gov.ie/whitepaper/](http://www.irishaid.gov.ie/whitepaper/)).
7. The World Bank (2007), *Chairman’s Summary: IDA Deputies Meeting*, Berlin, Germany, 13-14 December 2007, <http://siteresources.worldbank.org/IDA/Resources/Seminar%20PDFs/73449-1172525976405/3492866-1175095898235/BerlinSummary.pdf>.
8. [http://www.afdb.org/portal/page?\\_pageid=473,10476268&\\_dad=portal&\\_schema=PORTAL](http://www.afdb.org/portal/page?_pageid=473,10476268&_dad=portal&_schema=PORTAL).
9. <http://www.adb.org/Media/Articles/2008/12460-asian-development-fund/default.asp>.
10. OECD (2008), *Scaling Up: Fragmentation, Aid Allocation and Aid Predictability*, Paris ([www.oecd.org/dac/scalingup](http://www.oecd.org/dac/scalingup)).

## Chapter 4

### Bilateral and Multilateral Allocations

The study of DAC member country strategies on multilateral assistance (Chapter 3 and the Appendix) indicated that they have common priorities in their engagement with multilateral organisations, and share perceptions of the comparative advantages of multilateral agencies in specific regions and sectors. To test whether or not DAC countries act on these priorities and perceptions, this chapter compares multilateral and bilateral aid allocations in different ways. The main comparison is between bilateral aid and multilateral expenditure from core-funds. Partial estimates of commitments of non-core funding are given for comparison where possible. Three dimensions of the distribution of ODA across partner countries are examined: (a) geographical distribution; (b) distribution by partner country income; and (c) distribution by sector. The examination of distribution by sector includes studies on the distribution of ODA for health and infrastructure. Finally, this chapter describes the allocation systems of multilateral development banks and gives examples of how three UN agencies (UNICEF, UNDP and UNFPA) and The Global Fund make allocations.

#### Geographical distribution of ODA

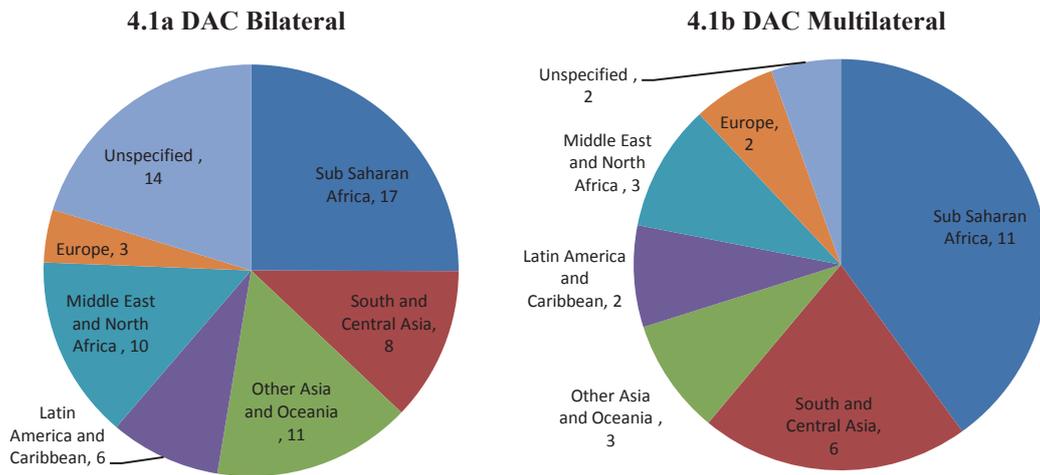
Figure 4.1 shows that the regional distribution of aid from multilateral agencies (core funds) differs from the regional distribution of bilateral aid. The multilateral organisations provide nearly two-thirds of their aid to sub-Saharan Africa, and South and Central Asia, whereas DAC countries provide just over a third of their bilateral aid to these regions. The multilaterals allocate 40% to the sub-Saharan African region alone (Figure 4.1b) compared to 25% allocated bilaterally (Figure 4.1a). The allocations by multilaterals align with the priority accorded to Africa by many DAC member countries in their multilateral strategies. Moreover, nearly all multilateral aid is allocated by region, while 20% of bilateral aid is allocated to global programmes.

As mentioned in Chapter 3, a common reason why DAC member countries engage with multilateral organisations is because of their neutrality, which enables the multilaterals to work in states in situations of conflict and fragility (fragile states). Figure 4.2 shows the share of bilateral assistance and the share of multilateral assistance that goes to fragile states.<sup>1</sup> Fragile states receive 17% of multilateral ODA, compared with 13% of DAC bilateral ODA. Excluding the three largest fragile states (Afghanistan, Sudan and the Democratic Republic of the Congo), the multilateral share is 13% compared with a bilateral share of 7%. Hence, multilateral agencies focus somewhat more than bilateral donors on fragile states. However, they perhaps do not give as much priority to fragile states as the multilateral strategies of DAC member countries indicate they should. The UN system is an important player in fragile situations but the data do not cover all UN agencies. Plus,

a relatively large share of non-core funding is distributed to fragile states (Figure 4.3b). This means that the distribution of multilateral aid to fragile states shown in Figure 4.2 is understated.

Figure 4.1. **Distribution of multilateral and bilateral aid by region 2006**

Gross disbursements (excluding debt relief) 2006, USD billion

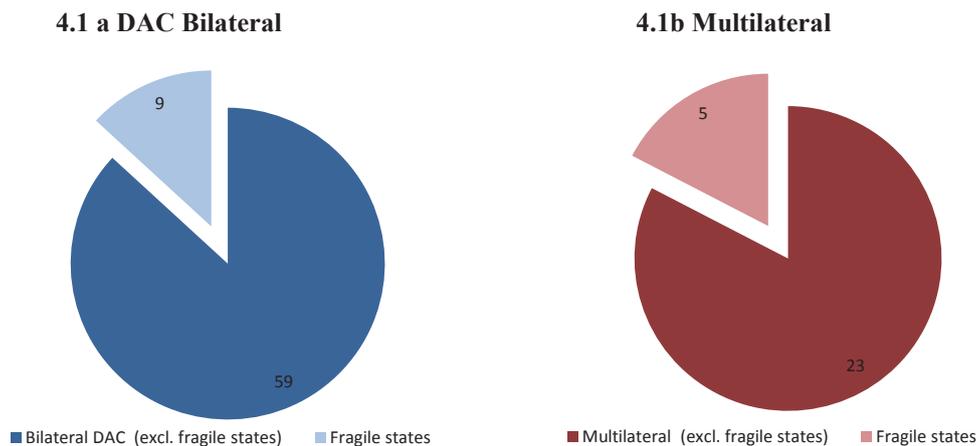


Source: DAC Aggregate Statistics

Note: Data on the multilaterals are incomplete. Around 23 of the major organisations are included, including 8 UN agencies.

Figure 4.2. **Distribution of bilateral and multilateral aid to fragile states 2006**

Gross disbursements (excluding debt relief) 2006, USD billion



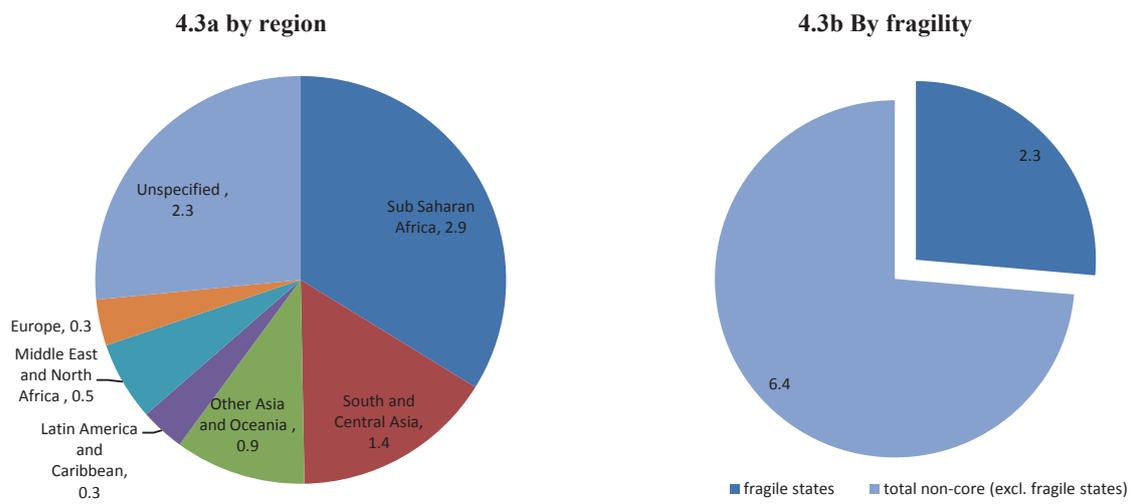
Source: DAC Aggregate Statistics

Note: Data on the multilaterals are incomplete. Around 23 of the major organisations are included, including eight UN agencies.

Figure 4.3 shows the geographical distribution of commitments of multilateral non-core funding. The share of non-core aid allocated to global programmes is relatively large. The distribution of non-core funding by region is similar to the distribution of core funding. Fragile states receive 26% of non-core funds reflecting donor policies to engage with these states through the multilateral system.

Figure 4.3. **Multilateral non-core funding by region and fragile states 2006**

Commitments (excluding debt relief) 2006, USD billion



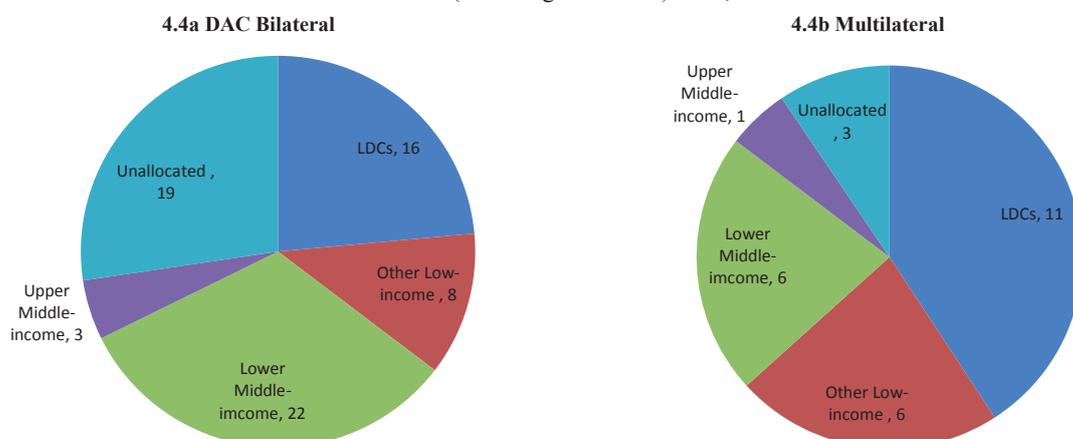
*Source:* Creditor Reporting System data on channel of delivery for 17 DAC members; partial reports from France and Japan. UK, Spain and Ireland are not included as these countries did not report channel of delivery data to CRS. Canada, Denmark, and Luxembourg are not included since they only report channel names and not codes. (This means that the estimate of non-core funds given here is lower than the estimate given in Chapter 2.)

### Distribution of ODA by income of partner country

As Figure 4.4 shows, compared to bilateral aid, the distribution of aid from multilateral agencies to countries by income differs even more than the regional distribution. In 2006, the multilateral organisations provided two-thirds of their aid to least developed and other low-income countries. In contrast, DAC member countries provided just one-third of their bilateral aid to these countries. They provided as much bilateral aid to middle-income countries as they did to least developed and low-income countries. This indicates that the engagement of DAC member countries with multilateral agencies does address the priority of reducing poverty to a large extent.

Figure 4.4. **Distribution of bilateral and multilateral aid to countries by income 2006**

Gross disbursements (excluding debt relief) 2006, USD billion



Source: DAC Aggregate Statistics

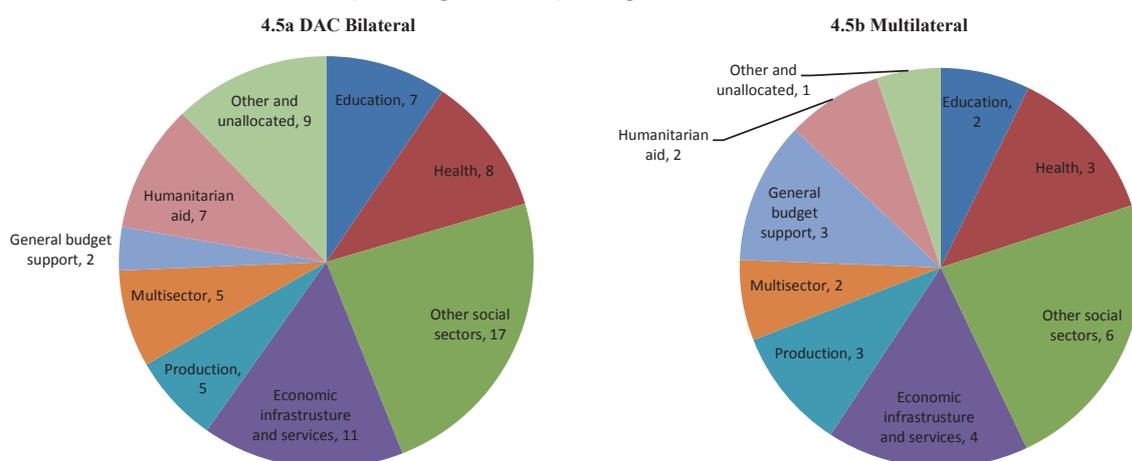
Note: Data on the multilaterals are incomplete. Around 23 of the major organisations are included, including eight UN agencies.

### Distribution of ODA by sector

The distribution of multilateral aid and distribution of bilateral aid by sector 2004-06 were similar (Figure 4.5 core funds).<sup>2</sup> The shares of multilateral aid for health, other social sectors, and economic infrastructure and services are similar to the bilateral shares, but a smaller share of multilateral aid is spent on education (in part reflecting donor training programmes funded by bilateral aid) and humanitarian aid. In contrast, as expected, the multilateral shares of aid for general budget support and production sectors are higher than the bilateral shares. However, Figure 4.5 may not give a full picture of multilateral aid by sector because most of the UN specialised agencies do not report data on sectors to the CRS.

Figure 4.5. **Distribution of bilateral and multilateral aid by sector 2004-06**

Gross commitments (excluding debt relief) average 2004-06, constant 2006 USD billion

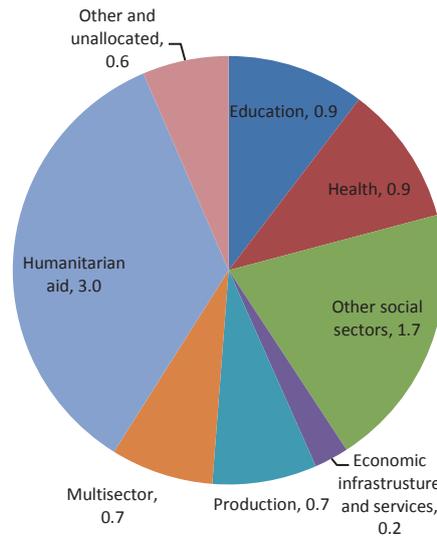


Source: Creditor Reporting System.

Note: Sectoral data on multilateral aid are incomplete. The data cover the EC, the World Bank, the regional development banks, IFAD, The Global Fund, UNAIDS, UNFPA and UNICEF. Data are missing for other UN agencies.

Figure 4.6 shows that multilaterals receive 35% of non-core funding for humanitarian purposes, compared with the only 8% of their core funding they allocate for humanitarian purposes. Not surprisingly, multilaterals receive relatively little non-core funding for budget support and infrastructure. Otherwise the distribution of multilateral core and non-core funding is similar, which suggests that earmarked funds distort allocations to a relatively minor extent.

Figure 4.6. **Multilateral non-core funding by sector 2006**  
Commitments (excluding debt relief) 2006, USD billion



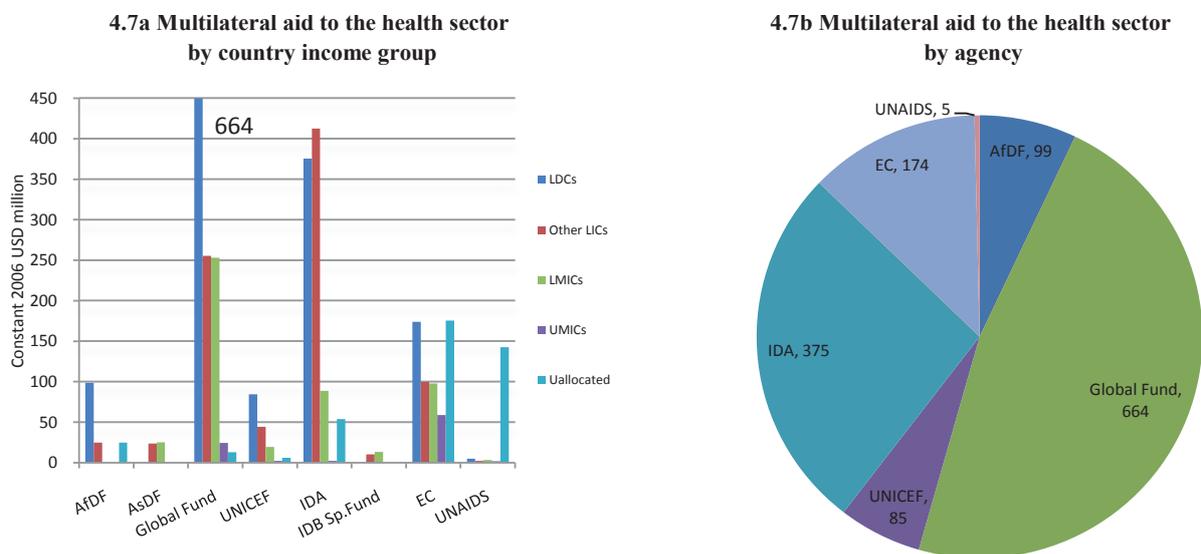
*Source:* Creditor Reporting System data on channel of delivery for 17 DAC members (only partial coverage for France and Japan) UK, Spain and Ireland are not included as these countries did not report channel of delivery data to CRS. Canada, Denmark, and Luxembourg are not included since they only report channel names and not codes. (This means that the estimate of non-core funds given here is lower than the estimate given in Chapter 2.)

### Multilateral aid to health and infrastructure

While DAC member countries give overall priority in their multilateral co-operation strategies to poverty reduction, most also regard the health sector as an important priority. Sector data show that least developed countries (LDCs) receive the largest share of multilateral health ODA (43%), as expected (Figure 4.7a). In the poorest countries The Global Fund is the largest multilateral actor in the health sector. Contributions from The Global Fund account for 47% of multilateral ODA to the health sector in LDCs (Figure 4.7b). The allocation of aid in the health sector aligns with DAC donor priorities. The EC allocates a significant share of aid for health globally or by region, whereas most assistance from UNAIDS is not currently reported by country (*i.e.* unallocated).

Figure 4.7. **Multilateral aid to the health sector by country income and agency, 2004-06**

Gross commitments (excluding debt relief) average 2004-06, constant 2006 USD million

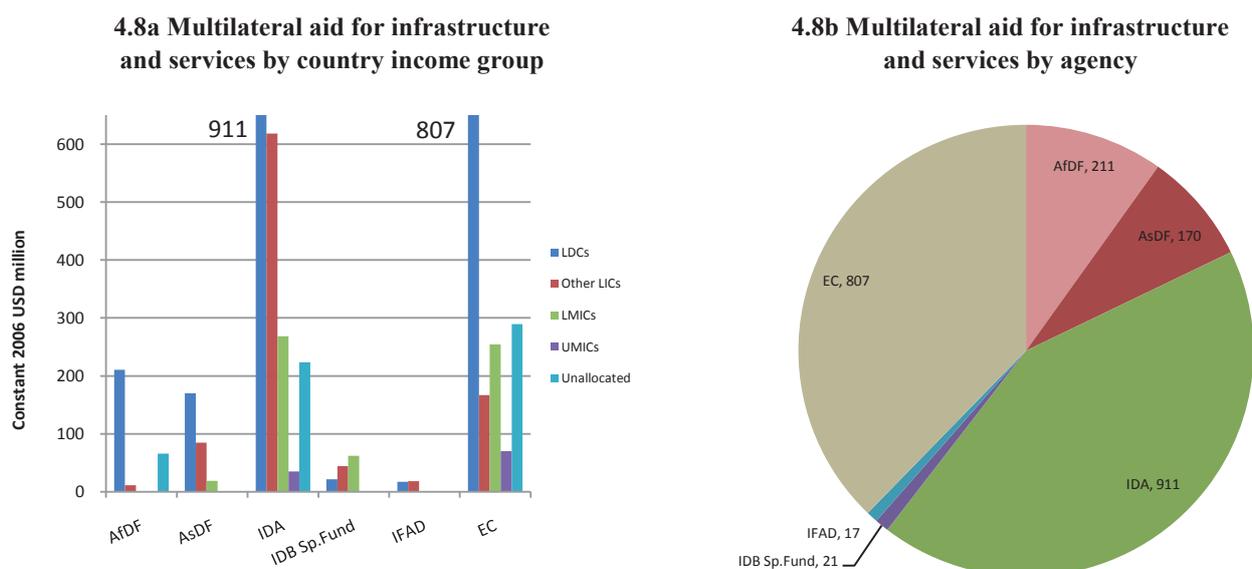


Source: Creditor Reporting System

Many DAC member countries indicate that the infrastructure sector is important in terms of their multilateral co-operation, especially as regards co-operation with the multilateral development banks. IDA and the EC are the agencies which allocate the largest amounts to infrastructure and services (including transport and storage, communications, energy, banking and business and other services) (Figures 4.8a and b). The regional development banks give priority to the poorest countries in allocating aid for infrastructure.

Figure 4.8. **Multilateral aid for infrastructure and services 2004-06**

Gross commitments (excluding debt relief) average 2004-06, constant 2006 USD million



Source: Creditor Reporting System

## Multilateral allocation systems

To allocate aid the multilateral organisations use models based on country needs and performance. Examples of allocation models are described below.

### *Multilateral development banks*

Most multilateral development banks (MDBs) consider the performance of partner countries when allocating aid resources (see Box 4.1). This method of allocating resources, known as Performance Based Allocation (PBA), has been in use for several years. MDBs using PBA include the African Development Bank (AfDB), the Asian Development Bank (AsDB), the Caribbean Development Bank (CarDB), the Global Environmental Facility (GEF), the Inter-American Development Bank (IDB), the International Development Association (IDA) of the World Bank, and the UN International Fund for Agricultural Development (IFAD). The allocation system of each agency, however, has evolved over time, often as a result of negotiations on each replenishment, where donors have discussed, refined and changed the PBA system. Nevertheless, PBA is still a fairly complex process in most MDBs.

### *UN allocations – three examples*<sup>3</sup>

#### *United Nations Children's Fund (UNICEF)*

UNICEF is funded exclusively from voluntary, as opposed to assessed, contributions. Donors contribute to the UNICEF (core) budget and also provide other resources, such as earmarked contributions. UNICEF co-operated with 155 countries, areas and territories in 2007. UNICEF allocates regular (core) resources using the method described in a UNICEF Executive Board document<sup>4</sup> and its associated resolution. UNICEF allocates funds to country programmes according to the following criteria:

- At least two-thirds of regular resources for programmes will be allocated on the basis of three core criteria – Under-5 Mortality Rate (U5MR), GNI per capita and Under-18 population;
- Each country will receive an allocation on the basis of the three core criteria, using the existing formula and refined weighting system given in Appendix 1 of E/ICEF/1997/P.L.17; and
- LDCs will receive 60% of the total allocation to countries; countries in sub-Saharan Africa will receive at least 50% of the total allocation.

#### *United Nations Development Programme (UNDP)*

UNDP is funded exclusively from voluntary, as opposed to assessed, contributions. Total resources are made up of regular contributions and other resources. Regular contributions to the UNDP core budget follow the criteria and appropriations established by the UNDP Executive Board. Other resources are made up of contributions earmarked for themes, countries, regions and/or specific projects. These contributions are broken down into three categories: bilateral donor contributions, multilateral contributions and resources provided by programme countries for domestic development activities.

#### Box 4.1. Multilateral development bank resource allocation systems

While Performance Based Allocation (PBA) systems may differ across the MDBs, all include two components – country performance and country needs – as key criteria in allocating aid.

- *Country performance* is typically measured by a Country Policy and Institutional Assessment (CPIA), and by rating portfolio performance. The CPIA measures the quality of a country's policies and institutions, that is the extent to which policy and institutional frameworks in a country support sustainable growth and poverty reduction, and consequently use development assistance effectively.<sup>1</sup> The portfolio performance rating reflects the “health” of the MDB portfolio of active development projects in a country.
- *Country needs* take into account the size of the population and gross national income (GNI) per capita. Population size and resource allocation are positively related while per capita income and resource allocation are negatively related. Some MDBs, such as IDA, also have base country allocations, which tend to benefit small states in terms of per capita allocations. IDA sets two criteria to ensure that resources are channelled primarily to LDCs: (1) relative poverty defined as GNI per capita below an established threshold and updated annually (USD 1 095 in fiscal year 2009); and (2) lack of creditworthiness to borrow on market terms and, therefore, a need for concessional resources to finance the country development programme. Other MDBs use similar criteria.

While most multilateral aid resources are allocated through the PBA system (70%-80%), historically there have been four exceptions:

- *Post-conflict/fragile states* emerging from severe conflict or with very weak institutional capacity can, under certain conditions, be provided with additional resources in times of exceptional need. Both IDA and IFAD have a special post-conflict allocation system to meet the needs of such countries, while the African Development Bank (AfDB) has recently introduced a Fragile States Facility, which caters to the special needs of fragile states. The duration and size of exceptional allocations for post-conflict and fragile states varies among MDBs.
- *Multi-country/regional projects* have received special funding, dedicated to regional integration and/or regional public goods. IDA and AfDB currently allocate such funds, while the Asian Development Bank (AsDB) intends to harmonise its approach to regional projects with the approaches of other MDBs. While the criteria for allocating regional funds differ between MDBs, most take into consideration the countries participating in the regional project, the evidence of country and regional ownership, and the potential of projects to contribute to policy harmonisation and regional integration.
- *Small states and islands* (with a population of less than 1.5 million) are often vulnerable to economic fluctuations and natural disasters. MDBs have different approaches to supporting these states. IDA, for example, has recently raised its base annual country allocation to about USD 2 million; AsDB has a pool of funds for Pacific states; and the CarDB has a special natural disaster fund to provide emergency support to Caribbean countries.
- *Capped-blend countries*. Some MDBs, such as IDA, set maximum limits on allocations of concessional aid to countries classified as poor by per capita GNI, but which have access to market financing because they are creditworthy.<sup>2</sup> Allocations to these countries are capped at levels well below the level indicated by PBA because they have broad financing options.

#### Box 4.1. Multilateral development bank resource allocation systems (continued)

Overall, PBA has helped to direct resources to countries where results are being achieved. A recent World Bank study<sup>3</sup> shows that countries where policy and institutional performance over several decades has been good have had better human development and growth outcomes than countries where performance has been poor.

*Source:* World Bank.

1. The CPIA has four clusters. Clusters A-C measure macroeconomic and structural policies and institutions. Cluster D measures the quality of public sector management and institutions, sometimes also referred to as the “governance” cluster.
2. For IDA, these countries include India and Pakistan. IDA currently caps the performance-based three-year allocations of India and Pakistan at 11% and 7% of total IDA resources, respectively.
3. World Bank, *Selectivity and Performance: IDA’s Country Assessment and Development Effectiveness*, Development Economics, Office of the Chief Economist (DECVP), February 2007.

UNDP follows a four-year programme cycle. Programme resources are allocated in accordance with programming arrangements<sup>5</sup> approved by the UNDP Executive Board.<sup>6</sup> UNDP Executive Board legislation stipulates that at least 85% of core programme resources should be allocated to low-income countries (LICs) and at least 60% to least developed countries (LDCs).

UNDP allocates 80% of core programming resources directly to country programmes. Of these, 50% are entitlement-based and allocated according to a formula established by the UNDP Executive Board (TRAC-1 where TRAC = “target for resource assignment from the core”). The formula takes into account GNI per capita, population size and other key indicators as defined in the UNDP programming arrangements (DP/2007/44). Allocations of the other 50% are incentive-based and focus on supporting and enhancing national capacity for achieving the MDGs (TRAC-2). The allocations target high-impact, high-leverage activities.

#### *United Nations Population Fund (UNFPA)*

UNFPA is also funded exclusively from voluntary, as opposed to assessed, contributions. UNFPA resources are made up of regular contributions – donor contributions to the regular (core) budget – and earmarked contributions. UNFPA allocates regular contributions to country programmes and the Global and Regional Programme (USD 1 billion and USD 200 million respectively 2008-11), together referred to as “total programme resources”. Regular contributions also cover programme support costs (estimated at USD 500 million 2008-11).

The UNFPA Resource Allocation System for country programming has been in place since 1996. The current version was endorsed by the UNFPA Executive Board in September 2007. The system is based on eight indicators relating to the goals of the International Conference for Population and Development (ICPD) (births attended by skilled attendants, contraceptive prevalence rate, adult HIV prevalence, adolescent fertility rate, under-5 mortality rate, maternal mortality ratio, literacy rate among 15-24 year old females, proportion of population aged 10-24 years) and a number of basic principles. The

latter include: adherence to the principles of the ICPD Programme of Action; a focus on financial assistance to countries with the lowest level of achievement of ICPD goals and phasing out assistance to countries that have attained or are close to attaining these goals; special attention to LDCs and other LICs, sub-Saharan Africa and countries in emergency situations, transition and recovery; promotion of national capacity-building through South-South co-operation; and provision of technical assistance to countries that request it.

The UNFPA Resource Allocation System classifies programme countries into three groups:

- A. Countries in greatest need of assistance (have met 0-4 of the thresholds for the eight indicators);
- B. Countries that have made considerable progress towards achieving ICPD goals (have met 5-7 of the thresholds); and
- C. Countries that have made significant progress towards achieving ICPD goals (have met all 8 thresholds).

Group A countries receive 71-73 % of total UNFPA programme resources, whereas groups B and C receive 21-22% and 6-7% respectively. Allocations are subject to consultations between the Strategic Planning Office and the Geographic Divisions. The UNFPA Executive Director approves distribution to individual countries.

#### Box 4.2. United Nations Development Assistance Framework (UNDAF)

Operational planning for UN agencies at the country level takes place within the UNDAF. The UNDAF includes all UN agencies that are members of the UN Development Group (UNDG) and that constitute the United Nations Country Team (UNCT). This means that agencies (funds, programmes and specialised agencies) take part in a joint programming process whether or not they have core-funded country programmes.

In brief, the UNDAF is the collective response of the UNCT to national development frameworks. UNDAF defines, over a five-year period, how UN agencies will support national development frameworks through projects and programmes. An assessment of the UN position (including the comparative advantage) in a country is carried out at an early stage in the UNDAF process. Analytical work for UNDAF is either government-led in country or based on UN Common Country Assessments. UNDAF cycles are aligned, wherever possible, with national planning frameworks.

UNDAF operations are guided by a results matrix. This “live tool” allows programmes to adjust in response to UNDAF annual reviews, and UNDAF monitoring and evaluation. The budget for the UNDAF results matrix estimates the financial contributions required from the UN system to achieve each UNDAF outcome. Each agency identifies the resources that it plans to contribute to both core and non-core funded activities. Agencies also identify activities for which funding has not been secured. Each agency subsequently commits resources according to their own procedures and approval mechanisms.

*The Global Fund to fight AIDS, Tuberculosis and Malaria (The Global Fund)*

The Global Fund is a financial instrument, not an implementing entity. It was created in 2002 as a global public/private partnership to attract and disburse additional resources to prevent and treat HIV/AIDS, tuberculosis and malaria. As of November 2007, The Global Fund had approved funding for 450 programmes in 136 countries. Its work is guided by seven principles:

- Operate as a financial instrument, not an implementing entity.
- Make available and leverage additional financial resources.
- Support programmes that reflect national ownership.
- Operate in a balanced manner in terms of different regions, diseases and interventions.
- Pursue an integrated and balanced approach to prevention and treatment.
- Evaluate proposals through independent review processes.
- Establish a simplified, rapid and innovative grant-making process and operate transparently, with accountability.

The Global Fund finances programmes in all regions of the world. Country Coordination Mechanisms develop proposals and grants are awarded through an annual application and approval process (funding round). Country Coordination Mechanisms include representatives from governments, bilateral and multilateral agencies, NGOs, academic institutions, private businesses and people living with or affected by the diseases. The Global Fund Secretariat reviews the proposals and an independent Technical Review Panel recommends which proposals should be approved by the Board. Approved grants are implemented on a multi-year schedule. A core principle of The Global Fund is performance-based funding. Initial funding is awarded solely on the technical quality of the applications, but continued and renewed funding depends on proven results and achieving targets.

## Notes

1. The World Bank List of Fragile States (2007) is used in this study, *i.e.* low-income countries scoring 3.2 and below on the World Bank Country Policy and Institutional Assessment (CPIA), <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:21389974~pagePK:51236175~piPK:437394~theSitePK:73154,00.html>.
2. The activity-level Creditor Reporting System provides the most comprehensive data on aid by sector on a commitments basis. To smooth fluctuations in commitments, a three-year average is used.
3. Ibid. *Scaling Up: Aid Fragmentation, Aid Allocation and Aid Predictability*.
4. E/ICEF/1997/P.L.17, [www.unicef.org](http://www.unicef.org).
5. DP/2007/44 for 2008-1.1, [www.undp.org](http://www.undp.org).
6. Decision 2007/33, [www.undp.org](http://www.undp.org).

## Chapter 5

### International Organisations that Receive ODA

The 2008 version of the Development Assistance Committee (DAC) Statistical Reporting Directives lists 263 international organisations to which contributions count as official development assistance (ODA).<sup>\*</sup> An initial study of the 242 organisations that were on the list in 2007, based on information on their websites, covers their mandate, revenue, starting year and sector. The study describes only 229 agencies, as no information – not even a website – could be found for the other 13 organisations. Initial findings of this ongoing study are presented in this chapter.

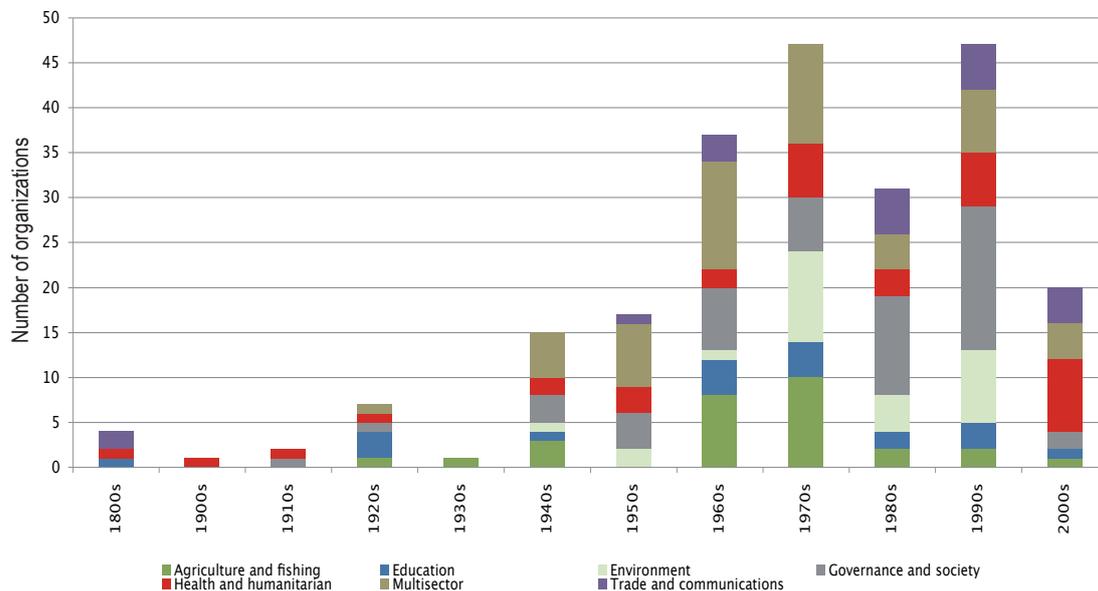
#### Proliferation of organisations

Figure 5.1 shows when international organisations were founded, by decade, and the main sector they address. Most of the organisations/funds have been created since 1945. Only 15 existed in 1940. In the 1940s, 15 organisations were founded, following the creation of the Bretton Woods institutions in 1944 and the UN in 1945. As many organisations again were founded in the 1950s so that, by the end of the decade, there were 47. But the 1960s and 1970s saw an explosion of new agencies, with the creation of major bodies, such as the UNDP, and African and Asian Development Banks, in the 1960s and 10 environmental (including UNEP and Habitat) and 10 agricultural research bodies in the 1970s. The 1980s and 1990s saw a rapid growth in agencies addressing governance and social issues, most of them relatively small.

The health sector is often said to be highly fragmented, a perception which may reflect the growing number of non-official actors. As far as official health and humanitarian agencies are concerned, the DAC lists 34. Almost half of these have been created since 1990. OCHA (1991) and ECHO (1992) reflect efforts to coordinate responses to humanitarian crises. UNAIDS (1996), GAVI (2000) and The Global Fund (2002) reflect the trend towards disease-specific approaches to health assistance in the last decade. In contrast, just 20 agencies have been created in the education sector. Since 2000, only one agency – to address e-learning – has been created in the education sector.<sup>†</sup> Two of the oldest international agencies on the list are in the trade and communications sector – the International Telecommunications Union (1865) and the Universal Postal Union (1874) – as well as some of the newest – the Global Alliance for Information and Communication Technologies and Development (2006).

<sup>\*</sup> See Annex 2 to the DAC Statistical Reporting Directives, [www.oecd.org/dac/stats/dac/directives](http://www.oecd.org/dac/stats/dac/directives). A net 19 agencies were added to the list in the 2008 update, mainly small international NGOs.

<sup>†</sup> The Education for All Fast Track Initiative ([www.efasttrack.org](http://www.efasttrack.org)), created in 2002, is not on the list as it is a trust fund housed in, and managed by, the World Bank.

Figure 5.1. **Founding of international organisations by decade and sector**

Source: Websites of international organisations in Table 5.1

## From the global to the tiny

Commitments of core and non-core funding to these agencies were around USD 43 billion in 2006. Two-thirds of this funding went to just five agencies (EC, IDA, The Global Fund, and the Asian and African Development Banks) whereas 100 small agencies (40% of the number of agencies), each with annual revenues of USD 20 million or less, combined receive around USD 800 million in ODA (2% of the total funds). The small agencies have annual revenues of USD 20 million or less. Between these two extremes are around 50 agencies that have revenues of USD 100-500 million. Note, however, that the amounts mentioned here are approximate, since many organisations – especially the smaller ones – do not provide information on annual contributions and budgets on their websites.

## Agriculture, livestock and fisheries organisations

Table 5.1 gives information about the 29 agencies working in the agricultural, livestock and fisheries sector. Two UN agencies – FAO and IFAD – are the main players in this sector and, along with the Consultative Group on International Agricultural Research (CGIAR), are the only agencies handling over USD 100 million in ODA each year. Eleven agencies are estimated to handle between USD 20-49 million each and the remaining 15 less than USD 20 million.

There is minimal overlap in the mandates of these agencies but, while just one agency deals with livestock, there are seven crop-specific agencies (including two for rice) and eight research agencies. Despite their relatively small size these agencies, which date from 1939 to 1993, undoubtedly provide valuable public goods in their fields. However, there may be scope for the three fisheries agencies in the Asia and the Pacific region to rationalise their activities.

Note too, that the existence of a large number of multilateral organisations is not necessarily a negative. International organisations were often created to pool resources to address a particular global problem. For example, supporting the crop-specific agricultural research institutions of the CGIAR is a better way to address global problems than for each bilateral donor to create separate research institutes for each crop. Similarly, the Global Environmental Facility addresses global environmental issues in a more effective way than donor countries could with bilateral approaches.

This snapshot of the agricultural, livestock and fisheries sector is an example of how further work covering all sectors could identify scope for rationalisation to reduce duplication. Further work would, at the very least, provide a better understanding of the range of agencies in existence. Work in 2009 will provide information on the mandate and volume of all 263 organisations. This information will be helpful in allocating aid resources. Collecting information has proved time consuming, especially in the case of small organisations which have only basic websites or no website at all. One clear message is that many of the organisations need to be more transparent, especially as regards their annual income, expenditure and operations. The 1 000 World Bank Trust Funds and UN earmarked funds and accounts will also be examined in the next report.

Table 5.1. International agriculture, livestock and fisheries agencies receiving ODA

Grouping	Acronym	Agency Name	Mandate	Starting year	Volume range, 2006 (\$, millions)*	Website
Main organisations	FAO	Food and Agriculture Organization of the UN	To raise levels of nutrition, improve agricultural productivity, better the lives of rural populations and contribute to the growth of the world economy.	1945	500-999	www.fao.org
	IFAD	International Fund for Agricultural Development	To eradicate rural poverty in developing countries.	1977	500-999	www.ifad.org
Regional	IICA	Inter-American Institute for Cooperation on Agriculture	To support the efforts of its member states to achieve agricultural development and well-being for rural populations.	1942	20-49	www.iica.int
	CIHEAM	International Centre for Advanced Mediterranean Agronomic Studies	To train those with posts of responsibility in the food and agriculture sector to ensure the rapid and harmonious development needed to maintain the stability of the region.	1962	20-49	http://www.ciheam.org/index.php
	FFTC	Food and Fertilizer Technology Centre for the Asian and Pacific Region	To collect and disseminate information in agriculture, with the goal of promoting higher output and incomes for small-scale farmers.	1970	[10-19]	www.agnet.org
Research	BI	Biodiversity International	To promote research on the use and conservation of agricultural biodiversity, to create more productive, resilient and sustainable harvests.	1974	20-49	www.biodiversityinternational.org
	CGIAR	Consultative Group on International Agricultural Research	To achieve sustainable food security and reduce poverty in developing countries through scientific research in agriculture, forestry, fisheries, policy, and environment.	1971	100-499	www.cgiar.org
	CIAT	International Centre for Tropical Agriculture	To reduce hunger and poverty in the tropics through collaborative research that improves agricultural productivity and natural resource management.	1967	20-49	www.ciat.cgiar.org
	FARA	Forum for Agricultural Research in Africa	To increase the effectiveness of agricultural research systems in Africa.	1989	0-9	www.fara-afrika.org
	ICARDA	International Centre for Agricultural Research in Dry Areas	To improve the welfare of poor people and alleviate poverty through research and training in dry areas of the developing world.	1977	20-49	www.icarda.cgiar.org
ICRA	International Centre for Development Oriented Research in Agriculture	To stimulate innovation by strengthening the abilities of people and organisations in the rural sector, research and education to collaborate and learn from each other.	1981	0-9	www.icra-edu.org	

Table 5.1. International agriculture, livestock and fisheries agencies receiving ODA (continued)

Grouping	Acronym	Agency Name	Mandate	Starting year	Volume range, 2006 (\$, millions)*	Website
	ICRISAT	International Crops Research Institute for the Semi-Arid Tropics	To conduct innovative agricultural research and capacity building for sustainable development.	1972	20-49	www.icrisat.org
	IITA	International Institute of Tropical Agriculture	To be one of Africa's leading research partners in finding solutions for hunger and poverty.	1967	20-49	www.iita.org
Crops and diseases	AVRDC	World Vegetable Centre	To reduce malnutrition and alleviate poverty in developing countries through improved production and consumption of safe vegetables.	1971	10-19	www.avrdc.org
	CIMMYT	International Maize and Wheat Improvement Center (Centro Internacional de Mejoramiento de Maiz y Trigo)	To apply science to increase food security, improve the productivity and profitability of maize and wheat farming systems, and sustain natural resources in the developing world.	1966	20-49	www.cimmyt.org
	CIP	International Potato Centre (Centro Internacional de la Papa)	To reduce poverty and achieve food security in developing countries through scientific research and related activities on potatoes and other root and tuber crops.	1967	20-49	www.cipotato.org
	DLCO-EA	Desert Locust Control Organisation for Eastern Africa	To promote the most effective control of desert locust in the region.	1962	[10-19]	www.dlcoea.org.et
	GODT	Global Crop Diversity Trust	To ensure the conservation and availability of crop diversity for food security worldwide.	2001	0-9	www.croptrust.org
	ICAC	International Cotton Advisory Committee	To assist governments in fostering a healthy world cotton economy.	1939	0-9	www.icac.org
	ICIPE	International Centre of Insect Physiology and Ecology	To develop strategies to deal with harmful and useful arthropods.	1970	10-19	www.icipe.org
	INBAR	International Network for Bamboo and Rattan	To improve the well-being of the producers and users of bamboo and rattan within the context of a sustainable bamboo and rattan resource base.	1993	0-9	www.inbar.int
	ISTA	International Seed Testing Association	To produce internationally agreed rules for seed sampling and testing.	1924	0-9	www.seedtest.org
	IRRI	International Rice Research Institute	To reduce poverty and hunger, improve the health of rice farmers and consumers, and ensure that rice production is environmentally sustainable.	1960	20-49	www.irri.org

Table 5.1. International agriculture, livestock and fisheries agencies receiving ODA (continued)

Grouping	Acronym	Agency Name	Mandate	Starting year	Volume range, 2006 (\$, millions)*	Website
	WARDA	Africa Rice Center	To increase the productivity and profitability of the African rice sector while ensuring environmental sustainability.	1970	10–19	www.warda.org
Fishing	APFIC	Asia-Pacific Fishery Commission	To provide advice, coordinate activities and act as an information broker to increase knowledge of fisheries and aquaculture in the Asia Pacific region.	1948	[10-19]	www.apfic.org
	FFA	Pacific Islands Forum Fisheries Agency	To provide expert fisheries management and development advice and services to member countries.	1979	0–9	www.ffa.int
	SEAFDC	Southeast Asian Fisheries Development Centre	To promote sustainable fisheries development in Southeast Asia.	1967	[10-19]	www.seafdec.org
	WorldFish	WorldFish Center	To reduce poverty and hunger by improving fisheries and aquaculture.	1977	10–19	www.worldfishcenter.org
Livestock	ILRI	International Livestock Research Institute	To bring high-quality science and capacity-building to bear on poverty reduction and sustainable development for poor livestock keepers and their communities.	1994	20-49	www.ilri.org
* Brackets indicate rough estimation						

## Chapter 6

### Multilateral Fragmentation and Opportunities for Better Division of Labour

The Accra Agenda for Action, with its call for “improved allocation of resources within sectors, within countries, and across countries”, puts division of labour as firmly on the agenda of multilateral donors as on the agenda of bilateral donors. This chapter examines patterns of multilateral aid fragmentation and concentration. It includes maps and a matrix showing which multilateral agencies operate where. This information is useful when considering adjustments in aid allocations among and within countries. It is also useful to multilateral agencies which seek to focus on fewer partner countries and sectors but to play a bigger role in each. Only a few multilateral agencies currently provide data on their activities to the DAC Secretariat. More detailed reporting on activities by multilateral organisations – as called for by the International Aid Transparency Initiative (IATI) – would enhance discussions on the division of labour.

#### Multilateral concentration and fragmentation at the global level

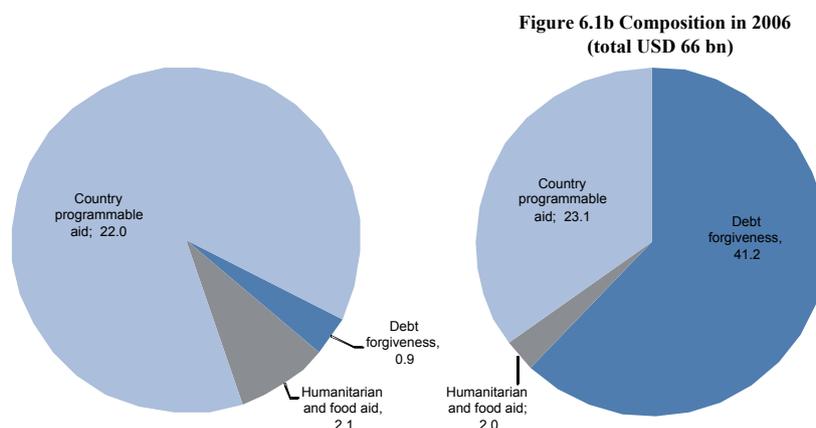
The analysis of concentration and fragmentation of efforts covers the 20 multilateral agencies shown in Table 6.1. These agencies report all core-funded expenditures on operational activities in 153 partner countries annually to the DAC Secretariat. Non-core funding – earmarked contributions for specific activities – is defined as bilateral ODA and is not included in the analysis. With respect to MDBs, only concessional resources (credits and grants) are covered.

To analyse fragmentation, this study uses a new measure of multilateral outflows, namely *country programmable aid* (CPA). CPA is the core-funded resources extended by a multilateral agency to partner countries. CPA is the amount that can be programmed at partner country level and is defined by taking total gross multilateral ODA and **subtracting** aid that is i) unpredictable by nature (humanitarian aid and debt relief); ii) entails no cross-border flows (administrative/programme support costs<sup>1</sup>) or iii) does not form part of co-operation agreements between governments (food aid). CPA of the multilateral organisations covered in this chapter amounted to USD 23.1 billion in 2006. Some agencies, such as UNHCR and WFP are excluded from this analysis as they provide solely food and humanitarian aid, which is not classified as CPA.

As Figure 6.1a shows, in 2005 CPA represented 88% of aid extended by multilateral agencies to partner countries. However, in 2006 CPA amounted to only 35% of gross multilateral ODA (Figure 6.1b) because debt forgiveness under multilateral debt relief initiative (MDRI) by IDA and the African Development Bank (AfDB), amounting to USD 37.2 billion was all accounted for in 2006. In absolute terms, CPA was more or less constant in 2005 and 2006 at USD 23 billion. Bilateral CPA of DAC members typically amounts to around two-thirds of gross bilateral ODA, as it includes more elements that are

not country programmable, such as NGO funding, student and in-donor-country refugee costs, and administrative costs. (Bilateral CPA was less than half of bilateral ODA in 2005 and 2006 due to exceptional bilateral debt relief in these years.)

Figure 6.1. Composition of gross multilateral ODA 2005 and 2006



Source: Secretariat estimates.

Note: The data cover only programmes in partner countries; regional/multi-country and unallocated categories have been excluded.

Table 6.1 shows the degree of concentration of multilateral agency co-operation programmes. At the global level multilateral agencies account for 36% of global CPA (multilateral and DAC member countries combined). Column A shows the average CPA of each multilateral agency 2005-06. Column B shows the share of total CPA for each agency. Collectively, the development banks accounted for 17.6% of global CPA, the UN agencies 3.7% and the global funds and mechanisms 2.1%. IDA and the EC are the two multilateral agencies with the largest shares of global CPA, 13% and 10.2% respectively. At the other extreme, the European Bank for Reconstruction and Development (EBRD) and UNAIDS each accounted for only 0.03% of global CPA.<sup>2</sup>

The presence of an agency in a partner country is largely determined by the mandate of the agency. Column C shows the number of partners for each agency: The EC has the largest number of partner countries (149), whereas UNRWA, with its focused mandate (to carry out direct relief and programmes for Palestinian refugees in the Middle East), is present in only four partner countries. Organisations with regional mandates, such as Asian Development Fund (AsDF), African Development Fund (AfDF), Caribbean Development Bank (CarDB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB) and UNRWA are present in fewer countries (on average 21) compared to organisations with a global mandate, such as IDA, EC, the UN agencies and the global funds (on average 103 countries).

Column D shows the number of partner countries in which the agency's share of CPA exceeded the agency's share of global CPA. In this group the partner countries are denoted "above average" partners. Column E shows these "above average" partner countries as a percentage of the total number of the agency's partner countries. A high percentage indicates the degree of concentration of the agency's co-operation programme. The degree of concentration ranges from 100% for regional agencies, such as IDB, UNRWA and CarDB, to 48% for GEF.

Table 6.1. **Concentration of multilateral agencies, 2005-06**  
(Gross disbursement average 2005-06 on the basis of constant 2006 USD)<sup>4</sup>

	CPA (USD million) <sup>4</sup>	Donors' share of global CPA (in %)	No. of partners	No. of partners above average share	Concentration measure (D as % of C)
	A	B	C	D	E
IDA	8 202	13.0	76	49	64
EC	6 424	10.2	149	79	53
AsDF	1 405	2.2	27	18	67
The Global Fund	1 130	1.8	104	62	60
AfDF	949	1.5	39	32	82
IMF-PRGF	677	1.1	37	30	81
Arab Agencies <sup>1</sup>	576	0.9	86	53	62
UNRWA	560	0.9	4	4	100
IDB Sp. Fund	491	0.8	25	25	100
UNICEF	486	0.8	122	65	53
UNDP	412	0.7	129	74	57
IFAD	336	0.5	78	53	68
UNFPA	283	0.4	116	67	58
UNTA <sup>2</sup>	274	0.4	148	99	67
GEF	145	0.2	94	45	48
Montreal Protocol	83	0.1	17	14	82
Nordic Dev. Fund <sup>3</sup>	72	0.1	21	19	90
CarDB	43	0.1	14	14	100
EBRD	19	0.03	18	17	94
UNAIDS	16	0.03	102	63	62

1. The Arab agencies include: Arab Bank for Economic Development in Africa, Islamic Development Bank and OPEC Fund.

3. UNTA are technical assistance expenditures incurred by UN Specialised Agencies (WHO, UNESCO, FAO, ILO, UNIDO) from their regular budget.

3. The Nordic Development Fund has ceased new lending activities since 2005: the data reported related to project activities committed prior to 2005.

4. The data covers only programmes in partner countries; regional/multi-country and unallocated categories have been excluded.

The Table gives a snapshot of the distribution of CPA by the multilateral agencies in the 153 ODA-eligible partner countries. IDA disbursed on average USD 8.2 billion CPA 2005-06, which represented 13% of global CPA (including the CPA of DAC member countries). IDA was present in 76 partner countries. In 49 partner countries IDA funds accounted for more than 13% of aid (*i.e.* IDA had 49 “above average” partner countries). The concentration “measure” of IDA is 64%. Apart from the EC, agencies with a concentration measure of less than 60%, GEF, the Global Fund, UNICEF, UNDP and UNFPA, have a global geographical mandate but a sectoral or thematic focus. In the case of the EC, which disbursed on average USD 6.4 billion 2005-06, the concentration measure is 53%. This means that, in nearly half of the EC 149 partner countries, the EC share of total aid is below its global share of 10.2% (mainly countries in Asia and Oceania).

Figure 6.2 shows the quartile distribution of multilateral agencies in partner countries. Fifteen partner countries<sup>3</sup> had 14 agencies present.<sup>4</sup> Among these countries, 12 (Bangladesh, Ghana, Honduras, Kenya, Malawi, Mozambique, Rwanda, Senegal, Tanzania, Uganda, Viet Nam, Zambia) also had 15 or more DAC member countries present. Mayotte, and Wallis and Futuna had one multilateral agency present. Countries where only a few multilateral agencies were present are mostly small island states and, in general, very few DAC members were present in these countries.

Multilateral agencies provided the majority of CPA in nearly half the countries in Africa, sub-Saharan Africa, the Middle East and North and Central America. In nearly half the fragile states and states in a situation of conflict and fragility, multilateral agencies provide the majority of the aid. This is especially true for 14 of the 22 fragile states in Africa, where the multilateral agencies are the dominant players.

Figure 6.2. Number of multilateral agencies per country 2005-06  
(Gross disbursement of CPA, 2005-06)

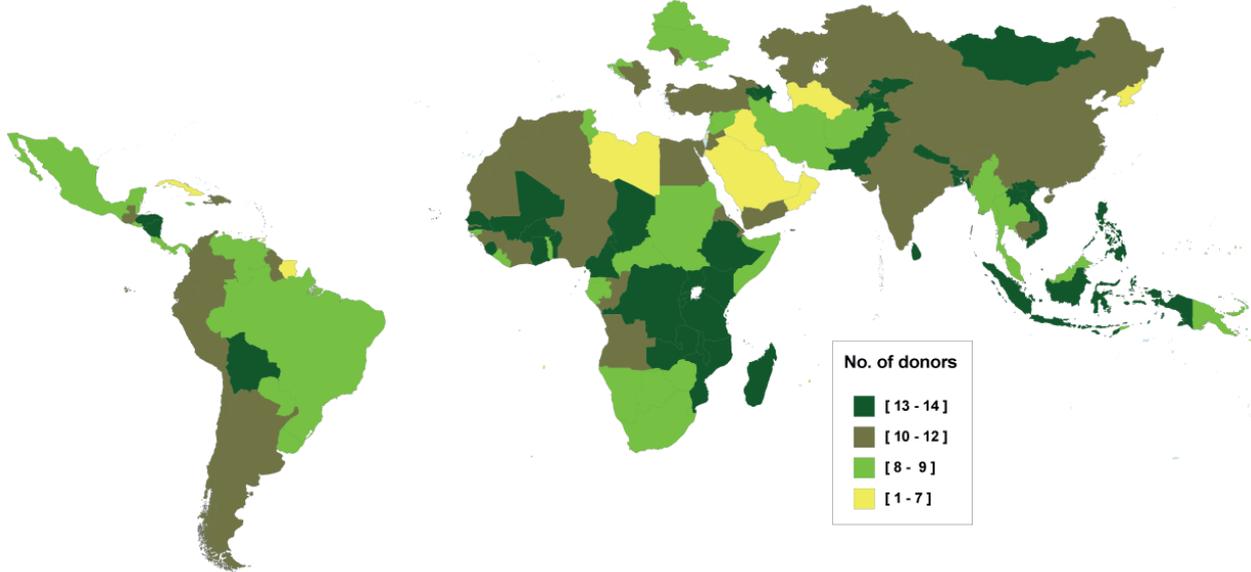
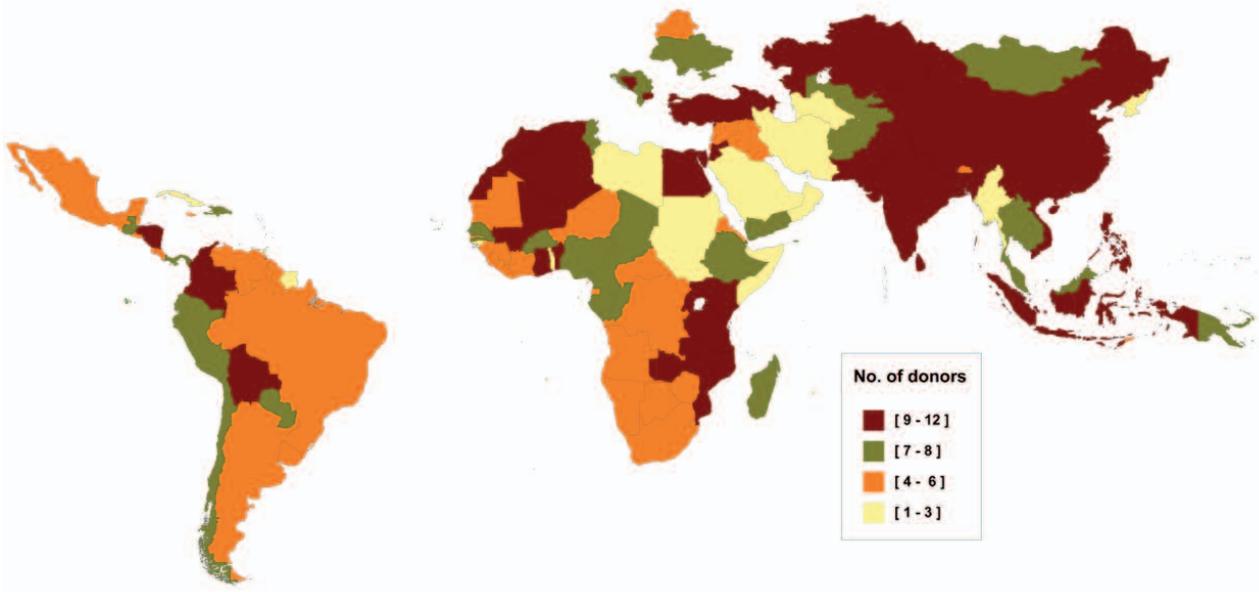


Figure 6.3. Number of multilateral agencies collectively contributing less than 10% of a country's aid, 2005-06

(Gross disbursement of CPA, 2005-06)



From a partner country perspective, fragmentation presents problems. It means they have to deal with a large number of donors providing small amounts of CPA. This can weaken ownership and burden already limited institutional capacity.

The multilateral agencies cannot tackle fragmentation without the co-operation of bilateral donors and vice versa. When many donors collectively provide less than 10% of a country's total aid, fragmentation becomes severe. CPA data show that 20 or more donors (of which nine or more are multilateral agencies) together represent only 10% of CPA in 21 partner countries.

Figure 6.3 shows that there are 35 countries<sup>5</sup> where between 9 and 12 multilateral agencies represent on average more than half the donors, collectively providing less than 10% of a country's aid. In these countries there are opportunities for multilateral agencies to concentrate their efforts.

## Multilateral concentration and fragmentation at partner country level

### *Matrix of donors and partner countries*

Although maps (Figures 6.2, 6.3) provide an overview of fragmentation and concentration, if donors and partner countries are to change their aid allocations, they need more detail about where donors are working. Table 6.2 provides details of aid fragmentation and concentration in partner countries, focusing on multilateral organisations. The matrix shows each agency's share of global CPA and the share at country level, and includes DAC member countries' total CPA for comparison. Agencies that are major players in a partner country and partner countries that receive an "above average" share of a donor's CPA are highlighted.

The matrix shows:

- a) CPA to 153 partner countries from 20 multilateral organisations and 22 DAC member countries in 2005-06 (Column 5) and average per donor (Column 6);
- b) Number of donors per partner (Column 2);
- c) Number of partners per donor (Row 2);
- d) Each donor's CPA (Row 5), average per partner (Row 6) and share of global CPA from all donors (Row 7);
- e) Each donor's share of total CPA to each partner – in percentages (Columns 7 to 26);
- f) CPA share of all the multilateral agencies combined (Column 27) and the total number of agencies (Column 28). For reference CPA shares of DAC member countries combined and the number of DAC member countries per partner are given in Columns 29 and 30.

Three categories are highlighted:

- a) Category A – "above average" partner countries. These are partner countries in which the donor share of CPA exceeds the donor share of global CPA (as given in Row 7). Cells in Category A are shaded with blue or light blue.
- b) Category B – "main donors". These are donors that cumulatively provide over 90% of CPA to that partner. Cells in Category B are shaded with blue or grey.

Categories A and B – donors in both categories. These cells are shaded blue to denote that the donor provides more than its share of global CPA to that partner country and is one of the donors cumulatively providing over 90% of CPA to that partner. The matrix can be read as follows:

**Albania** had 31 donors in 2005-06 (Column 2), of which 12 were multilateral agencies (Column 28); it received CPA amounting to USD 323 million (Column 5), of which 44.1% was from multilateral agencies (Column 27). Over 90% of Albania's aid was provided by just 13 donors (Column 3) and nine of these donors provided Albania with a share of aid above their global share of CPA (Column 4). Eighteen donors collectively provided less than 10% of its aid. The multilateral agencies in the group of donors that together provided less than 10% of CPA are shown by the un-shaded and vertically shaded cells.

**EC** provided 23.4% of Albania's CPA, which is above the EC's 10.2% share of global CPA (Row 7). It is shaded solid grey as the EC was also among the donors that cumulatively provided over 90% of CPA to Albania. The EC had 149 partner countries (Row 2) and gave 79 of them (Row 3) above its overall 10.2% share of global CPA. In these 79 countries (Row 4) the EC was also among the donors that cumulatively provided over 90% of CPA (shaded solid grey).

**UNDP** provided 0.6% of Albania's CPA, which was below UNDP's overall 0.7% share of global CPA (Row 7). Furthermore UNDP was in the group of donors that together provided only 10% of CPA (un-shaded cell).

Implementation of paragraph 17 of the Accra Agenda for Action (AAA), "reduce the fragmentation of aid by improving the complementarity of donors' efforts and the division of labour among donors, including through improved allocation of resources within sectors, within countries, and across countries", means better division of labour across countries. The multilateral agencies could use the matrix to show where they could take concrete action to achieve this goal, such as:

- Focusing on fewer partners but playing a bigger role in each;
- Concentrating on fewer sectors in each partner country; and
- Delegating co-operation to another donor to reduce the number of actors a partner has to deal with.

Such actions should be linked to implementation of the EU Code of Conduct on Division of Labour and to the "One UN" reform which aims to reduce the transaction costs of UN assistance through "Delivering as One".

The Secretariat will produce further matrices for the major sectors to identify opportunities for multilaterals to reduce the number of actors that each partner has to deal with. However, such analyses will be incomplete as only a few multilateral agencies presently report activity-level data to the Secretariat. As noted elsewhere in this report, more detailed reports from multilaterals would enhance discussions on aid effectiveness and division of labour across countries.

The IATI, which was signed in Accra by the EC, GAVI, UNDP, World Bank, nine bilateral donors, and the Hewlett Foundation, aims to improve information.<sup>6</sup> These donors resolved, among other things: to meet full aid reporting standards and to accelerate availability of aid information; to share more detailed and more up-to-date information about aid in a form that makes information more accessible to all relevant stakeholders; and to urge those who deliver aid on their behalf to work with them to agree and then implement common standards and formats. This gives a clear signal to the UN and the World Bank that providing more detailed and timely information is a priority.



Table 6.2. Country programmable aid by donor and partner country, 2005-06 (continued)

Category B applies to partners (rows). It highlights donors that are main players for that partner; i.e. those cumulatively (and together with the largest bilateral DAC donors) providing over 90% of CPA to that partner. Solid grey when the donor is also in Category A (extends more than its share of global CPA to that partner). Horizontal lines when extends less than its share of global CPA to that partner.

\* Fragile State

Cells with data, but without highlighting, denote that the donor is in the last decile of donors to that country and the country is not an above-average partner for that donor.

Row	Partners	Number of donors	Donors in Cat. B	Donors in Cat. A & B	CPA (USD mn.)	Average CPA per donor (USD mn.)	Donor																				Multilateral agencies	No. of multilateral agencies	DAC countries	No. of DAC countries		
							ADF	Arab Agencies	AoDF	CarDB	EBRD Trust Fund	EC	GEF	The Global Fund	IDA	IDB Sp.Fund	IFAD	IMF-PRGF	Montreal Protocol	Nordic Dev.Fund	UNDAIDS	UNDP	UNFPA	UNICEF	UNRWA	UNTA						
1	Column	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	
2	Number of partners	39	86	27	14	18	149	94	104	76	25	78	37	17	21	102	129	116	122	4	148	153	153	153	153	153	153	153	153	153		
3	No. of partners in Category A	32	53	18	14	17	79	45	62	49	25	53	30	14	19	63	74	67	65	4	99	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
4	No. of partners in Categories A & B	29	36	17	9	0	79	4	58	49	16	14	26	2	1	0	24	11	26	4	21	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
5	CPA (USD Million)	949	576	1405	43	19	6424	145	1130	8202	491	336	677	83	72	16	412	283	486	560	274	22584	40662	40662	40662	40662	40662	40662	40662	40662		
6	Average CPA per partner (USD million)	24	7	52	3	1	43	2	11	108	20	4	18	5	3	0.2	3	2	4	140	2	148	266	266	266	266	266	266	266	266		
7	Donors' share of global CPA (%)	1.5	0.9	2.2	0.1	0.03	10.2	0.2	1.8	13.0	0.8	0.5	1.1	0.1	0.1	0.03	0.7	0.4	0.8	0.9	0.4	35.7	35.7	35.7	35.7	35.7	35.7	35.7	35.7	35.7		
																						%	No.	%	No.	%	No.	%	No.	%	No.	
	Guatemala	28	13	11	242	9	-	-	-	9.8	0.1	3.0	-	1.1	1.8	-	-	-	-	-	-	0.1	0.4	1.1	0.4	-	0.9	20.0	11	80.0	17	
	Haiti*	26	9	7	404	16	-	-	-	11.8	-	5.2	6.2	17.5	0.9	5.1	-	-	-	-	-	0.1	1.3	1.0	0.7	-	0.4	50.2	12	49.8	14	
	Honduras	30	12	8	447	15	-	-	-	3.9	0.1	2.0	23.7	18.2	0.6	3.4	-	-	-	-	-	0.8	0.0	0.3	0.5	0.3	-	0.3	55.6	14	44.4	16
	Jamaica	17	8	7	106	6	-	-	-	3.1	-	3.4	36.7	-	4.5	-	-	-	-	-	-	0.2	0.7	-	0.9	-	1.1	52.2	9	47.8	8	
	Mexico	19	6	5	286	15	-	-	-	4.1	2.7	-	4.1	2.7	-	2.4	-	-	-	-	-	0.3	-	0.4	0.8	0.3	-	0.8	11.8	8	88.2	11
	Montserrat	3	2	2	30	10	-	-	-	0.6	-	13.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14.6	2	85.4	1	
	Nicaragua	32	15	10	651	20	-	-	-	1.6	-	7.1	0.1	0.5	9.7	19.7	0.2	4.7	-	-	0.3	-	0.5	0.4	0.2	-	0.2	45.2	13	54.8	19	
	Panama	16	6	6	61	4	-	-	-	-	-	16.2	0.0	0.2	-	2.6	-	-	-	-	-	-	0.3	1.3	0.9	0.8	-	1.9	24.1	9	75.9	7
	St. Kitts-Nevis	4	3	3	7	2	-	-	-	-	-	39.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	62.7	3	37.3	1
	St. Lucia	7	4	3	20	3	-	-	-	20.2	-	7.0	-	-	43.3	-	-	-	-	-	-	-	-	0.6	-	-	-	0.6	71.8	5	28.2	2
	St. Vincent & Grenadines	8	5	4	7	1	-	-	-	13.7	-	23.1	0.3	-	12.0	-	-	-	-	-	-	-	-	2.2	-	-	-	0.6	52.0	6	48.0	2
	Trinidad & Tobago	10	5	4	17	2	-	-	-	0.1	-	66.2	-	-	7.9	-	-	-	-	-	-	-	0.3	3.7	-	-	2.8	81.4	6	18.6	4	
	Turks & Caicos Isl.	4	3	3	2	1	-	-	-	20.0	-	34.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.2	54.4	3	45.6	1	
	<b>South America</b>																															
	Argentina	21	9	8	108	5	-	-	-	14.0	4.6	2.4	-	7.8	-	-	-	1.4	-	-	0.2	0.6	0.5	0.6	-	1.7	33.8	10	66.2	11		
	Bolivia	30	13	9	610	20	-	-	-	0.2	-	5.2	0.3	0.7	8.7	14.8	0.4	-	-	-	1.1	0.0	0.2	0.3	0.3	-	0.3	32.4	13	67.6	17	
	Brazil	29	11	8	347	12	-	-	-	-	-	3.8	3.7	-	-	3.0	-	-	-	-	-	0.1	0.2	0.3	0.7	-	1.0	12.9	8	87.1	21	
	Chile	22	8	6	116	5	-	-	-	15.6	1.1	5.0	-	1.1	-	-	-	17.3	-	-	0.0	0.3	0.2	0.4	-	1.4	42.4	10	57.6	12		
	Colombia	28	6	4	723	26	-	-	-	6.0	0.6	0.4	-	1.0	-	-	-	0.0	-	-	0.0	0.2	0.2	0.2	0.3	-	0.3	8.9	10	91.1	18	
	Ecuador	26	10	8	260	10	-	-	-	10.4	0.6	2.0	-	1.4	-	-	-	3.4	-	-	0.0	0.6	0.4	0.4	-	0.9	20.0	10	80.0	16		
	Guyana	18	8	5	167	9	-	-	-	2.3	-	7.5	-	12.3	1.8	4.5	30.7	1.0	16.5	-	-	0.1	0.6	-	0.7	-	0.3	78.3	12	21.7	6	
	Paraguay	19	6	4	108	6	-	-	-	2.6	0.3	0.4	-	2.4	-	-	-	-	-	-	0.0	0.5	0.9	0.9	-	0.8	8.7	9	91.3	10		
	Peru	29	11	8	538	19	-	-	-	7.9	1.1	2.9	-	1.1	0.0	-	-	-	-	-	0.0	0.1	3.3	0.3	-	0.4	17.2	10	82.8	19		
	Suriname	11	5	4	44	4	-	-	-	2.9	-	9.2	-	5.2	-	2.7	-	-	-	-	0.1	-	-	-	-	1.1	21.1	6	78.9	5		
	Uruguay	17	9	6	35	2	-	-	-	23.3	1.1	-	-	7.3	-	-	-	-	-	-	0.1	2.1	1.4	1.5	-	2.8	39.6	8	60.4	9		
	Venezuela	17	8	7	41	2	-	-	-	19.8	0.6	-	-	1.0	-	-	-	2.0	-	-	0.1	1.2	4.5	2.1	-	3.5	34.9	9	65.1	8		
	<b>Middle East</b>																															
	Iran	17	11	11	43	3	-	-	-	7.7	-	-	2.3	3.8	-	-	-	-	-	-	0.2	1.5	3.9	4.9	-	6.0	30.1	8	69.9	9		
	Iraq	26	1	1	6137	236	-	-	-	0.3	-	-	-	-	-	-	-	-	-	-	0.0	0.1	0.0	-	-	0.0	0.4	5	99.6	21		
	Jordan	26	5	2	623	24	-	-	-	1.2	-	8.9	0.1	0.1	-	0.3	-	0.2	-	-	-	0.1	0.1	0.2	16.4	0.3	27.9	11	72.1	15		
	Lebanon	28	9	6	278	10	-	-	-	3.7	-	35.5	-	-	-	-	-	0.2	-	-	0.0	0.3	0.4	0.5	23.1	0.4	64.2	9	35.8	19		
	Oman	8	5	5	11	1	-	-	-	19.1	-	-	-	-	-	-	-	-	-	-	0.4	-	3.2	0.7	-	7.8	31.2	5	68.8	3		
	Palestinian Admin. Areas	28	11	5	1024	37	-	-	-	0.8	-	-	-	-	-	0.1	-	-	-	-	0.0	-	0.3	34.9	0.0	50.8	7	49.2	21			
	Saudi Arabia	5	3	2	11	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.1	-	-	3.9	5.1	2	94.9	3		
	Syria	19	8	8	126	7	-	-	-	0.3	-	26.0	0.0	-	-	1.6	-	-	-	-	-	1.1	1.8	1.1	28.1	1.5	61.5	9	38.5	10		
	Yemen	22	9	6	331	15	-	-	-	6.5	-	4.7	0.2	1.4	44.1	-	1.4	-	-	-	0.0	1.5	1.2	1.6	-	1.1	63.7	11	36.3	11		
	<b>South &amp; Central Asia</b>																															
	Afghanistan*	31	9	5	2478	80	-	-	-	0.0	1.8	-	7.7	-	0.1	7.0	-	-	-	-	-	0.3	0.2	0.7	-	0.2	18.0	9	82.0	22		
	Armenia	25	10	6	195	8	-	-	-	0.3	-	0.2	4.7	0.5	1.3	25.4	-	2.3	5.0	-	-	0.1	0.8	0.3	0.4	-	0.7	42.1	13	59.9	12	
	Azerbaijan	24	11	8	183	8	-	-	-	2.4	1.2	0.7	7.4	0.0	2.0	29.6	-	1.7	5.3	-	-	0.0	1.6	0.4	0.8	-	0.8	53.9	14	46.1	10	
	Bangladesh	33	12	8	1637	50	-	-	-	1.4																						

## In-country division of labour

The Paris Declaration noted that excessive fragmentation of aid at the global, country or sector level impairs aid effectiveness. It called for donors to seek ways to make their efforts complementary in order to reduce transaction costs. As described above, multilateral organisations with global mandates are well represented in most countries. This means that division of labour among them is important. The Accra Agenda for Action (AAA), which is endorsed by many multilateral organisations, sets out four actions (paragraph 17) that multilaterals could adopt:

- Ensure developing countries lead in determining the optimal roles of donors in supporting their development efforts at national, regional and sectoral levels; respect the priorities of developing countries and ensure that new arrangements on the division of labour will not result in individual developing countries receiving less aid;
- Complete good practice principles on country-led division of labour and ensure maximum coordination of development co-operation;
- Start dialogue on international division of labour across countries by June 2009; and
- Work to address the issue of countries that receive insufficient aid.

*In-country* division of labour requires strong local ownership of the development agenda. A few partner countries have led the way in reshaping in-country division of labour among donors, including multilateral organisations. At the Third High Level Forum on Aid Effectiveness (Accra, 2-4 September 2008) case studies were presented at Roundtable 3 on harmonisation, including one describing how Uganda had approached division of labour (Box 6.1).

### Box 6.1. Harmonisation and division of labour in Uganda

There were four stages in addressing division of labour in Uganda: i) robustly mapping aid information; ii) linking financial information on aid to the national budget and the Medium-Term Expenditure Framework (MTEF); iii) assessing the comparative advantages of donors; and iv) negotiating division of labour, ranging from re-allocating donor contributions to delegating co-operation and establishing lead donor arrangements.

The benefits of addressing division of labour were: i) more transparency on aid flows; ii) less transaction costs for the partner government; iii) more “rational”, results-oriented aid allocations; iv) maximising use of donor contributions according to their comparative advantage; and v) greater alignment of external contributions with Government priorities and programmes.

The main challenges were: i) new donors and alternative sources of finance (*e.g.* some vertical funds) did not take part; ii) aid was unbalanced – “darling sectors” were supported at the expense of other sectors; iii) the need for standard definitions of “lead”, “silent” and “support” donor roles; iv) perceptions that donors gang-up to coordinate their positions and support, and do not consult the government enough and allow it to lead; and v) the need to develop indicators to measure the progress and impact of the division of labour process.

The case study identified strong government leadership as the most important factor for successful and beneficial in-country division of labour.

*Source:* <http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1210008992554/4968817-1219870888132/C02-Uganda.pdf>.

The Accra roundtable welcomed the draft principles of international good practice on in-country division of labour (see Box 6.2). The draft principles are a useful guide to in-country division of labour. The roundtable recommended that the DAC Working Party on Aid Effectiveness should consider adopting the principles. They complement existing principles for good practice, such as the EU Code of Conduct on Division of Labour in Development Policy, agreed in May 2007,<sup>7</sup> and the United Nations Development Assistance Framework guidelines.

#### Box 6.2. International principles of good practice on in-country division of labour

- Development results can be improved when donors individually and collectively rationalise their activities at the country level.
- Partner countries should lead the division of labour process in dialogue with donors, enabling civil society and private sector to participate in a transparent manner.
- Partner countries and donors should commit to avoiding duplication and fragmentation, ensuring the optimal use of development resources in the sectors, thematic areas, geographical units or aid modalities.
- Negotiations are a necessary component for finalising the process, and flexibility on both sides is required. All actors are committed to pragmatic and workable solutions.
- As division of labour is only a tool to more effective use of aid, donors commit to harmonise and better coordinate their support for capacity development for overall aid management purposes.
- The impact of a division of labour process on overall country aid volume should be neutral.
- Partner countries and donors should measure the added value of division of labour.
- Partner countries and donors should communicate the added value of division of labour.

*Source:* <http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1210008992554/4968817-1219870888132/B01-International-Good-Practice-Principles-on-In-Country-DoL.pdf>.

The discussion at the roundtable addressed risks and challenges for in-country division of labour processes. The need for urgent action may prompt donors to forge ahead with division of labour on their own, which could undermine country ownership and leadership. Also, assessing comparative advantage is technically demanding and politically sensitive. Assessments need to take account of sector expertise, country experience, and staff capacity and behaviour, as well as the amount of finance, and let the partner country have the final say. Clearly, in some cases UN agencies and global funds with specific mandates will have a comparative advantage over agencies that operate across a range of sectors and have broader mandates.

Successful processes for division of labour rely on transparency and capacity. Donors must provide timely and realistic information on aid commitments and disbursement, and help to develop aid management capacity, including through south-south and triangular co-operation. “Managed diversity” will help maintain a mix of instruments and aid channels. Global programmes can be integrated into sector strategies and programmes. However, as case studies show, this has still to happen even in countries such as Tanzania and Uganda that have done a lot of work with their donors on aid effectiveness. The roundtable concluded that stringently managed in-country division of labour processes can make a substantial contribution to implementing the broader aid effectiveness agenda. Such processes foster genuine ownership of the development agenda by partner countries, improve alignment of donor and country priorities, and contribute to better management of aid in delivering development results in partner countries.

Box 6.3 describes the division of labour process in Tanzania. Here, the suggestion was that taking a sectoral approach would improve division of labour. Since the mid-1990s the Tanzanian health Sector Wide Approach (SWAp) has supported a government-led health sector development programme to improve access, delivery and quality of health care services. The government and donors have jointly targeted comprehensive reform in the health sector. This commitment is reflected in the Health Sector Strategic Plan (2003-08), which is linked to the Medium-Term Expenditure Framework and embedded in the national poverty reduction strategy. The Ministry of Health is responsible for implementation of the strategic plan. Annual reviews of progress involve key stakeholders and there are joint external evaluations of donors. The shared vision of improving the health system has been translated into an organisational structure that is now considered to be an effective planning and management instrument, and is a model for other sectors. However, although the SWAp has substantially increased government ownership of health policies and strategies, the government has not increased the share of its spending on health.

The Tanzanian health sector shows that SWAps can improve coordination, harmonisation, policy, planning and resource allocation. However, there is no conclusive evidence that they reduce transaction costs as they commit donors to complex coordination and consultation processes. The SWAp can strengthen systems but cannot transform public services and sector performance. Such transformation requires long-term funding, institutional capacity building and suitably trained, motivated and deployed human resources. Another issue that affects work on division of labour by multilaterals is that the SWAp is now being bypassed by emerging global funds and initiatives. These ignore existing SWAp

### Box 6.3. Development partnerships and division of labour in Tanzania

Tanzania has come a long way in improving development partnerships and Government-donor dialogues. As regards harmonisation, Tanzania is a pioneer and has joined donors in harmonising Sector Wide Approaches (SWAps) with the national poverty reduction strategy. A Development Partners Group (DPG) was formalised in 2004 to improve coordination and harmonisation of donor support for national efforts to achieve goals for growth and poverty reduction. In 2006, the Government and donors agreed a Joint Assistance Strategy for Tanzania. This is a framework for making external assistance more effective and enhancing national ownership and Government leadership of development. The donors have established working groups to promote this agenda in sectors and themes. Multilateral partners make up more than half of the DPG and include the major IFIs, the EC, and 14 UN agencies. The UNDP mission in Dar es Salaam provides a permanent secretariat for the DPG.

A division of labour initiative began in 2006. Mapping donors helped to define lead, active and delegating partners. The initiative recognised that the quality of the dialogue is fundamental in effectively implementing division of labour and took a cluster approach to structuring dialogues in internal government planning, budgeting, reporting and monitoring processes. Reducing the number of donors in each sector will enhance the effectiveness and quality of dialogue and reduce transaction costs for the Government and donors.

*Progress and challenges:* There has been progress in defining lead roles. In several sectors there have been gradual improvements in the effectiveness and quality of dialogue. However, there are still challenges in terms of the overall quality and effectiveness of dialogues and there are still a large number of active partners in some sectors.

*Division of labour matrix:* A matrix of donors and activities guides future donor co-operation agreements in developing more rational engagement and enhancing effectiveness. In 2006, the matrix showed that fragmentation was a problem in the health and HIV/AIDS sectors where almost all UN agencies were active. By 2008, as a result of the “One UN” reform process, the UN agencies had identified priority sectors and the UN agency which would lead in each.

structures and mechanisms and, negotiating at a high level, offer governments sizable financial resources. This clearly needs to be addressed in implementing the Accra Agenda for Action (AAA), an agreement to which most of these funds and initiatives subscribe.

The principles of international good practice on in-country division of labour call for partner countries to lead the division of labour process. This may prove a particular challenge for UNDP and the World Bank because, in the past, these agencies have often been called upon to lead donor co-ordination groups or to be the “lead donor”. UN specialised agencies, however, are obvious candidates to be the lead donor in their field.

### Reflections on division of labour among multilateral organisations

Multilateral organisations contribute to fragmentation of aid in many partner countries and so are important players in processes to rationalise the division of labour. The matrix above gives some indications as to where multilaterals, even those with a global mandate, might be able to focus their efforts in a smaller number of partner countries and thereby engage more deeply. The Accra Agenda for Action (AAA) calls for better division of labour across countries but stresses that this should “not result in individual developing countries receiving less aid”. But, more rational division of labour across countries will involve trade-offs. Donors will need to slightly increase allocations to countries where they are a major donor, and offset the increases with reductions in countries where they are a minor player. Better division of labour will reduce transaction costs for both multilateral agencies and partner countries. As the Tanzanian and Ugandan case studies show, to be successful, governments should engage as many multilaterals as possible in processes to improve division of labour. Multilateral organisations – together with bilateral donors – should follow the principles of good practice on division of labour in partner countries (Box 6.2). This applies especially to agencies which are not currently participating and which are bypassing mechanisms, such as SWAs, designed to improve co-ordination and avoid overlaps. However, note that initiating division of labour processes can impose high transaction costs on both donors and partner governments.

## Notes

1. Administrative costs are not deducted as these are already excluded from the data reported to the DAC by multilateral agencies.
2. For the DAC member countries the figures exclude small programmes below USD 250,000. Bilateral co-operation below this threshold consists mainly of voluntary work and small grant schemes which multilateral donors do not have.
3. Benin, Ghana, Kenya, Malawi, Mozambique, Rwanda, Senegal, Tanzania, Uganda, Zambia, Honduras, Azerbaijan, Bangladesh, Kyrgyz Republic and Viet Nam.
4. Note that the maximum possible number of multilateral agencies that can be present in a partner country is 15; out of the 20 agencies covered, 6 are regional.
5. Algeria, Armenia, Azerbaijan, Bangladesh, Benin, Bolivia, Bosnia-Herzegovina, China, Colombia, Egypt, Georgia, Ghana, Honduras, India, Indonesia, Jordan, Kazakhstan, Kenya, Kyrgyz Republic, Macedonia (TFYR), Malawi, Mali, Morocco, Mozambique, Nepal, Nicaragua, Pakistan, Philippines, Rwanda, Sri Lanka, Tanzania, Turkey, Uganda, Viet Nam and Zambia.
6. <http://www.dgfoundation.org/fileadmin/templates/pdfs/accrstatementfin.pdf>.
7. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0072:FIN:EN:PDF>.

## Chapter 7

### Multilateral Aid Effectiveness

Effectiveness in multilateral co-operation is a high priority for DAC member countries. This chapter does not analyse multilateral effectiveness in depth but reviews the progress of multilateral organisations on Paris Declaration commitments as shown by two surveys and compares their progress with the progress of bilateral donors. This chapter also gives a brief overview of some of the many tools developed by different actors to monitor multilateral effectiveness. Finally, the chapter reflects on the way forward in this important but “overcrowded” field.

The term effectiveness is defined in different ways by different actors. However, the DAC defines effectiveness as: “the extent to which a development intervention has attained, or is expected to attain, its relevant objectives efficiently and in a sustainable way”<sup>1</sup>

#### Paris Declaration – Are the multilaterals on track?

The Paris Declaration on Aid Effectiveness, adopted in 2005 by over 100 countries and aid agencies, defines the principles and commitments by which donors and partner governments intend to ensure that aid is as effective as possible in contributing to the MDGs and other internationally agreed objectives. For example, partner countries agreed to put in place realistic strategies for development and to improve the reliability of their financial management systems. Donors agreed to provide promised aid in a timely way, and to carry out more assessments and on-site visits jointly with other donors to reduce the administrative burden on developing countries. The Paris Declaration expresses the international community’s consensus on reforming aid delivery and management to achieve improved effectiveness and results.<sup>2</sup> Some 25 major multilateral organisations joined bilateral donors, partner countries and civil society organisations in adopting the Paris Declaration.

Participants at the Third High Level Forum on Aid Effectiveness endorsed the Accra Agenda for Action (AAA) – a set of measures to accelerate progress towards the Paris Declaration commitments on aid effectiveness. In endorsing the AAA, developing countries have committed to take control of their own futures, donors have committed to coordinate better amongst themselves, and both parties have pledged to account to each other and their citizens. Key actions that multilateral organisations need to take are: (a) to improve predictability – donors will provide 3-5 year forward information on their planned aid to partner countries; (b) to use country systems – donors will use partner country systems, rather than donor systems, as the first option in delivering aid; and (c) to change conditionality – donors will switch from a reliance on prescriptive conditions about how and when aid money is spent to conditions based on the developing country’s own development objectives. The move to country systems and changes in conditionality may prove particularly challenging for multilateral development banks (MDBs). First, they will

need to check that partner country systems meet MDB standards. Second, even where partner country systems do meet MDB standards, MDBs may need to change their own procedures. Subject to sufficient safeguards, donors, in their role as shareholders, might consider using their positions on MDB boards to support necessary changes.

The Paris Declaration framework for monitoring progress on commitments includes targets for 2010. The *Declaration* is based on five mutually reinforcing principles: ownership, alignment, harmonisation, managing for results and mutual accountability. The *Declaration* includes 56 partnership commitments to improve the quality of aid and 12 indicators to track progress. It sets targets for 11 of the 12 indicators for the year 2010. Seven of these apply to the multilateral donors (see Table 7.1).

### *General findings in monitoring the Paris Declaration*

In 2006, 34 countries volunteered to participate in a baseline survey covering aid flows in 2005. The results of the survey suggest that major efforts are needed to achieve the commitments agreed in the Paris Declaration and realise the full potential for improving aid effectiveness at the country level. In the run-up to the Third High-Level Forum on Aid Effectiveness, 56 partner countries and 55 donors, including multilateral organisations, took part in a second survey covering aid flows in 2007. The 2008 survey shows that, although there is clearly progress, progress is not being made fast enough. Unless developing countries and their external partners seriously gear up their efforts, they will not meet their commitments and targets for effective aid by 2010. Urgent action is therefore needed.<sup>3</sup>

Several multilateral organisations responded to both surveys.<sup>4</sup> The following section provides the scores on the indicators in 2007 and compares the 2005 and 2007 scores to show progress for each multilateral and bilateral and all donors combined.

#### *Multilateral responses to 2008 monitoring survey of progress on the Paris Declaration*

The 2008 survey shows that the scores of the multilaterals are on average slightly higher than the scores of the bilateral donors. Table 7.2 shows that the multilateral organisations are doing better than the bilateral donors on all indicators except 5b (use of country procurement systems). Nonetheless, in order to meet their targets for 2010 the multilaterals need to make faster progress than they have made to date. Multilaterals have already exceeded the 2010 target for indicator 4 (50% of technical co-operation aligned and coordinated). Targets which are within reach are targets for indicator 6 (donors avoid parallel project implementation units), and 10a and 10b (coordinate missions and country studies). For indicators 3 (aid flows are accurately recorded in partner country budgets), 5a and 5b (use of country PFM and public procurement systems), 7 (aid is more predictable) and 9 (use of coordinated mechanism for aid delivery) multilaterals need to gear up efforts if they are to achieve the 2010-targets.

The spread of scores for each indicator both between and within multilaterals is large compared to the average. The World Bank and IFAD have above average scores for seven out of the nine indicators, whereas the UN<sup>5</sup> has an above average score only for indicator 10 (shared missions and analysis). It is, however, important to note that the number of partner countries covered by multilaterals varies. This means that results for some multilaterals are more representative than others.

Table 7.1. Paris Declaration indicators and targets for multilateral donors

3	<b>Aid flows are aligned on national priorities</b> – Percent of aid flows to the government sector that is reported on partners' national budgets.	<b>Halve the gap</b> – halve the proportion of aid flows to government sector not reported on government budget(s) (with at least 85% reported on budget).												
4	<b>Strengthen capacity by coordinated support</b> – Percent of donor capacity-development support provided through coordinated programmes consistent with partners' national development strategies.	<b>50% of technical co-operation flows</b> are implemented through coordinated programmes consistent with national development strategies.												
5a	<b>Use of country public financial management systems</b> – Percent of donors and of aid flows that use public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	<p style="text-align: center;"><b>Percentage of donors</b></p> <table border="0"> <tr> <td><b>Score</b></td> <td><b>Target</b></td> </tr> <tr> <td>5+</td> <td>All donors use partner country PFM systems.</td> </tr> <tr> <td>3.5 to 4.5</td> <td>90% of donors use partner country PFM systems.</td> </tr> </table> <p style="text-align: center;"><b>Percentage of aid flows</b></p> <table border="0"> <tr> <td><b>Score</b></td> <td><b>Target</b></td> </tr> <tr> <td>5+</td> <td>A two-thirds reduction in the % of aid to the public sector not using partner country PFM systems.</td> </tr> <tr> <td>3.5 to 4.5</td> <td>A one-third reduction in the % of aid to the public sector not using partner country PFM systems.</td> </tr> </table>	<b>Score</b>	<b>Target</b>	5+	All donors use partner country PFM systems.	3.5 to 4.5	90% of donors use partner country PFM systems.	<b>Score</b>	<b>Target</b>	5+	A two-thirds reduction in the % of aid to the public sector not using partner country PFM systems.	3.5 to 4.5	A one-third reduction in the % of aid to the public sector not using partner country PFM systems.
<b>Score</b>	<b>Target</b>													
5+	All donors use partner country PFM systems.													
3.5 to 4.5	90% of donors use partner country PFM systems.													
<b>Score</b>	<b>Target</b>													
5+	A two-thirds reduction in the % of aid to the public sector not using partner country PFM systems.													
3.5 to 4.5	A one-third reduction in the % of aid to the public sector not using partner country PFM systems.													
5b	<b>Use of country procurement systems</b> – Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	<p style="text-align: center;"><b>Percentage of donors</b></p> <table border="0"> <tr> <td><b>Score</b></td> <td><b>Target</b></td> </tr> <tr> <td>A</td> <td>All donors use partner country procurement systems.</td> </tr> <tr> <td>B</td> <td>90% of donors use partner country procurement systems.</td> </tr> </table> <p style="text-align: center;"><b>Percentage of aid flows</b></p> <table border="0"> <tr> <td><b>Score</b></td> <td><b>Target</b></td> </tr> <tr> <td>A</td> <td>A two-thirds reduction in the % of aid to the public sector not using partner country procurement systems.</td> </tr> <tr> <td>B</td> <td>A one-third reduction in the % of aid to the public sector not using partner country procurement systems.</td> </tr> </table>	<b>Score</b>	<b>Target</b>	A	All donors use partner country procurement systems.	B	90% of donors use partner country procurement systems.	<b>Score</b>	<b>Target</b>	A	A two-thirds reduction in the % of aid to the public sector not using partner country procurement systems.	B	A one-third reduction in the % of aid to the public sector not using partner country procurement systems.
<b>Score</b>	<b>Target</b>													
A	All donors use partner country procurement systems.													
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<b>Score</b>	<b>Target</b>													
A	A two-thirds reduction in the % of aid to the public sector not using partner country procurement systems.													
B	A one-third reduction in the % of aid to the public sector not using partner country procurement systems.													
6	<b>Strengthen capacity by avoiding parallel implementation structures</b> – Number of parallel project implementation units (PIUs) per country.	Reduce by two-thirds the stock of parallel project implementation units (PIUs).												
7	<b>Aid is more predictable</b> – Percent of aid disbursements released according to agreed schedules in annual or multiyear frameworks.	<b>Halve the gap</b> – halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.												
9	<b>Use of common arrangements or procedures</b> – Percent of aid provided as programme-based approaches.	66% of aid flows are provided in the context of programme based approaches.												
10	<b>Encourage shared analysis</b> – Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are undertaken jointly.	(a) 40% of donor missions to the field are undertaken jointly by donors and partner countries. (b) 66% of country analytic work is undertaken jointly by donors and partner countries.												

\* Note on Indicator 5: This target relates to indicator 2a for partner countries scale of performance (2a: Public financial management – Half of partner countries move up at least one measure (i.e. 0.5 points) on the PFM/CPIA (Country Policy and Institutional Assessment)).

Source: <http://www.oecd.org/dataoecd/11/41/34428351.pdf>.

Table 7.2. Responses of 54 partner countries to the 2008 monitoring survey of progress on the Paris Declaration

Organisation	No. of countries 2007	Indicator (see Table 7.1)								
		3	4 %	5a	5b	6 (No. of PIUs)	7	9	10a %	10b
AfDB	24	57	28	44	42	121	45	38	17	44
AsDB	10	80	61	61	36	40	79	59	18	25
EC	53	57	43	35	34	203	53	44	33	72
GAVI Alliance	15	7	100	26	9	0	16	33	100	0
The Global Fund	47	33	40	38	42	5	43	66	20	23
IDB	9	55	60	52	26	108	54	52	35	44
IFAD	26	48	78	59	83	35	42	28	70	73
UN system †	54	35	60	13	10	550	27	26	42	63
World Bank	51	66	85	62	52	101	65	54	31	59
Other multilaterals*	--	27	60	37	25	30	10	43	25	53
<b>Multilaterals, Total</b>		<b>48</b>	<b>63</b>	<b>48</b>	<b>40</b>	<b>1 193</b>	<b>45</b>	<b>48</b>	<b>35</b>	<b>60</b>
Bilaterals, Total		43	57	47	50	1 267	41	40	24	49
Overall total		46	59	48	44	2 460	43	44	31**	55**
<b>2010 targets</b>		<b>85</b>	<b>50</b>	<b>(80)</b>	<b>(80)</b>	<b>611</b>	<b>71</b>	<b>66</b>	<b>40</b>	<b>66</b>

† The UN agencies that took part in the survey were: UNDP, UNTA, UNICEF, UNRWA, WFP, UNHCR, UNAIDS, and UNFPA. Only a few partner countries reported separate data for each UN agency and so it is not possible to disaggregate data for the UN system.

\* Other multilaterals include: Andean Development Corporation, BADEA, CABEL, EBRD, IFC, IMF, IOM, Islamic Development Bank, Mekong River Commission, OEI, OPEC Fund, OSCE, SECAB and WADB. These are not shown separately as they were below the threshold for inclusion of providing USD 100 million or more to the government sector in at least three of the survey countries.

\*\* Overall Total. Published total in *Effective aid by 2010? – What it will take* (Vol. 1) is less than this due to discount factors applied to the total to avoid double-counting.

Source: OECD (2008), 2008 Survey on Monitoring the Paris Declaration.

### *Progress on the Paris Declaration*<sup>6</sup>

A comparison of baseline data from the 2006 survey with findings in the 2008 survey shows that multilateral organisations seem to have made more progress than the bilateral donors on five out of nine indicators (Table 7.3). However, the difference in progress between the two donor groups is not significant except for indicators 4 (align and coordinate technical co-operation), 6 (avoid parallel implementation structures) and, to some extent, 10a (coordinate missions). The scores and progress on effectiveness indicators differ from one multilateral donor to another. For example, the UN shows progress on all indicators, whereas the African Development Bank (AfDB) has regressed on all but two indicators. The EC and the World Bank account for most of the progress in reducing parallel implementation units (in contrast to an increase for bilateral donors). On the other hand, the EC and the World Bank, along with the AfDB, account for most of the apparent reversal in using programme-based approaches (indicator 9).

Table 7.3. **Multilateral progress 2006–08 on nine indicators**

Organisation	No. of countries in both surveys	Indicator (see Table 7.1)								
		3	4	5a	5b	6	7	9	10a	10b
		% points			(No. of PIUs)		% points			
AfDB	18	-1.0	-7.2	5.6	-6.7	-19	-2.2	-8.5	-5.8	-13.9
AsDB	5	24.8	40.3	17.9	18.2	1	-4.8	11.2	10.7	-33.1
EC	32	5.4	22.1	0.4	-4.4	-99	12.9	-3.2	2.9	44.3
GAVI Alliance	12	0.0	--	-3.3	9.6	0	11.1	20.0	--	--
The Global Fund	30	9.5	--	1.8	-0.5	-2	8.1	-6.1	0.4	-10.2
IDB	6	0.8	36.0	-10.0	33.1	6	-31.4	-6.1	-7.5	-29.9
IFAD	20	-10.6	-6.1	10.7	22.1	10	-7.3	21.8	23.5	-15.3
UN system	33	5.5	18.3	0.7	4.6	-18	14.4	5.2	15.2	5.2
World Bank	32	9.5	28.3	12.5	3.5	-144	6.4	-1.7	9.8	7.3
Other multilaterals*	--	6.0	4.9	39.9	47.9	20	-20.9	13.1	-16.0	-36.1
<b>Multilaterals, total</b>		<b>4.7</b>	<b>25.2</b>	<b>7.3</b>	<b>3.8</b>	<b>-245</b>	<b>3.8</b>	<b>-0.3</b>	<b>9.2</b>	<b>4.2</b>
Bilaterals, total*		6.2	10.1	4.1	4.1	13	6.8	7.0	2.5	3.9
Overall total		5.6	15.2	5.8	4.1	-232	5.7	3.2	--	--

\* “Other multilaterals” and “Bilaterals, total” include figures for all donors, not just those separately identified in the Paris Declaration monitoring reports.

Source: OECD (2008), 2008 Survey on Monitoring the Paris Declaration.

### Multilateral Organisations Performance Assessment Network (MOPAN)

The Multilateral Organisations Performance Assessment Network (MOPAN) was created in 2002. MOPAN is a network of donor countries<sup>7</sup> that have a common interest in sharing information and drawing on mutual experience to monitor and assess the work and performance of multilateral organisations. MOPAN members conduct an Annual MOPAN Survey on multilateral organisations through their embassies and country offices.

Since 2003, MOPAN has carried out an annual survey on selected multilateral organisations in countries where MOPAN members are present. The annual perception-based surveys cover three multilateral organisations in eight to ten countries. In each country, MOPAN members complete questionnaires, and the results are synthesised into an overall report on the agencies concerned. The focus of the surveys is on multilateral partnership behaviour towards national stakeholders (governments, NGOs, private sector) in developing countries, as well as towards other international development agencies. The surveys are not evaluations and do not cover actual development results on the ground. MOPAN members use the results of the annual surveys to account to their own governments on multilateral financing and: (a) as input into policies concerning the multilateral organisations surveyed; (b) to strengthen participation in the governance of these organisations; (c) for joint advocacy work; and (d) to contribute to wider debates on aid effectiveness.<sup>8</sup>

The results of the MOPAN surveys are mixed because the surveys examine perceptions. Interestingly, the 2008 survey covers UNFPA and the World Bank for the second time, and offers insights into changes in these organisations over the past five years. Nonetheless, MOPAN members now recognise the need for more objective evidence of multilateral effectiveness (Box 7.1).

### Box 7.1. Multilateral Organisations Performance Assessment Network (MOPAN) approach to assessing the effectiveness of multilateral organisations

By 2006, there was consensus among MOPAN members that evidence on the effectiveness of individual multilaterals beyond that gathered by annual surveys was required. The MOPAN countries therefore agreed to move towards a common approach for assessing effectiveness of multilateral organisations. The objective is to reduce duplication and increase the amount and scope of information on the effectiveness of those institutions.

Donor countries believe the Balanced Scorecard approach will be useful for assessing the effectiveness of multilateral organisations in development. The Balanced Scorecard focuses on four aspects of management: strategy, operations, relationships and knowledge. The scorecard has a set of 20 key performance indicators (KPI) distributed across the four categories. Each KPI is further specified by 2-6 micro-indicators. MOPAN is currently seeking the views of stakeholders on the proposed approach, and is customising tools to collect and analyse performance data with a view to testing the harmonised approach in late 2008.

Starting in 2009, MOPAN will apply the new approach to assess about six multilateral organisations annually. These will be covered by type: multilateral development banks (MDBs), United Nations agencies, international humanitarian assistance organisations, and global funds. To gather different perspectives data will be collected from multilateral organisations, MOPAN members at headquarter and country office levels, and from national governments. In parallel, MOPAN is working towards undertaking an annual assessment of the results-based management practices of one organisation. Building on these initial steps toward better tracking and understanding of the effectiveness and development contribution of multilateral organisations, MOPAN will broaden its approach and eliminate the need for members to use their own assessment systems.

*Source:* MOPAN

## Internal performance monitoring in multilateral organisations

Multilateral agencies use many different instruments to report on their performance for accountability and management purposes. Most multilateral organisations have developed performance assessment and monitoring systems to track their results against the goals set out in their strategies and action plans. Governments routinely receive reports from multilaterals that document progress against objectives, targets and indicators. The reports cover implementation of projects and programmes (sectoral, country and regional) and commonly include issues such as rates of disbursement, project supervision ratings, likelihood of achieving intended development outcomes and projects at risk.

Multilateral reporting on effectiveness has mainly focused on operational work. Their reports evolved primarily as a mechanism for accounting to their executive boards or governing bodies but are increasingly used for internal management and organisational learning. This kind of reporting has been criticised for being fragmented and of varying quality, for example there are differences in coverage, regularity and transparency of reports. Despite improvements (for example, see Section below on COMPAS), many multilateral reports still focus on activity and inputs. Most provide qualitative descriptions of their activities rather than systematic reports of results. Many multilaterals do not systematically track the outputs and likely outcomes of projects, or monitor and report on progress towards results-based-management targets.<sup>9</sup> However, recent replenishment

processes have engaged the governing bodies of multilaterals in discussion on improving reports of results and outcomes.

In assessing the effectiveness of multilaterals, more use could be made of the regular evaluations by independent evaluation units in the main agencies. The MDBs are already making more use of evaluation reports in reporting to their boards. The DAC Evaluation Network and the UN Evaluation Group have joined forces to establish an internationally recognised form of peer review of the evaluation function of multilateral organisations (Box 7.2).

#### **Box 7.2. Professional peer reviews of the evaluation function in multilateral organisations**

The joint DAC Evaluation Network and UN Evaluation Group task force on professional peer reviews has developed a framework for peer reviews based on previous experiences and internationally recognised standards. Peer reviews are conducted by an independent peer panel consisting of professional evaluators supported by expert advisors.

The peer review approach was piloted in an assessment of the evaluation function of UNDP in 2005. Drawing and building on that experience a modified approach was used in a peer review of the evaluation function of UNICEF completed in May 2006. Early in 2007, a general framework for peer reviews was established on the basis of the UNDP and UNICEF assessments. This framework can be adapted to the specific organisation whose evaluation function is to be reviewed. A third peer review of the evaluation function of WFP was undertaken in the second half of 2007. Currently a peer review of the UN Office of Internal Oversight Services (OIOS) is underway, and other peer reviews of UN agencies are being planned.

The reports of the three completed peer reviews (UNDP, UNICEF, WFP) are available on the UN Evaluation Group Web site ([www.uneval.org](http://www.uneval.org)) and on the DAC Evaluation Network website (under current work ([www.oecd.org/dac/evaluationnetwork](http://www.oecd.org/dac/evaluationnetwork))).

### **Common Performance Assessment System (COMPAS)**

The multilateral development bank (MDB) Working Group on Managing for Development Results developed COMPAS in 2004. The purpose is to promote accountability and mutual learning. The seven members<sup>10</sup> will report on their performance using COMPAS. This new assessment tool responds to growing public demand for information on the performance of international development agencies, including MDBs. Other reasons for developing the tool were to take the initiative in reducing duplication given the proliferation of bilateral assessments. In developing COMPAS, multilaterals produced a single credible self-assessment tool to eliminate the need for shareholders to carry out separate assessments. Moreover, MDBs wanted to learn from each other's experiences. COMPAS is a systematic framework for collecting consistent and comparable information. It will provide MDB managers and shareholders with a single source of information about MDB contributions to development results.<sup>11</sup>

COMPAS reports are produced each year and provide information on the individual and collective progress of MDBs on key indicators. MDBs select performance indicators according to their respective operations. Performance indicators are grouped into categories: country capacity to manage for development results, country strategies, allocation of concessional resources, project management, institutional learning from operational

experience, results-focused human resource management, harmonisation among development agencies and private sector operations.

The 2007 COMPAS report showed that MDBs had moved forward in managing for development results, both collectively and individually, since the 2006 report. MDBs are making progress in assessing and strengthening the capacity of borrowing member countries to manage for development results; strengthening their focus on results in the design and implementation of projects and country strategies; and harmonising their policies and procedures. Overall, the MDBs made progress on four out of the seven categories of indicators, and scored more or less the same as in 2006 in three. The 2007 report introduced information on MDB private sector operations, and showed that efforts to strengthen results orientation extend to private sector activities.<sup>12</sup>

COMPAS is an important tool for making data on the performance of MDBs publicly available. It complements other assessment tools. Identifying common definitions and results-based management (RBM) practices for the MDBs may lead to a set of RBM best practices that can be applied more widely. Collaboration between members of the COMPAS team and the DAC Working Party on Aid Effectiveness Joint Venture on Managing for Development Results (MfDR) ensures that mutual learning on performance issues is ongoing. A recent publication by the Joint Venture on MfDR, *Improving Incentives in Donor Agencies: Good Practice and Self-Assessment Tool*, draws on experiences in various types of donor agencies, including multilaterals, and will inform debates on RBM good practice.

## IFAD report on development effectiveness

In 2007, the International Fund for Agricultural Development (IFAD) produced its first annual report on development effectiveness.<sup>13</sup> The report is part of an institutional reform (IFAD Action Plan for Improving Development Effectiveness) that focuses on results and has been underway since 2005.

The purpose of the report is to describe results in three areas: (a) the *relevance* of IFAD's mandate (reduction of rural poverty and food insecurity) and operations in the context of the changing framework of international development assistance; (b) the *development effectiveness* of IFAD-financed operations in generating development results that support national and global efforts to reduce rural poverty and fulfil the first MDG; and (c) the *organisational effectiveness and efficiency* in delivering those results through improved internal performance management.

The first *Report on IFAD's Development Effectiveness (2007)* reflects the progress that IFAD has made towards systematic management for results. The report shows that IFAD has clear objectives and that it is increasingly in a position to monitor its progress towards those objectives across the whole range of its activities. The main conclusions of the report are:

- *Relevance*: IFAD's mandate of reducing rural poverty and food insecurity remains highly relevant.
- *Development effectiveness*: A comparison of performance data for IFAD-funded projects in 2003 with performance data for 2005/06 shows that project relevance is high, and that there have been improvements in project effectiveness, efficiency, rural poverty impact and innovation. While performance on sustainability is also improving, it requires further attention.

- *Organisational effectiveness and efficiency:* The Corporate Planning and Performance Management System introduced in 2006 is a key tool for resource allocation across the organisation and for alignment with results. Preliminary results show that performance in operational corporate management is encouraging. Satisfactory progress is being made in institutional support.
- *Towards an integrated framework for improving IFAD's development effectiveness:* The recently approved Results Measurement Framework (RMF), which measures development effectiveness at the operational level, is underpinned by the Corporate Planning and Performance Management System and the annual results-based programme of work and budget. This should lead to better alignment of organisational resources, systems and activities with country-level objectives, and hence to greater development effectiveness.

The IFAD report is broader in scope than the development effectiveness reports of most other multilateral organisations. The IFAD report covers portfolio monitoring, internal corporate performance monitoring, the budget, and recent initiatives relating to the broad international harmonisation and alignment agenda. The report is also unusual in other aspects, for example, it gives an assessment of the relevance of IFAD's role and mandate in the changing international context. IFAD has developed a comprehensive process to integrate "managing for development results" into all internal operational and support systems and monitors corporate key performance indicators quarterly. The report summarises this process. The report synthesises information on organisational and development effectiveness in IFAD, from the project to the corporate level.

### Bilateral agency assessments of multilateral organisation effectiveness

Several bilateral donors carry out assessments of multilateral organisations. The assessments respond to both internal needs and public pressure to account for multilateral allocations. Such assessments are used as a basis for making internal financing decisions, to inform the development of strategies for partnering with specific multilaterals and to cover gaps in the effectiveness reports of multilaterals. The assessment methodology varies from one country to another. Few countries have carried out assessments more than once, however, due to the high transaction costs.<sup>14</sup>

Among the agencies that have assessed multilateral organisations are DFID (UK), the Canadian International Development Agency (CIDA), the Ministry of Foreign Affairs of Denmark (Danida), the Ministry of Foreign Affairs of the Netherlands and the Ministry of Foreign Affairs of Sweden.<sup>15</sup> Hence, there are several different bilateral assessment tools. Two results-based management tools and one synthetic tool, a performance-based framework, are described below.

#### *Multilateral Effectiveness Framework (MEFF)*

In 2003-04, DFID set up a MEFF to assess the organisational effectiveness of the multilateral organisations which it supports. The MEFF serves as a tool for public accountability and as an input into policy and financing decisions. It takes a results-based management (RBM) approach and focuses on three aspects of multilateral effectiveness: country results, internal performance and partnerships. Checklists with 72 questions evaluate eight corporate management systems and the results are shown on a scorecard. A traffic light system scores each area and provides a snapshot of organisational and management effectiveness,

current organisational strengths and weaknesses, and indicates where attention should be focused to secure further improvements. DFID developed the system internally and staff conducted assessments of twenty-three organisations.<sup>16</sup> The assessments have only been carried out once.

The results of the MEF assessments showed that multilateral agencies have made great strides in improving the way they work, but that there is still room for improvement. The pace of reform varies between agencies. Some undertake “big bang” reforms while others take a step-by-step approach. There are common weaknesses and gaps, such as the need to work more closely with national strategies, systems and procedures, to systematically monitor results and impact at country level, and to report on the results achieved.<sup>17</sup>

### *Results-based management (RBM) assessment*

In line with international commitments to reduce the transaction costs of development co-operation, the Ministry of Foreign Affairs of Denmark (Danida) seeks to rely more on performance reporting by the multilaterals themselves. In 2004, Danida reviewed the extent to which monitoring and evaluation units of multilaterals follow results-based management (RBM) principles. The purpose was to map, analyse and provide recommendations to strengthen multilateral RBM systems. The review identified which RBM tools are in place, as well as how effectively these are used to improve organisational effectiveness and efficiency in delivering development results. The RBM assessment was carried out by a peer panel. The review describes agencies’ evaluation systems and policies in terms of DAC Evaluation Principles, for example, the extent to which multilateral evaluations are independent, credible and usable. Data for the review were collected from multilateral documents, interviews with staff, on-site observations and discussions in workshops.<sup>18</sup> To date Danida completed assessments for UNDP, UNFPA, IFAD, OHCHR and UNICEF.

*An example of a RBM assessment:* The 2007 UNICEF RBM study<sup>19</sup> concluded that: (a) UNICEF has made progress in developing its RBM systems, particularly by strengthening its results-based planning framework the Medium Term Strategic Plan (MTSP); (b) the process of selecting MTSP outcome indicators effectively engages multiple stakeholders in the strategic decision-making process; (c) while MTSP outcome indicators offer an indication of global UNICEF priorities, they do not sufficiently identify how UNICEF will pursue those priorities; (d) UNICEF’s MTSP key performance indicators provide measurable, objective and attributable indicators of its organisational and operational performance but there are gaps in measuring the effectiveness/efficiency of its activities, as well as in measuring progress on UN Reform and RBM; and (e) donors perceive that thematic reports do not provide sufficient information to evaluate UNICEF’s performance.

Recommendations to UNICEF included: (a) ensure that strategic objectives are clear; (b) improve the MTSP key performance indicators by including a limited number of additional effectiveness/efficiency indicators; (c) improve thematic reports; (d) improve accountability for performance; and (e) coordinate RBM efforts between UN agencies to avoid duplication.

Tools such as the RBM assessment could potentially reduce the number of external evaluations of multilaterals. RBM assessment serves the dual purpose of generating credible assessment information while focusing management attention on areas of critical long-term importance to bilateral objectives.

### *Performance Management Framework (PMF)*

Since 2003 Danida has been evaluating some of its major multilateral partners annually using the synthetic tool, Performance Management Framework (PMF). The PMF is a set of tools and methodologies to measure, assess, monitor and improve the performance and accountability of bilateral and multilateral development co-operation. The PMF combines qualitative (performance reviews, sector reviews, evaluations) and quantitative methods (e.g. monitoring of indicators) to track progress. The objectives of PMF are to: (a) enhance the quality of development co-operation; (b) improve management and continuous learning; and (c) strengthen accountability. The PMF for multilateral co-operation focuses on three levels: the corporate (Danida) level, the organisation level (headquarters) and the country level (field level).<sup>20</sup>

Some of the key findings in Denmark's *Annual Performance Report 2006* concerning multilateral development co-operation were: (a) the performance of the 17 multilateral organisations<sup>21</sup> covered in the report in "fulfilment of overall objectives of the organisation" was rated as either "very satisfactory" or "satisfactory"; (b) the rating on alignment with MDGs and poverty reduction strategies was "satisfactory" for all; (c) the general score on cross-cutting issues is high; (d) most of the organisations are in the process of reform; and (e) a general observation from Danish Embassies is that the organisations need to strengthen their RBM systems in order to produce more precise and reliable information on their performance in the field.<sup>22</sup>

### **Further reflections on assessment tools**

Comparative studies of multilateral assessment tools show that none of the current approaches give a full picture of multilateral effectiveness. All the tools have strengths and weaknesses. The studies give recommendations and suggestions for ways forward on multilateral assessment tools (see for example *Assessing Multilateral Organisation Effectiveness*).<sup>23</sup> Some of the suggestions are highlighted here to spur future discussion.

#### *Duplication*

There is considerable duplication of effort among the approaches to multilateral assessment in the field. Individual bilateral assessments often ask multilaterals to provide similar kinds of information, and surveys of partnership behaviour often ask development stakeholders at country level similar questions. Such a duplication of effort is inefficient and wastes the time of key decision-makers – time that could be better spent on core business and improving effectiveness rather than answering questions. Both the Paris Declaration and the Accra Agenda for Action (AAA) commit to reducing reporting burdens.

There are many reasons why assessments of effectiveness by both bilateral donors and multilateral agencies have proliferated. The main reasons are, budgetary and accountability pressures, either from governing bodies in the case of multilateral agencies or domestic constituencies in the case of bilateral donors. As there is no international consensus on the minimum criteria for assessing effectiveness, or good practice standards for assessment methodologies, bilateral donors continue to carry out their own assessments of multilateral effectiveness, in part because they are unsure of their actual needs. Hence, bilateral donors would benefit from a more critical look at their internal objectives and from defining more precisely how they intend to use assessment information, especially in making their multilateral aid strategies more effective.

### *Ways forward*

Ideally reports from multilateral agencies would be sufficiently comprehensive to satisfy bilateral donor information requirements and would make separate assessments unnecessary. In acknowledging this there is a strong case for bilateral donors to change the way they advocate for reform of the multilateral system. Instead of assessing the effectiveness of multilateral agencies from the outside (often using non-transparent approaches), they could use their positions on multilateral agency executive boards to advocate internally for better reporting on effectiveness. The Common Performance Assessment System (COMPAS) is a joint attempt by the multilateral development banks to improve the reporting of their results and make bilateral assessments unnecessary.

A shift towards self reporting by multilaterals would be a way to apply Paris Declaration principles to contributions to multilaterals. Further work by the DAC could examine the effectiveness of the current system of funding multilaterals and prepare the way for discussions with the multilateral system on this approach. The current system has strong parallels with aid effectiveness issues at country level, such as lack of predictability, over prescriptive donors and multiple reporting systems. Applying Paris Declaration principles would encourage multilateral “ownership”, align donor and multilateral systems for reporting, and provide mutual accountability for results. Such a shift would need to reflect differences in the effectiveness of multilateral governance structures and how well they operate. Until self reporting is adequate, bilateral donors may still need to make separate external assessments. But, there is a strong case for: (a) conducting assessments collectively in order to reduce duplication and transaction costs, and (b) developing a consensus on minimum requirements and standards for such assessments, and a common position on advocacy for improving multilateral reporting itself.

Initiatives such as the MOPAN Common Balanced Scorecard Approach have the potential to help to meet these requirements, especially if other countries, in addition to the current 11 MOPAN members, adopt this tool. COMPAS focuses on results and initiatives to get more value for money. Progress on specific measures, such as the Paris Declaration indicators, would serve to round out the picture of multilateral effectiveness. Reports such as the IFAD effectiveness report may provide a way forward in multilateral self reporting, and in assessing the relevance of the institution to its mandate. However, in becoming more reliant on multilateral reports it is also important to promote mutual accountability. The information needs of partner governments must be adequately met and their participation in surveys must be ensured (see Chapter 8 for more on partner country perceptions of multilateral agencies).

## Notes

1. OECD/DAC (2002), *Glossary of Key Terms in Evaluation and Results Based Management*, Paris, [http://www.oecd.org/secure/pdfDocument/0,2834,en\\_21571361\\_34047972\\_31736146\\_1\\_1\\_1\\_1,00.pdf](http://www.oecd.org/secure/pdfDocument/0,2834,en_21571361_34047972_31736146_1_1_1_1,00.pdf).
2. <http://www.accrahlhf.net>.
3. Third High Level Forum on Aid Effectiveness (2008), Accra Agenda for Action, [www.accrahlhf.net](http://www.accrahlhf.net).
4. Flows from 22 multilateral agencies were reported in the 2006 survey. Results were presented for 9 of these agencies. The remaining agencies were not included since less than 5 partner countries surveyed provided information.
5. Most partner countries provided a consolidated reply covering all UN agencies. Because of this it is not possible to interpret and monitor the data for each individual UN agency. Future monitoring of progress on the *Paris Declaration* would benefit from disaggregated data for each UN agency on the key indicators.
6. The survey data are collected at country level. A senior government official manages data collection, assisted by one or more donor focal points. Participation is voluntary; the increase in countries participating, from 34 to 54 between 2006 and 2008, suggests strong support by partner countries. The wider coverage of countries also provides more robust data; the 2008 survey covered 65% of “core aid” (*i.e.* excluding debt relief and humanitarian aid) compared to 37% in the 2006 survey. The guidance and definitions for the survey were clarified and reinforced through a help desk and regional workshops to support national coordinators in conducting the survey. Nevertheless, there are inevitably differences of interpretation between countries and donors. Thus, while the indicator values and measures of progress provide a reasonable indication of levels and change, the exact values need to be treated with some circumspection.
7. Australia, Austria, Canada, Denmark, Finland, France, Germany, Ireland, The Netherlands, Norway, Republic of Korea, Spain, Sweden, Switzerland, The United Kingdom.
8. <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/JUD-5292536-HRK>
9. Ministry of Foreign Affairs of Denmark (2008), *Assessing Multilateral Organisation Effectiveness*, Copenhagen, <http://www.um.dk/en/menu/DevelopmentPolicy/Evaluations/Publications/EvaluationStudies/2008-3+Multilateral+Effectiveness.htm>.
10. The MDBs involved in COMPAS are: African Development Bank Group, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank Group, Islamic Development Bank Group and The World Bank Group. The newest member of the MDB Working Group is IFAD, which will be included in the 2008 COMPAS report.
11. <http://www.adb.org/Media/Articles/2006/9724-development-banks-report/>

12. African Development Bank (2007), *Multilateral Development Banks' Common Performance Assessment System – 2007 Report*, [http://www.mfdr.org/Compas/documents/COMPAS\\_2007\\_final.pdf](http://www.mfdr.org/Compas/documents/COMPAS_2007_final.pdf).
13. IFAD (2007), *Report on IFAD's Development Effectiveness*, Rome, <http://www.ifad.org/gbdocs/eb/92/e/EB-2007-92-R-9-Rev-1.pdf>.
14. Ibid. *Assessing Multilateral Organisation Effectiveness*.
15. Meier (2007), *Assessing Multilateral Organisation Effectiveness: A comparative analysis of assessment tools and development of a common approach*.
16. DFID (2005), *The MEFF Mythology: A review of DFID's multilateral effectiveness framework*, London, <http://www.dfid.gov.uk/pubs/files/meff-methodology.pdf>.
17. <http://www.dfid.gov.uk/mdg/aid-effectiveness/multilateral-aid.asp>
18. Ibid., *Assessing Multilateral Organisation Effectiveness*.
19. Dalberg Global Development Advisors (2007), *Assessing Results Management at UNICEF*.
20. Ministry of Foreign Affairs of Denmark (Danida), *Annual Performance Report 2006*, Copenhagen, <http://danida.netboghandel.dk/english/publ.asp?page=publ&objno=16298131>.
21. AfDB, AsDB, The Global Fund, ICRC, IFAD, OCHA, OHCHR, UNAIDS, UNDP, UNEP, UNFPA, UNHCR, UNICEF, UNRWA, WFP, WHO and the World Bank.
22. Ibid., *Annual Performance Report 2006*.
23. Ibid., *Assessing Multilateral Organisation Effectiveness*.

## Chapter 8

### Partner Country Views on Multilateral Organisations

Despite their position as shareholders, bilateral donors are not the only ones who make decisions about how, when and to what extent they should engage with multilateral organisations. Partner governments also ask the same set of questions when making decisions on finance. Partner countries should, therefore, be involved in assessing multilaterals and framing multilateral reforms. However, there are not many studies on how national partners perceive multilateral performance. This chapter, therefore, briefly touches on a few aspects of this.

#### Perceptions of multilateral performance

##### *Overseas Development Institute (ODI) survey*

In 2007, the Overseas Development Institute (ODI) began a three-phase DFID-funded pilot project to develop an understanding of key stakeholder perceptions of the effectiveness of multilateral organisations. The first phase looked at the perceptions of a small cross-section of experts representing a range of perspectives on multilateral organisations. This phase also sought the views of stakeholders in partner countries on the performance of key multilateral organisations and which organisations they would prefer to disburse additional aid. The assessment was carried out in six countries: Bangladesh, Ghana, India, South Africa, Tanzania and Zambia. In total 261 individuals, from five stakeholder groups in each country, gave their views and perceptions about aspects of seven multilateral organisations: AfDB, AsDB, EC, The Global Fund, UNICEF, UNDP and the World Bank. Stakeholders surveyed were civil servants, government ministers, members of parliament, business leaders and civil society leaders.

One of the main conclusions of the report was that preferences for the source of additional aid disbursements are independent of perceptions of multilateral effectiveness but there is a weak statistical association in the data between the level of ownership and perceptions of effectiveness. The AfDB, for example, was rated poorly on most of the fifteen effectiveness indicators. Despite this, three of the four African countries in the study preferred the AfDB to the EC and World Bank as a disbursement channel for additional aid. The authors hypothesise that this can be attributed to governance; respondents feel a greater sense of ownership and prefer AfDB as a disbursement channel because it has strong regional membership. However, UNDP was the most preferred channel for disbursement of additional ODA.

When asked to judge overall effectiveness of a multilateral, no organisation rated more highly than another overall. However, on fifteen specific effectiveness indicators, the

AsDB, UNDP and World Bank rated highest. The fifteen effectiveness indicators were grouped into two classes: (a) criteria relating to the way donors provide funds; and (b) criteria relating to donor policies and procedures. When asked to rate the importance of these criteria respondents put more weight on policies and procedures of multilateral organisations than on factors associated with the delivery of funds.

The conclusions of this study are indicative rather than authoritative. Perceptions, such as those on ownership, are by nature subjective; for example, government officials tended to rate the efforts of certain multilateral organisations to promote civil society ownership more highly than business and civil society leaders. Furthermore, perceptions are affected by contact with organisations, and social and cultural factors.

*Next step:* Phase one of the ODI project has been completed and the results disseminated in most of the partner countries in the study (phase two). The project is now in its final phase. This phase has two objectives: (a) to build greater awareness of the perceptions of stakeholders about multilateral effectiveness; and (b) to contribute to the common MOPAN approach (Box 7.1) by learning from respondents' interactions with the 2007 ODI questionnaire. To meet these objectives, ODI will disseminate the survey findings within multilateral organisations and test the hypotheses developed during the initial research phase, in particular as regards the apparent contradictions in some of the partner country comments.

### *Donor performance review in Mozambique*

In Mozambique 19 donors have committed to support the Government's poverty reduction strategy (PARPA – *Plano de Acção para a Redução da Pobreza Absoluta*). The group includes three major multilateral organisations, the AfDB, the EC and the World Bank.<sup>1</sup> Since 2000, the donor group has made a significant effort to promote government ownership, alignment and harmonisation by providing general budget support. The group has sought to develop ways of working that allow it to effectively support the Government of Mozambique's poverty reduction strategy, including developing and implementing a common two-fold performance assessment framework (PAF). The evaluation is part of a mutual accountability exercise. The Government and the donors providing general budget support will each evaluate their performance against indicators that they have jointly adopted. The PAF aims to improve the effectiveness and efficiency of aid in supporting social and economic development for poverty reduction.<sup>2</sup>

The donor PAF is a set of indicators against which donor performance is measured. Every year, an independent consultant assesses the performance of donors against the PAF. The donor PAF takes into consideration factors such as: Paris Declaration principles, local Memorandum of Understanding, concerns of individual donors and of the group, local experience and inputs from the Government of Mozambique. The 19 effectiveness indicators are grouped into five classes: portfolio composition, predictability, harmonisation, alignment and capacity strengthening. The *Mozambique Programme Aid Partners Performance Review 2007*<sup>3</sup> is the fourth review of donor performance based on interviews and questionnaires. The review sought the views of different actors, including Government of Mozambique and donor staff. The evaluation assessed both bilateral donors and the three multilateral donors. In summary, the performance results of the three multilateral donors are:

*African Development Bank* Points for performance were 19 out of a possible 36 points in the PAF matrix of indicators (53%). Comments on progress included: AfDB has improved with respect to portfolio composition relative to 2006 and has made significant

improvements with respect to predictability, but is still very weak in areas of harmonisation and alignment, and in technical co-operation.<sup>4</sup>

*The European Commission* Points for performance were 23 out of a possible 36 points (64%), the same result as in 2006. Weak areas related to the composition of the portfolio. Otherwise, the EU was an all-round good performer, including on the indicators related to capacity strengthening.

*The World Bank* Points for performance were 17 out of a possible 36 points (47%). The report stresses that “the World Bank’s poor results (significantly worse than the 2006 results) are related to portfolio composition and utilisation of Government of Mozambique systems and reporting”. However, the report also emphasises that the World Bank is penalised because of its focus on large infrastructure projects and suggests that this issue needs to be reviewed to minimise the risk of the evaluation becoming just a formality.

The findings of the 2007 report quoted above should be regarded cautiously. Besides the caveat on the infrastructure there are more general caveats, including limitations on the methodology due to biases towards one or another view of what the major inputs to aid effectiveness are, elements not covered in the indicator matrix, and the fact that donors which do not provide an adequate share of general budget support and programme aid are likely to perform weakly.<sup>5</sup>

## Reflections on partner country views

As seen in Chapter 7 most assessments of multilateral effectiveness are carried out for and by donors, mostly the bilateral donors. Assessment therefore primarily meets the needs of bilateral donors, rather than the needs of partner countries. In the context of the Paris Declaration and progress towards greater country ownership, donors should consider involving partner countries when developing and revising methods for assessing the effectiveness of multilaterals.

Bringing in partner countries when assessing the multilateral organisations would help to: (a) build a better understanding of the performance of multilaterals amongst decision-makers, parliamentarians and other key stakeholders, both in donor and partner countries; (b) lead to more informed dialogue between multilateral and bilateral staff at headquarters and country level; (c) lead to more informed dialogue between multilateral organisations and key stakeholders in-country; and d) improve the performance of multilateral organisations at the country level.

For example, the ODI-study mentioned above suggests that there is an opportunity to evaluate the activities of multilateral organisations through a partner lens. Understanding perceptions within partner countries may highlight issues which were hitherto overlooked but which could have an impact on implementation. The responses to the ODI survey underline the fact that “partner countries clearly want to be heard”. This suggests that an important issue in the multilateral reform process is to address the partner countries’ demand for a “voice”, since without this, financing decisions may be less efficient. Higher quotas may not be the only solution. In the case of the IMF reform, it could be argued that discussions on quotas over the last few years have diverted attention – of management, the board and headquarters – from developing instruments to address the role and challenges for the IMF in a new century.

In giving the example of the Mozambique performance assessment framework the intention is not to make a judgement; this is, in any case, impossible because of the limitations

and caveats. Rather, the assessment shows how an in-country assessment can cover some of the major multilaterals. Secondly, the caveats and problems encountered in comparing donors whose portfolios differ, as mentioned in the report, may indicate that multilateral self assessments should address shareholder and stakeholder needs in the mutual accountability process. Thirdly, the study is a good example of duplication since it took place at exactly the same time as the Paris Declaration survey and even included some of the same indicators. Hence, actors in the Government of Mozambique and donor countries answered more or less same set of questions at the same time which just added to transaction costs. This is thus a prime example of the need for country-owned and led coordination.

## Notes

1. The bilateral partners are: Austria, Belgium, Canada, Denmark, Finland, France, Germany, the Netherlands, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.
2. <http://www.pap.org.mz/history.htm>.
3. IESE (2008), *Mozambique Programme Aid Partners Performance Review 2007*, [http://www.iese.ac.mz/lib/publication/outras/PAPs\\_PAF\\_2007.pdf](http://www.iese.ac.mz/lib/publication/outras/PAPs_PAF_2007.pdf).
4. The following caveat was stressed: “Almost half of AfDB’s portfolio is in large public infrastructure projects. While this is vital for the country, AfDB has been “punished” for focusing on such projects. The same happens, to various degrees, with other donors such as the World Bank and the European Union. It would be important to review the classification of such projects prior to the next donor evaluation, because they are important and in some cases it is more efficient and effective to run them as projects.”
5. *Ibid.*, *Mozambique Programme Aid Partners Performance Review 2007*.

## Chapter 9

### Reforms in the Multilateral System

Nearly all DAC member countries stress that reform of major multilaterals is a major priority for their boards, HQs and partner countries. In particular most DAC member countries put the “One UN” principle and reform as an overriding priority in their engagement with the UN (Chapter 3). Because of the focus on reforming the multilateral system, this chapter takes a brief look at the reform initiatives. The chapter does not review multilateral reforms comprehensively, but introduces specific reform initiatives and reviews progress in some of the major multilateral organisations. This chapter covers the “One UN” reform and reform in Bretton Woods institutions and regional development banks.

#### “Delivering as One”: United Nations at the country level

##### *Background*

In the history of the UN, one reform has succeeded or replaced another. Recent reform initiatives include but are not limited to: the much publicised Security Council Reform; the creation of the new Human Rights Council; revitalising the General Assembly; a comprehensive Mandate Review; a Review of Governance and Oversight; ongoing management reforms; Strengthening the Capacity to Manage and Sustain Peacekeeping Operations; and the Renovation of the UN Headquarters Complex.

The pressure for a more harmonised and simpler UN structure has grown in the last few years. In 2005 the Secretary General presented the report *In Larger Freedom*,<sup>1</sup> which outlines a plan to reform the UN system in preparation for the new challenges of a new century. Another milestone was the 2005 World Summit where world leaders said: “we pledge to enhance the relevance, effectiveness, efficiency, accountability and credibility of the UN system. This is our shared responsibility and interest”.<sup>2</sup>

The UN Secretary-General commissioned a High-level Panel (HLP) to report on UN system-wide coherence in development, humanitarian assistance and the environment. The HLP released the report, “Delivering as One”, in 2006. The report concluded that there was systemic fragmentation of UN work on development and the environment, that policy was incoherent, and that there was duplication and operational ineffectiveness across the system.<sup>3</sup> Co-operation had been hindered by competition for funding, mission creep and by outdated business practices. The key recommendation was to establish “One UN” at country level with One Leader, One Programme, One Budget and, where appropriate, One Office. The “One UN” reform aims to establish appropriate governance, managerial and funding mechanisms, to make operations more coherent and effective, to harness expertise

and experience from across the UN system, to reduce transaction costs and to create synergies – in short, to “enable the UN to achieve more than the sum of its parts”.<sup>4</sup>

To get the widest possible agreement and consensus on the far-reaching findings of the HLP report, the President of the General Assembly appointed two co-chairs<sup>5</sup> and asked them to hold informal consultations on system-wide coherence. The General Assembly recently welcomed the first report of the co-chairs<sup>6</sup>, and decided that discussions on system-wide coherence should continue with a view to formally adopting the HLP report. At the final meeting of the 62<sup>nd</sup> session, 15 September 2008, the General Assembly adopted resolution A/RES/62/277 on system-wide coherence based on draft resolution A/62/L.51.<sup>7</sup> By adopting this resolution, the Assembly decided that work on system-wide coherence would focus exclusively and in an integrated manner on “Delivering as One” at the country and regional levels, harmonisation of business practices, funding, governance, and gender equality and the empowerment of women.

Thus, in contrast with other UN reform efforts, the imperative for a more effective UN development system at the country level has been clearly endorsed. Through numerous General Assembly and Economic and Social Council resolutions, most notably Triennial Comprehensive Policy Reviews and companion Resolutions of 2001, 2004 and 2007, member states have called upon all concerned to “enhance the relevance, effectiveness, efficiency, accountability and credibility of the UN system” by implementing operational reforms to strengthen the UN.

### *“Delivering as One” pilot countries*

Since the beginning of 2007, efforts to improve efficiency, coherence and effectiveness of the UN development system have received fresh impetus. Eight self-selected “pilot” developing countries adopted the “Delivering as One” approach. Ongoing “Delivering as One” reforms in Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, Uruguay and Viet Nam aim to increase the impact of UN development interventions in support of national priorities at the country level by improving efficiency, coherence and effectiveness of UN operations.

The One Programme, One Budgetary Framework, Joint Resource Mobilisation, Joint Communication Strategy, Common Business Practices and One Leader mechanisms in “Delivering as One” pilot countries provide the host governments with a comprehensive overview of the scope of assistance provided to their countries by the UN system. This helps leaders identify priorities for UN support. It also helps reduce fragmentation, duplication and internal competition for resources among UN organisations. The approach has also helped establish each resident coordinator as the “One Leader” of an empowered UN country team (UNCT), with the authority to “negotiate the “One Programme” with the host government and to shape the related allocation of funding, while being subject to a clear accountability framework and effective oversight mechanism and with authority in turn to hold members of the UNCT accountable”. “National Ownership” of the process and “No One Size Fits All” are key guiding principles in the approach.

In May 2008 the Government of Mozambique hosted a seminar on “Exchanges of experience and lessons learned among the eight “Delivering as One” pilot countries”. Government representatives from the eight pilot countries and two other countries with similar processes (Botswana and Malawi) participated. The Maputo Declaration issued by seminar participants invited the General Assembly to “fully support the countries engaged in “Delivering as One” in their continuing efforts”. At the same time, the Maputo

Declaration points to constraints that continue to impinge on the full and accelerated implementation of the “Delivering as One” approach. These include: (a) the lack of predictability and timeliness of funding; (b) the lack of harmonisation and simplification of business practices; (c) high transaction costs of the UN generally; (d) poor alignment of UN capacities with the priorities of programme countries; and (e) low level of use of national operational capacities. The Final Summary Statement underlined the need to provide more and better upstream normative and policy advice, rather than downstream delivery of stand-alone projects, but also emphasised that agencies must “accelerate the reform of their headquarters to enable them to respond more effectively and rapidly to the needs of programme countries”. In a number of ways, the recommendations of the Mozambique seminar thus reiterate those of both the High Level Panel and the 2007 Triennial Comprehensive Policy Review (TCPR) resolution.

#### **Box 9.1. Joint donor mission to selected “Delivering as One” pilot countries**

A joint Netherlands, Norway and United Kingdom donor mission visited Tanzania, Mozambique and Malawi 8-15 May, 2008, to examine progress and support the piloting of “Delivering as One”. The mission found that UNCT members had dedicated significant energy, commitment and passion to make “Delivering as One” a success. Working as “One UN” already showed positive results: stronger government ownership; better coordination and co-operation between UN agencies and line ministries; lower transaction costs; more coherent and better aligned “One UN” country programmes; better integration of cross-cutting issues such as gender; efficiency gains; and a stronger UN that had earned a seat at the Table during budget support consultations (by contributing valuable expertise rather than a lot of money).

In all cases the donors found that governments were committed to the success of “Delivering as One”. However, each of the countries visited differed in terms of leadership and ownership by government, and how government coordinated with the UN.

Similarly, donor engagement was mixed, and it was clear that a cross-section of donor partners in-country need to engage adequately. Donors also need to limit earmarked contributions to UN organisations. The World Bank was active in all countries, but could give a higher priority to more co-operation with the UN.

The bureaucracy in UN headquarters was cited as stifling attempts by the UN at country level to become more relevant and efficient. The mission concluded that UN headquarters should remove obstacles to co-operation, harmonisation and alignment. In particular, all UN agencies should: delegate authority to participate effectively in the “One UN” to country offices; allow efficiency savings to be used for programme expenditure; harmonise business procedures; and make even more use of national systems, such as national procurement, accounting, monitoring and evaluation.

#### ***New inter-agency structures in place in support of “Delivering as One”***

Following proposals by the Chief Executives Board for Coordination (CEB) made in a report presented by the Directors General WTO and the ILO on the structure and working methods of the UN system and its relations to other inter-agency mechanisms, it was agreed to reinforce the authority of the CEB as the primary organ for setting policy and making decisions. The main outcome has been the integration of the United Nations Development Group (UNDG) into the CEB as a third pillar for development co-operation alongside the high-level committees on programmes and management. This has

strengthened the legitimacy and oversight of the important initiatives to better coordinate operational activities at the country level that UNDG undertakes on behalf of the entire UN system.

Under this new structure, all CEB members support the development of the High Level Committee on Management Plan of Action for the Harmonisation of Business Practices in the UN system. The Action Plan builds on the belief that, within a system structured around a variety of mandates, more coherent working modalities of the member agencies will significantly improve programme results while in the medium- and long-term allowing for a substitution/reduction of costs to individual agencies.

The UNDG itself, as a new third pillar of the CEB, has been restructured. Working methods have been revised and streamlined. The Development Operations Coordination Office (DOCO) provides the secretariat for the UNDG. DOCO will perform two key roles: (a) supporting the work of the UNDG at the headquarters level, in close collaboration with the CEB secretariat; and (b) supporting the resident coordinator system at the country level as well as the regional directors' teams. UNDG complements the High Level Committee on Programmes on system-wide policy and programme issues, and the High Level Committee on Management on system-wide management and administrative issues.

DOCO also supports the UNDG Advisory Group, which was established in October 2007 to provide guidance to the UNDG Chair on the management of UNDG and the Resident Coordinator (RC) System operations. A priority for the Advisory Group in 2008 has been the development of a "Management and Accountability System for the United Nations Development and Resident Coordinator System", also referred to as the "functional firewall" for the Resident Coordinator System.

### *Challenges ahead*

All levels in UN agencies have reported a heavy workload, higher short-term start-up costs and higher transaction costs as a result of the "Delivering as One" initiative. This echoes concerns expressed in the 38<sup>th</sup> United Nations Issues Conference<sup>8</sup> of the dangers of simplistic assumptions regarding cost savings, such as combining physical locations or administration. Experience in Cape Verde proved that this can be counterintuitive as there the cost of combining facilities caused a short-term spike in programme administrative costs, although there are likely to be long-term savings. Furthermore, with respect to funding, it has been noted that, although the new mechanisms highlight funding gaps and joint resource mobilisation at country level, high expectations of government or United Nations funding can lead to unrealistic programming.<sup>9</sup>

At the March 2008 High-Level Conference on UN System-wide Coherence, the Deputy Secretary General noted, "We need ... to continue addressing the challenges that we still face. We need to recognise that the slow pace of reform and change at Headquarters is hindering the Pilots. We have to ensure that the global tools and processes are in place to support and strengthen a more efficient United Nations at the country level. There needs to be increased clarity on RC authority and mutual accountability within the United Nations Country Team".<sup>10</sup>

Based on the Triennial Comprehensive Policy Review (TCPR) 2007 and the companion ECOSOC Resolution 62/208, the UNDG will continue supporting the "Delivering as One" pilot countries until the results of the final evaluation of the "Delivering as One" pilots are discussed in UN inter-governmental forums. Over the next three years, some 90 countries

will roll out their new or renewed UNDAFs. This is a great opportunity for the UNDG, in compliance with the TCPR resolution, to support these countries in improving efficiency, coherence and effectiveness at the operational level. This, in turn, will require more technical and financial support than is currently provided. So it is encouraging to note that, at the UN High-Level Event on the MDGs, the governments of Spain and the UK – and later Norway – committed specific additional funding for the “Delivering as One” reform.

### Box 9.2. “Delivering as One” in Mozambique

Mozambique is one of Africa’s biggest recipients of official development assistance. External assistance finances about 50% of annual government spending. Since the UN “Delivering as One” process was launched, donors and missions have inundated Mozambique with requests for information, which have been extremely time-consuming for communication staff. The stocktaking report emphasises that good time management and planning is essential. Most of the year has been spent planning and making preliminary steps. Conceptualisation and development of the “One Programme” is best done as part of the UNDAF development process so as to include all parts of the UNDAF. At the same time the report stresses the need for institutions to systematically share good practices and for the UN to build capacity. The “Delivering as One” process has been complicated by the absence of pre-approved formats for Memoranda of Understanding and Letters of Agreement which led to several rounds of consultations with various regional and Headquarter bodies.

Though it is too early to see the impact of joint resource mobilisation and “One Fund” transaction costs on partners, early assessments suggest that there will be *substantial gains*. Furthermore, the report comments that assistance programmes are more harmonised, not only those of UN agencies in Mozambique but also those of all UN agencies. An example was the leadership of the United Nations team during the February 2007 floods in Mozambique.

## Reforming the Bretton Woods institutions<sup>11</sup>

### *International Monetary Fund*

In September 2006, at the International Monetary Fund (IMF) annual meeting, members endorsed a programme of governance reform to “better reflect the relative weight of member countries in the world economy and enhance the voice and participation of low-income members within the institution”.<sup>12</sup> Members agreed on a package of reforms which included the following: (a) an initial *ad hoc* increase in quotas for the “most under-represented countries” – China, Korea, Mexico and Turkey; (b) a new formula for the assessment of members’ quotas in the IMF; (c) a second *ad hoc* quota increase based on the new formula; (d) an increase in basic votes, which effectively increases the voting power of those members whose voting power is below the Fund membership average as a whole, such as low-income countries; and finally (e) additional staff for the two executive directors representing African members.

The initial *ad hoc* quota increase for China, Korea, Mexico and Turkey has already been implemented and the Executive Board is developing a new quota formula. The increases to basic votes require an amendment to the Articles of Agreement – a relatively rare occurrence which the majority of members must support. In April 2008, the Board of Governors adopted a resolution on quota and voice reforms, including an amendment of the Articles of Agreement to enhance voice and participation. At the 2008 annual

meeting the International Monetary and Financial Committee of the Board of Governors (IMFC) welcomed the adoption of this resolution and stressed that it is an important first step towards realignment of member quotas and voting shares. IMFC also emphasised that realignment is expected to increase the quotas of dynamic economies and, hence, the overall share of emerging market and developing economies.<sup>13</sup> The final stage, increasing basic votes, requires acceptance by at least three-fifths of the members, representing 85% of the total voting power, to become effective. Most member countries will need the approval of their domestic legislatures first.

### *World Bank Group*

In September 2007, as part of a series of changes to the World Bank's funding strategy, the World Bank Group announced a cut in the interest rate on loans to middle-income countries to pre-Asian financial crisis levels. As part of these changes, specifically to the International Bank for Reconstruction and Development (IBRD), the loan and guarantee pricing structure has been simplified, new hedging products have been introduced and the interest rate "spread" – the gap between the rates at which the bank borrows and the rates at which it lends – has been halved,<sup>14</sup> in accordance with the President's stated aim of being "faster, better and cheaper".<sup>15</sup>

Other recent reforms within the World Bank relate to decentralisation, budget reform, voice and participation of developing countries, World Bank and IMF collaboration, and improving transparency. In response to questions about voting and, therefore, voice in the World Bank, the President said that "the Bank is ready to help shareholders review the implications for the Bank and develop proposals, taking into account that the Bank's circumstances are different from the IMF".<sup>16</sup> At the 2008 annual meeting, the Development Committee welcomed the package of reforms enhancing the voice and participation of all developing and transition countries in World Bank Group governance and work. This is seen as an important first step in the ongoing process of comprehensive reform. The package of reforms includes both immediate concrete steps and commitments to further steps, such as: creating an additional board seat for sub-Saharan Africa; increasing voting shares for developing and transition countries in IBRD and IDA, giving special emphasis to smaller members; and further realignment of developing and transition countries' Bank shareholdings by the Bank's Board through a review that will develop principles, criteria and proposals for Bank shareholding. The Board will develop proposals by the 2010 annual meetings, with a view to reaching consensus on realignment at the following meeting.<sup>17</sup>

### *Collaboration within Bretton Woods institutions*

Since the 1966 memorandum on "Fund-Bank Collaboration" there have been numerous statements and guidelines on collaboration between the IMF and the World Bank. Most recently, the Managing Director of the IMF and the President of the World Bank commissioned an External Review Committee to review institutional collaboration between the two Bretton Woods institutions. Their findings, delivered in February 2007, stressed that the integration of economies and the emergence of global issues requires international institutions not only to respond to developments, but to be "ahead of the curve" and be innovative and proactive in helping members address the challenges of globalisation.<sup>18</sup> The report, in addition to giving examples of strong collaboration between the two institutions, such as the Heavily Indebted Poor Countries initiative and the Financial Sector Assessment Program, emphasised that weak collaboration results in higher

costs for donors and partners through wasted resources, poor and conflicting advice, and gaps in provision.

Subsequent to the findings and recommendations of what is often referred to as the *Malan Report*, after the Chair of the External Review Committee Pedro Malan, a Joint Management Action Plan (JMAP) was prepared by a joint Bank-Fund staff team in September 2007. The JMAP outlined actions in response to the *Malan Report* recommendations relating to areas such as technical co-operation and procedural changes. With regard to human resources, for example, the JMAP outlines actions to improve inter-institutional mobility, and performance assessment of staff on secondment, to facilitate and incentivise staff collaboration.

In response to the recommendation to “undertake war games together” – to collaborate on responding to hypothetical crises through the joint design and implementation of facilities and instruments – the JMAP indicates that both institutions will continue to “take steps” to ensure preparedness.<sup>19</sup> On fiscal issues, however, the Plan outlines a clearer set of activities to encourage an integrated Bank-Fund approach to designing fiscal policy. Likewise, processes have been put in place to act on the recommendations relating to delineating responsibilities for financial sector issues.

The JMAP does not address the recommendations relating to governance outlined in the *Malan Report*. Such recommendations include holding a special joint meeting of the International Monetary and Financial Committee and the Development Committee to consider the *Malan Report*, the formation of a standing Bank-Fund Board working group, and considering far-reaching changes to Board composition and interaction. The first progress report has been scheduled for the 2009 annual meetings of the IMF and World Bank boards.

## Reforms in regional development banks

### *African Development Bank*

Building on the pre-2005 restructuring programme that focused on consolidation, centralisation and financial integrity, the current President launched a Task Force for Institutional Reform in October 2005 to enhance the development impact of the AfDB. The Task Force recommendations guided reforms in human resource management, business processes, decentralisation, budget processes, knowledge generation and management. The knowledge generation and management component equipped all country and regional offices with enhanced IT systems, allowing faster and more reliable communication and better work flows. These reforms are targeted to build and brand the Bank as a results-oriented institution characterised by: a stronger country focus; enhanced regional/sub-regional focus; and higher operational effectiveness and efficiency.

The AfDB has committed to a greater focus on results to the extent that, in 2007, it adopted a Performance Management System based on Key Corporate Performance Indicators (KPIs) and underpinned by measures and indicators for each complex of the Bank. The targets and indicators will facilitate management discussion, provide timely information on corporate trends and inform decision making. Significant early results and progress have been made during 2007 and 2008 across all priority reform areas.

### *Asian Development Bank, Inter-American Development Bank and European Bank for Reconstruction and Development*

Like the AfDB, the Asian Development Bank (ADB) is engaged in reforms to strengthen human resource management to ensure a better mix of skills and put in place a new system of incentives. ADB is also adopting a knowledge management framework to enhance knowledge sharing among clients.<sup>20</sup>

The diversification of opportunities for development finance through private lenders, sub-regional lenders, national institutions and foreign government investment, has put pressure on regional banks to re-think their organisation and strategy. The Inter-American Development Bank (IDB), for example, has begun a reorganisation approved by its Executive Board in December 2006. The reforms include lending to a broader array of borrowers not backed by sovereign guarantee, renewed emphasis on large infrastructure projects and delegating more responsibility to country offices.

Meanwhile, the European Bank for Reconstruction and Development (EBRD), whose original mandate was to foster the transition towards market economies in Central and Eastern Europe, has shifted its geographical focus to South-Eastern Europe, the Caucasus, Central Asia and Russia.<sup>21</sup>

### **External aid management reform in the European Commission**

In recent years, the EC's external assistance reform has transformed many aspects of its development cooperation system. Central to the overall pace and structure of that reform was the creation of EuropeAid Cooperation Office in 2001 and the subsequent devolution of aid management to the EC field delegations. EuropeAid has responded purposefully to its mandate to implement the growing and increasingly diverse worldwide portfolio of activities. Its role as the Brussels point of coordination for implementing most Community development action is a factor in the successful devolution of responsibility to field delegations.

The range of management reforms carried out since 2001 includes those confirmed by the 2005 European Consensus, such as principles of engagement, delivery and policy. The Consensus outlined objective criteria for resource allocation and for targeted improvements in harmonisation with external donors in streamlining internal procedures, reinforcing quality control and better use of results. Reforms put in place since 2001 include:

- The implementation as of 2007 of a more streamlined set of financial instruments, which channel development co-operation through the Development Cooperation Instrument (DCI), the European Development Fund (EDF), the European Neighbourhood Instrument, the European Instrument for Democracy and Human Rights, the Instrument for Stability, the Nuclear Safety Instrument, the Pre-Accession Instrument, and the Instrument for Industrialised Countries. This was a major step to harmonise and simplify procedures needed to manage Community funds. It also aligns the programming cycles of the Budget (2007-13) and EDF (2008-13) to permit further harmonisation of these programmes over time.
- The financial aspects of Community aid have improved considerably since the DAC peer review in 2002. Commitments and disbursements are at record levels; financial planning has improved; old files have been substantially cleaned up; outstanding commitments are now under control; and overall commitments and payments have increased.

- In 2005 EuropeAid established a separate Directorate with the mandate to promote the quality of operations and to assess the impact of projects. Quality support groups screen project proposals before approval and independent missions monitor the results of ongoing activities.
- Considerable effort has been made to guide and train managers in the appropriate use of simplified procedures. This has included user-friendly guidelines on methodologies, themes and procedures in the new systems.

### Reflections on multilateral reforms

Reform of multilaterals is now a high priority on the agenda of DAC member countries and will be for some years ahead. Reform is important in making agencies more efficient, but reform alone will not address the growing complexity of the multilateral system. Bilateral donors, as well as pursuing reform, also need to think of better ways of dealing with their multilateral partners. One way bilateral donors could avoid adding to complexity and transaction costs is to make more use of existing agencies rather than creating new topic-specific funds.

Reforms are *not* designed and anchored, and do not deliver results overnight. This report shows that reforms are progressing and that many multilateral organisations are framing and implementing well-intentioned initiatives. However, it is still too early to judge the results. Only time will tell whether or not the new reforms simplify the multilateral system and, hence, enhance the effectiveness of multilateral assistance. For multilateral reforms to show results it is crucial that reforms are integrated across the whole development field, among donors, organisations and partner countries. Within the multilateral organisations themselves, for reform to show results, it is likewise vital that the ideas, instruments and aims of the reform are owned by *all* staff. If there is no “ownership” within the organisation any new reform will be just another in the sequence of initiatives.

The question now is how DAC donors and others can help take the multilateral reforms forward in boards, HQs and in partner countries. In further reform, it should be borne in mind that reforms need to simplify and modernise systems, not just add to bureaucracy. For example, at the Accra High Level Forum the head of UNDP asked donors to support “One UN”. He said that new funds were welcome but added “please do not attach a new bureaucracy to them. Think three times before setting up a new fund”. Experience in piloting the “One UN” reform also prompted a reflection that donors should avoid making premature assessments on progress and give governments time to implement reforms. Donor coordination on missions for “One UN” and other purposes are therefore as vital as ever.

## Notes

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3. United Nations (2006), “Delivering as One”, Report of the Secretary-General’s High-level Panel, New York, [http://www.undg.org/archive\\_docs/9021-High\\_Level\\_Panel\\_Report.pdf](http://www.undg.org/archive_docs/9021-High_Level_Panel_Report.pdf).
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8. Delivering Coherence: Next Steps for a Unified United Nations System. 38th United Nations Issues Conference. February 23-25 2007 Tarrytown House Estate and Conference Center, Tarrytown, New York, <http://www.undg.org/docs/7220/Next%20Step%20for%20a%20Unifed%20UN%20system.pdf>.
9. “Delivering as One”, 2007 Stocktaking Exercise: Summary, [www.undg.org/index.cfm?P=568](http://www.undg.org/index.cfm?P=568).
10. Vienna, Austria, 4 March 2008, Deputy Secretary-General’s address to the high-level conference on UN System-Wide Coherence: The Next Steps.
11. This report was written during the summer of 2008 and therefore does not reflect the discussion of major Bretton Woods reform, following the financial crisis of autumn 2008.
12. IMF (2007), *Reform of IMF Quotas and Voice: Responding to changes in the Global Economy*. Washington DC, <http://www.imf.org/external/np/exr/ib/2007/041307.htm>.
13. Communiqué of the IMFC, October 2008; <http://www.imf.org/external/am/2008/index.htm>.
14. *Financial Times* 28 September 2007, “World Bank cuts rate to middle-income nations”, [http://www.ft.com/cms/s/0/c7da3e7c-6d52-11dc-ab19-0000779fd2ac,dwp\\_uuid=2114d450-df62-11da-afe4-0000779e2340.html?nlick\\_check=1](http://www.ft.com/cms/s/0/c7da3e7c-6d52-11dc-ab19-0000779fd2ac,dwp_uuid=2114d450-df62-11da-afe4-0000779e2340.html?nlick_check=1).
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16. Statement by Robert Zoellick, President, World Bank. International Monetary and Financial Committee, 12 April 2008, <http://www.imf.org/External/spring/2008/imfc/statement/eng/wb.pdf>.

17. Development Committee Communiqué, October 2008, <http://siteresources.worldbank.org/DEVCOMMINT/NewsAndEvents/21937474/FinalCommunique101208.pdf>
18. Report of the External Review Committee on Bank-Fund Collaboration. February 2007.
19. *Enhancing Collaboration: Joint Management Action Plan*, IMF and World Bank. 20 September 2007, <http://imf.org/external/np/pp/2007/eng/092007.pdf>.
20. AsDB (2005), *Progress Report on the Asian Development Bank's Reform Agenda*, <http://www.adb.org/Documents/Reports/Reform-Agenda/reform-agenda-jan2005.pdf>.
21. EBRD, *Annual report 2007: Review and Financial statements*. European Bank for Reconstruction and Development, <http://www.ebrd.com/pubs/general/ar07.htm>.

## *Appendix*

### **DAC Donors' Multilateral Aid: Trends and Policy**

This Appendix presents a study of the 23 DAC members' multilateral aid. For each DAC member, it includes information on multilateral aid allocations, main objectives and strategies when engaging with multilateral organisations and management of multilateral aid. It also includes the multilateral recommendations of the latest DAC Peer Review – and where relevant recommendations by the national audit institution – and the country's follow up on these.

The data on individual agencies in Section 2 are not intended to be comprehensive; they cover just the major channels of delivery of non-core funds as reported to the Creditor Reporting System. These data cannot be summed across DAC members to calculate core and non-core contributions to any one agency. Such data are available online at [www.oecd.org/dac/stats](http://www.oecd.org/dac/stats).

*Methodology:* Unless otherwise stated, data are based on DAC statistics. Information on multilateral policies and strategies was provided by DAC members based on an initial draft drawn from public sources; mainly internet sites of the countries' Ministry of Foreign Affairs and/or development agencies. As throughout the rest of the report, gross figures are used to show the proportion of outflows from each DAC member to multilateral organisations without deducting repayment of loans. For each country, debt relief covers debt forgiveness, rescheduling and other action of debt. As a general remark, Section 1 is based on core contributions on a gross **disbursement** basis, while Section 2 looks at the overall use of the multilateral system (*i.e.* including non-core funds) for which data are available only on a **commitment** basis. Unless otherwise stated, all data are in constant 2006 USD.

## Australia

### 1. Multilateral aid at a glance

In 2006, Australia contributed 15% of its gross ODA in core contributions to multilateral organisations, placing it well below the 2004-06 DAC average of 24%. Net of debt relief, core contributions to multilaterals as a share of Australia's gross ODA was 18%, compared to the three-year DAC average of 29% (three-year DAC average of 19% excluding the EC). Although Australia's total ODA increased by almost 50% over the past decade, multilateral core contributions decreased by USD 53 million in absolute terms over this period, from USD 380 million to USD 327 million. Therefore, the share of multilateral core contributions steadily decreased over the last decade from 27% to 15%.

Figure 1. Australia's gross ODA 1997-2006

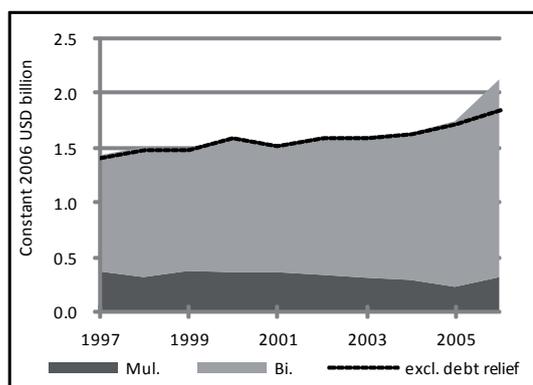


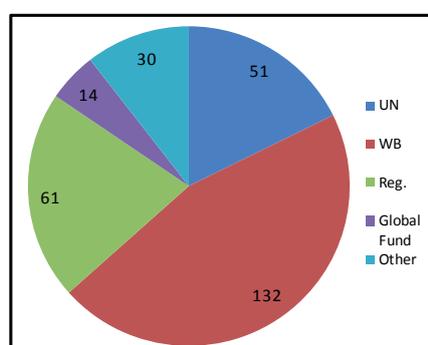
Table 1. Multilateral share of total ODA

Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	27	27
1998	22	22
1999	26	26
2000	23	23
2001	24	25
2002	22	22
2003	20	20
2004	18	19
2005	14	14
2006	15	18

Source: DAC Aggregate Statistics

A large proportion of Australia's multilateral core contributions finances two institutions: the World Bank and the AsDB. The AsDB, with its regional focus, is currently the only regional development bank to which Australia provides core funding. In 2004-06, the World Bank accounted for 45% of Australia's multilateral core assistance (7% of total ODA), followed by the AsDB which accounted for 21% (3% of total ODA). The UN system ranked third, receiving 18% of multilateral core assistance (3% of total ODA) in 2004-06. WHO, UNHCR and UNICEF were the three largest recipients in the UN system, accounting for 16%, 15% and 9% of core UN contributions respectively.

Figure 2. **Major recipients of Australia's multilateral ODA (core contributions)**  
(ODA three-year average 2004-2006, constant 2006 USD million)



Source: DAC Aggregate Statistics.

## 2. Total use of the multilateral system

Table 2 shows data on Australia's aid (commitments) channelled through multilateral agencies. Australia's core contributions to the UN amounted to USD 38 million in 2006, but this represented only 18% of its total aid to and through the UN that year. Another USD 167 million was allocated through the UN for specific projects and programmes. Hence, Australia's total use of the UN system (that is, both core and non-core funding) in 2006 amounted to USD 205 million, almost equal to its use of the World Bank Group. Only 57% of Australia's funding to the multilateral system is core funding, and hence Australia is among the DAC donors with a relatively large share of earmarked funding. In terms of both core and non-core funding, Australia channelled some 31% of its aid to and through the multilateral system in 2006. The major factor driving Australia's substantial use of non-core funding is its efforts to increase the focus of multilateral agencies on the Asia-Pacific region. AusAID notes that the change in Government in Australia in 2006 has resulted in a revitalised engagement with multilaterals. This has led to increased funding for multilaterals and a rebalancing of core and non-core funding ratios.

Table 2. **Australia's core contributions to multilateral agencies and aid channelled through multilaterals**  
Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>38</b>	<b>167</b>	<b>205</b>	<b>18</b>
of which:				
UNDP	4	30	35	13
UNICEF	-	46	46	0
WFP	-	48	48	0
WHO	2	16	19	13
<b>World Bank Group</b>	<b>182</b>	<b>27</b>	<b>208</b>	<b>87</b>
<b>Reg. Dev. Banks</b>	<b>72</b>	<b>20</b>	<b>91</b>	<b>79</b>
<b>Other Multilaterals</b>	<b>36</b>	<b>30</b>	<b>66</b>	<b>55</b>
<b>Total</b>	<b>327</b>	<b>243</b>	<b>570</b>	<b>57</b>

Source: DAC Aggregate Statistics and Creditor Reporting System.

### 3. Multilateral Strategy

Aid delivered through multilateral partnerships and channels is an integral part of Australia's international development assistance programme. Due to Australia's geographic location, the programme focuses on the Asia Pacific region. The Australian government recognises that it has a special responsibility to assist developing countries in its immediate region, and is in a position to understand some of the special development, political, economic, social and security challenges faced by some of its neighbours. The government has committed to increase its ODA to GNI ratio to 0.5 per cent by 2015 and to increase support for international efforts, such as the MDG Call to Action. The government has also identified an emphasis on multilateralism, particularly the UN, as one of three key pillars of Australian foreign policy.<sup>1</sup> This has implications for Australia's engagement with international organisations, other donors, and its developing country partners.

Australia's *International Development Assistance Program 2008-09*<sup>2</sup>, is designed to take forward the increasing commitment to multilateralism. Australia will be active in its support for a rules-based international system through contributions to institutional reform and building policy consensus on issues with global impact. Multilateral approaches will be integral to Australian aid delivery, particularly as aid flows increase to achieve certain goals, for example the international effort to combat climate change. Australia will seek enhanced partnerships with UN agencies, international financial institutions, and global funds.

The government has pledged to be more proactive in encouraging multilateral agencies to focus on issues of core interest to Australia. Australia views the World Bank and AsDB as key partners because of their financial weight, policy dialogue and convening power. AusAID has established a Quadrilateral Cooperation Agenda with the World Bank, AsDB and NZAID to better harmonise engagement among the four partners in the region. It will work more closely with the IFIs on priority sectors where they have particular expertise, including on integrated infrastructure development programmes, for example, through the Pacific Region Infrastructure Fund, the World Bank and AsDB.

Expanded support to key agencies in the UN development system will be part of increased Australian engagement with the UN. The 2008-09 development assistance budget includes a new budget measure – UN Partnership for the MDGs – under which Australia will provide additional contributions to seven agencies: UNDP, UNICEF, UNIFEM, WHO, UNAIDS, UNFPA and UNOCHA. An important feature of the budget measure will be the provision of core funding on a multi-year basis, subject to negotiated arrangements, bringing a new degree of funding predictability to Australia's relations with these key UN agencies. Substantial increases in contributions to such global programmes demonstrate Australia's commitment to the UN and the MDGs world wide and complement the direct work of the Australian development assistance programme in the Asia-Pacific region. Providing increased core funding on a multi-year basis also reflects Australia's continuing commitment to UN reform, since this gives agencies greater financial stability and the essential core resources necessary to plan and implement reform measures. Australia's commitment to system-wide coherence has been enhanced lately through the provision of funding for the implementation of the "One UN" pilot programme in Pakistan, and voluntary contributions to the UNDG, the principal driver of the reform agenda.

The multilaterals are an important channel for the delivery of Australia's increasing engagement with Africa and South Asia. Australia has made multi-year contributions to UN and World Bank trust funds or donor cooperation funds, as well as working with UN agencies on specific development programmes. Additionally, Australia makes extensive contributions through UN agencies for humanitarian assistance in Africa.

#### 4. Management of multilateral aid

The Australian Agency for International Development (AusAID), an administratively autonomous agency within the Foreign Affairs and Trade portfolio, is responsible for managing Australia's overseas aid, including most of its multilateral assistance. The Global Programs Division within AusAID, which consists of a Development Partnership Branch and Humanitarian and Middle East Branch, plays a key role in managing Australian multilateral assistance. This division holds the overall responsibility for the UN agencies, MDBs and humanitarian assistance. However, the diplomatic missions to multilateral organisations and missions in Australia's partner countries also support the development engagement with multilaterals.

While the majority of Australia's ODA continues to be delivered through AusAID, other government agencies are increasingly contributing relevant expertise to development policy and programme delivery. Evidence of this whole-of-government approach is particularly apparent in Australia's engagement with the MDBs, where the Treasurer is the Governor and the Parliamentary Secretary for International Development Assistance is the Alternate Governor. In practice, work on these organisations is shared between AusAID and Treasury, with AusAID taking the lead on replenishments of the concessional financing arms of the banks, and Treasury taking the lead on certain institutional reforms. In certain instances, Australian government agencies other than AusAID lead on Australian policy on approaches to some UN agencies. For example, the Department of Education, Employment and Workplace Relations lead on Australia's relationship with the International Labour Organisation.

#### 5. Multilateral recommendations in the DAC Peer Review and other reviews

In the 2004 Peer Review of Australia, the DAC raised specific recommendations on the multilateral aid channel, namely that Australia may want to reflect on the steady decline in support for multilateral organisations, and take a strategic view of the future medium-term balance between bilateral and multilateral aid.<sup>3</sup>

Australian multilateral aid and its share of total ODA has continued to decline since the latest Peer Review. However, Australia is currently developing a long-term strategy for scaling up Australia's ODA, including the use of multilateral versus bilateral aid, and multilateral approaches are central to the Australian government's policy.

The first Annual Review of Development Effectiveness produced by the Office of Development Effectiveness – a freestanding AusAID based unit that is independent from programme management – briefly touched on the effectiveness of Australia's multilateral aid contributions. It stressed for example that reliable information is currently unavailable on some significant non-country programmes, including funding to multilaterals such as the UN, leading to insufficient analysis about how multilaterals can advance Australia's priority objectives and which multilateral organisations are best placed to do this. The Review also indicates that no clear position exists on the merits of core versus non-core funding and on the circumstances in which one is preferred over the other.<sup>4</sup> However, evaluation of multilateral organisations is improving. An Annual Programme Performance Report was prepared in 2008 for Australia's core contributions to multilateral organisations. Quality at implementation reports were prepared in 2008 for all co-financed multilateral activities over USD 2.6 million and for core funding to multilateral agencies. The performance of multilateral aid contributions will be reported in the 2008 Annual Review of Development Effectiveness. Furthermore, Australia is undertaking a Rapid Assessment of Multilaterals over 2008 to inform increased multilateral engagement.

## 6. Allocation and scaling up of multilateral aid

The allocation of Australian multilateral aid predominately occurs either through multilateral replenishment rounds or through the annual budget process. The Australian government has substantially increased its commitment to IDA, the concessional financing arm of the World Bank, by increasing its share from 1.49% to 1.80% during the recent IDA15 replenishment propelling Australia from 15<sup>th</sup> largest donor to IDA to 12<sup>th</sup> largest. Australia has also contributed significantly to the AsDF, the concessional financing arm of the AsDB. In the AsDFX replenishment, Australia maintained its position as the third largest donor to the AsDF.

To increase predictability of aid funding and to assist in the scaling up process, Australia has commenced a number of sector-focused initiatives with, in most cases, multi-year funding commitments. The UN Partnership for MDGs is an example of this approach, which sets aside funds in future to support increased core funding to key effective UN agencies. Following the change in government in November 2007, Australia is developing a strategy for scaling up the development assistance programme. This will include examining the mix of modalities necessary to support its delivery. It is expected that the use of multilateral channels and international financial institutions will increase as Australia scales up its development assistance programme.

## Notes

1. Australia's Prime Minister, the Hon. Kevin Rudd, MP, stated in an address to the East Asia Forum on 27 March 2008 that the three pillars of Australia's foreign policy were: the alliance with the United States of America; the membership of the United Nations; and comprehensive policy engagement with Asia.
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3. OECD (2004), *DAC Peer Review of Australia*, Paris, [http://www.oecd.org/document/33/0,3343,en\\_2649\\_34603\\_34227425\\_1\\_1\\_1\\_37413,00.html](http://www.oecd.org/document/33/0,3343,en_2649_34603_34227425_1_1_1_37413,00.html).
4. Australian Government, AusAID (2007), *Annual Review of Development Effectiveness 2007*, Canberra, [http://www.ode.ausaid.gov.au/publications/pdf/arde\\_report-2007.pdf](http://www.ode.ausaid.gov.au/publications/pdf/arde_report-2007.pdf).

## Austria

### 1. Multilateral aid at a glance

In 2006, Austria contributed 27% of its total gross ODA in core contributions to multilateral organisations, placing it above the 2004-06 DAC average of 24%. Net of debt relief, Austria's multilateral assistance accounted for more than half of its ODA compared to the three-year DAC average of 29% (excluding contributions to the EC, the multilateral share was 23% compared to the three-year DAC average of 19%). Multilateral aid increased in absolute terms in the past ten years, from USD 279 million in 1997 to USD 407 million in 2006. The share of multilateral assistance of ODA (net of debt relief) was relatively stable during this period. Debt relief has accounted for a large share of Austria's total ODA especially during the last few years.

Figure 1. Austria's gross ODA 1997-2006

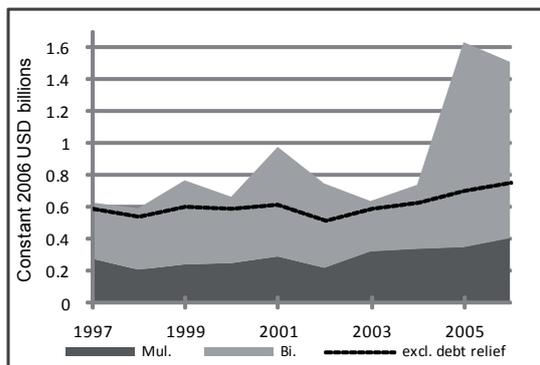


Table 1. Multilateral share of total ODA

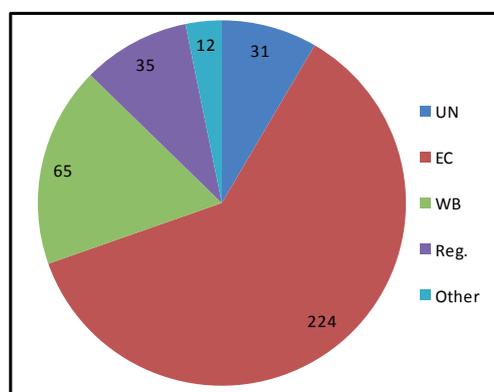
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	44	48
1998	35	39
1999	32	40
2000	38	43
2001	30	48
2002	30	43
2003	51	55
2004	46	55
2005	22	50
2006	27	54

Source: DAC Aggregate Statistics

In 2004-06, Austria's largest recipient of multilateral ODA was the EC, accounting for 61% of multilateral ODA (17% of total ODA). The World Bank accounted for 18% of its multilateral ODA (5% of total ODA) in 2004-06 all of which was contributed to IDA. The regional development banks accounted for 10% of multilateral ODA (3% of total ODA); 64% of this was channelled through the African Development Bank. In contrast to most other DAC members, the UN system accounted for a smaller share (only 8%) of multilateral aid in 2004-06.

Figure 2. Major recipients of Austria's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD million)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

Austria's core contributions (commitments) to the UN amounted to USD 27 million in 2006, but these represented only 57% of Austria's total aid to and through the UN that year. Another USD 21 million was allocated through the UN for specific projects and programmes. However, Austria's total use of earmarked contributions is small compared to other DAC members, which may be related to its relatively limited use of the UN system compared to its use of the EC and the World Bank.

Table 2. Austria's core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>27</b>	<b>21</b>	<b>48</b>	<b>57</b>
of which: UNDP	7	7	14	51
UNICEF	2	2	4	40
UNHCR	1	1	2	35
UNRWA	1	1	2	39
WFP	1	2	3	44
WHO	3	1	4	76
<b>EC</b>	<b>265</b>	<b>3</b>	<b>268</b>	<b>99</b>
<b>World Bank Group</b>	<b>98</b>	<b>8</b>	<b>106</b>	<b>93</b>
<b>Reg. Dev. Banks</b>	<b>36</b>	<b>-</b>	<b>36</b>	<b>100</b>
<b>Other Multilaterals</b>	<b>10</b>	<b>3</b>	<b>13</b>	<b>74</b>
<b>Total</b>	<b>436</b>	<b>34</b>	<b>470</b>	<b>93</b>

Source: DAC Aggregate Statistics and Creditor Reporting System

## 3. Multilateral Strategy

The Federal Act on Development Cooperation<sup>1</sup> and the latest Three Year Programme on Austrian Development Policy (2007-2009)<sup>2</sup> set the framework for Austria's aid, including its cooperation with international organisations. Austria's multilateral development

cooperation plays an essential role in its development policy as a whole. Multilateral and bilateral programmes pursue the same goals, such as reducing global poverty, safeguarding peace and human security and preserving the environment, and are interlinked in order to gain from synergies. As regards the IFIs, the Austrian Federal Ministry of Finance has developed a strategic guide for its cooperation with these organisations, including Austrian objectives and priorities at the global and country level.<sup>3</sup>

Austria shares the goals of European development policy, acknowledges the EC's coordination role for the development policy of EU members, and has set itself the task of optimising the EU contributions to the achievement of the MDGs. Austria attaches importance to UN activities and prioritises the ongoing process of comprehensive reform of the global organisation. Apart from peacekeeping and conflict prevention Austria contributes to UN activities in the fields of: human rights, children in armed conflicts, combating drugs and crime, disarmament, the environment, etc. Agencies such as UNDP, UNICEF and WFP are prioritised in the Austrian multilateral development programme as well as the Vienna-based agencies: the United Nations Industrial Development Organisation (UNIDO) and the United Nations Office for Drugs and Crime (UNODC). As the host country, Austria sees itself as having a special role and responsibility in the effectiveness process of UNIDO. It has therefore been active in the elaboration of a UNDP-UNIDO agreement on local representation.<sup>4</sup>

In Austria's view, the IFIs have particular competence in the field of poverty reduction. Specific objectives for Austria's involvement in these institutions are: integration into international community, burden sharing, support for MDGs, development of markets of specific countries and regions and to facilitate participation of the Austrian business community in the procurement of MDBs. In its cooperation with the IFIs, Austria's position is in accordance with its core priorities: poverty reduction, good governance, sustainable debt relief, economic development, regional integration and globalisation, and the ecological dimension of sustainability.

#### **4. Management of multilateral aid**

The Austrian Foreign Ministry is the focal point for development strategy and policy leadership within the Austrian aid system, including most multilateral programmes. Ministry of Foreign Affairs' directorate general VII "Development Cooperation" is a central player in Austria's multilateral assistance programme in terms of policy formulation and overall strategic guidance, especially for the UN and the EC. The Ministry of Finance is however, responsible for Austria's cooperation with the IFIs, its export credits and debt relief. Other ministries are also involved in multilateral activities for example the Ministry for Agriculture, Forestry, Environment and Water Management is active in terms of environmental and food aid affairs.

#### **5. Multilateral recommendations in DAC Peer Review**

In the latest Peer Review of Austria (2004), the DAC raised no specific recommendation on Austria's multilateral aid policy. Furthermore, the national audit office has not set any recommendations on Austria's multilateral aid.

## 6. Allocation and scaling up of multilateral aid

Austria's multilateral contributions do not follow a formula. Austria has pledged to reach the EU's goal of 0.51% ODA/GNI by 2010. This pledge was reaffirmed at the last European Council in June 2008. According to thematic priorities of Austrian Development Cooperation and depending on budgetary availability within the period 2007-2009 Austria intends to increase its contribution to the UN.

### Notes

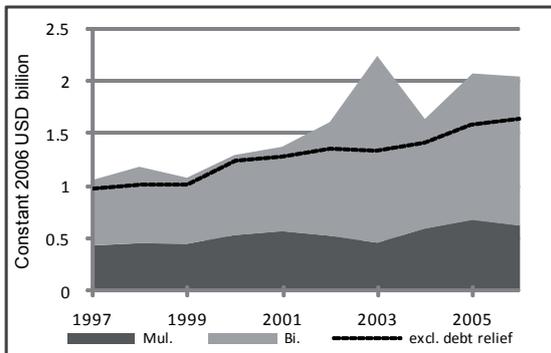
1. Federal Act on Development Cooperation (2002) including its Amendment (2003).
2. Federal Ministry for European and International Affairs (2007), Three-Year Programme on Austrian Development Policy 2006-2008, Vienna, [http://www.bmeia.gv.at/fileadmin/user\\_upload/bmeia/media/2-Aussenpolitik\\_Zentrale/ab\\_Mai\\_2008/ADC\\_3YP\\_07\\_09.pdf](http://www.bmeia.gv.at/fileadmin/user_upload/bmeia/media/2-Aussenpolitik_Zentrale/ab_Mai_2008/ADC_3YP_07_09.pdf).
3. Austrian Federal Ministry of Finance, *Strategic Guide for International Financial Institutions*, Vienna, [https://www.bmf.gv.at/WipoEUInt/sterreichunddieInte\\_8424/StrategischeLinie/IFlend\\_englisch\\_web.pdf](https://www.bmf.gv.at/WipoEUInt/sterreichunddieInte_8424/StrategischeLinie/IFlend_englisch_web.pdf).
4. Ibid. *Three Year Programme on Austrian Development Policy 2006-2008*, page 62.

## Belgium

### 1. Multilateral aid at a glance

In 2006, Belgium contributed 30% of its total gross ODA in core contributions to multilateral organisations, placing it above the 2004-06 DAC average of 24%. Net of debt relief, Belgium's multilateral assistance accounted for 38% of gross ODA in 2006, compared to the three-year DAC average of 29% (excluding contributions to the EC, the multilateral share was 14% compared to a three-year DAC average of 19%). Multilateral aid increased in absolute terms in the past ten years, from USD 431 million in 1997 to USD 620 million in 2006. The growth rate of bilateral assistance has been even higher, so the share of multilateral assistance in total ODA has declined over the last decade. Debt relief has accounted for a significant share of Belgium's total ODA during the last few years.

Figure 1. Belgium's gross ODA 1997-2006



Source: DAC Aggregate Statistics

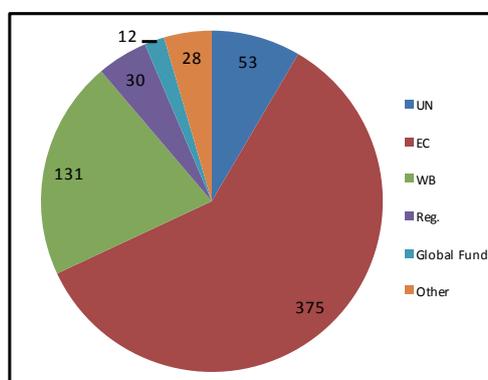
Table 1. Multilateral share of total ODA

Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	41	44
1998	38	44
1999	41	44
2000	41	43
2001	41	44
2002	32	38
2003	20	34
2004	36	42
2005	33	43
2006	30	38

In 2004-06, the EC was by far its largest recipient, accounting for 60% of multilateral ODA (20% of total ODA). Contributions to the World Bank amounted to 21% of multilateral aid (7% of total ODA) with 99% going to IDA. Allocations to the UN made up 8% of the multilateral funds and the regional development banks accounted for 5% in 2004-06. Of the funds allocated to the regional development banks more than two thirds went to the AfDB.

Figure 2. Major recipients of Belgium's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD, millions)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

Belgium's core contributions (commitments) to the UN system amounted to USD 51 million in 2006, but these represented only 30% of Belgium's total aid to and through the UN that year. Another USD 122 million was allocated through the UN for specific projects and programmes. Earmarked funding to the UN system is thus a commonly used financing tool. In total, Belgium's core contributions accounted for 83% of its total use of the multilateral agencies. In terms of core and non-core funding, Belgium channelled some 52% of its aid commitments to and through the multilateral system in 2006.

Table 2. Belgium's core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>51</b>	<b>122</b>	<b>173</b>	<b>30</b>
<i>of which:</i>				
FAO	2	20	22	10
IFAD	4	11	15	27
UNDP	18	21	39	45
UNICEF	4	5	8	45
UNFPA	4	3	7	54
UNHCR	0	10	10	1
WFP		13	13	0
<b>EC</b>	<b>441</b>	<b>28</b>	<b>469</b>	<b>94</b>
<b>World Bank Group</b>	<b>307</b>	<b>12</b>	<b>319</b>	<b>96</b>
<b>Reg. Dev. Banks</b>	<b>45</b>		<b>45</b>	<b>100</b>
<b>Other Multilaterals</b>	<b>23</b>	<b>14</b>	<b>38</b>	<b>62</b>
<b>Total</b>	<b>868</b>	<b>177</b>	<b>1,044</b>	<b>83</b>

Source: DAC Aggregate Statistics and Creditor Reporting System.

### 3. Multilateral Strategy

Belgium uses the Multilateral Development Policy Paper submitted to the Parliament in 2002 as a frame of reference for its engagement with multilaterals. Belgian multilateral cooperation is founded upon three pillars in order to achieve the MDGs. These three pillars are: (a) the UN and related institutions, (b) the EC and (c) the IFIs, particularly the World Bank. Each year a Yellow Paper is published, in order to provide a complete overview of Belgium's multilateral activities.<sup>1</sup>

Belgium stresses that its multilateral cooperation complements the action of its bilateral aid and in recent years it has followed a similar evolution, in search of improved effectiveness. As for the partner countries, Belgian multilateral aid is now concentrated on a relatively small number of organisations. A concentration policy has been pursued since the “Law on Belgian International Cooperation” (May 1999) stated that cooperation with multilateral institutions should be limited from more than 40 to around 20 selected international organisations with the aim of making a more significant contribution to a limited number of organisations. The review of the multilaterals followed criteria defined in the 1999-law, which includes the general objective that the goals of international organisations should be compatible with the principles of Belgian International Cooperation and that the areas in which the organisation is active should complement one or more of the priority sectors or themes of direct bilateral cooperation. The Belgian government has just revised (by Royal Decree in May 2008) the number of multilateral partners further down from 23 to 21.<sup>2</sup> However, Belgium also has compulsory contributions (such as IDA, EDF, the budgets of the major Specialised Agencies and the different Environmental Agreements) and considers the replenishments of funds of the regional development banks, IFAD, GEF etc. as a compulsory contribution. These organisations come on top of its list of 21 partner-organisations.

As is the case with most other DAC members, Belgium is putting increased emphasis on better monitoring and evaluation of its multilateral cooperation programmes. Within the decision-making bodies of the UN and of the Bretton Woods Institutions, Belgium consistently strives to improve results-based management, evaluation procedures, monitoring and audits. Belgium stresses the importance of identification and development of synergies between the organisations in order to minimise overlap and duplication, but also to ensure the most effective and efficient utilisation of available financial and human resources. A long-term Belgian goal is to simplify the international assistance architecture. To this end, in order to enhance predictability of resources, Belgium has agreed a multi-year funding approach for its major multilateral partners such as the UNDP.<sup>3</sup>

Belgium organises with its partner-organisations a policy dialogue (*i.e.* Annual Consultation) during which it tries to bring all its partners to the table. During the first half of 2008, Belgium had a round of Annual Consultations with 16 partners in order to discuss the next programming cycle covering the years 2008-2011.

### 4. Management of multilateral aid

The main player in Belgian multilateral cooperation is the Directorate-General for Development Cooperation (DGDC), which is the Belgian federal administrative body for development aid. The DGDC is a Directorate General of the Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation. Within the DGDC Directorate 4 – Multilateral and European Programmes – lies the main responsibility for multilateral policy and programmes. This Directorate includes three divisions: (a) the UN and Bretton Woods institutions, (b) European Union and (c) sectoral funds and programmes.<sup>4</sup>

Belgium routinely consults the technical and non-federal entities on board when discussing positions to be taken in the context of multilateral cooperation. The same applies for the broader political context of multilateral issues. There is a dedicated unit in Foreign Affairs ensuring this coherence throughout the year.

While the budget allocations for the Bretton Woods are with Development Cooperation, the formal and legal authority still rests with the Minister of Finance (and Treasury). The same goes for the continental regional development banks. For the sub-regional development banks, on the other hand, DGCD is fully responsible. Coordination and coherence with respect to IFIs is done either directly in the Council of Ministers, or in an informal setting between Treasury and the Multilateral Division. They meet on a regular basis (every six weeks or so) at the level of the two division heads.

## 5. Multilateral recommendations in the DAC Peer Review

In the latest Peer Review of Belgium (2005), the DAC encouraged Belgium to continue to take a more strategic approach to multilateral cooperation by enabling the decision making bodies of multilateral organisations to benefit more from the lessons of its experience of bilateral cooperation. There is no recent evaluation of multilateral cooperation by the national audit office.

Regarding the DAC Peer Review recommendations, the strategic approach is being implemented through the above mentioned policy dialogues; the elaboration of “institutional” strategy papers is work in progress.

## 6. Allocation and scaling up of multilateral aid

Belgium has no formula to determine the multilateral portion of its budget. As the figures indicate, multilateral aid is important. However, there is a tendency to increase the bilateral budgets more than the multilateral budgets. In its planning Belgium usually programmes a small nominal growth for the multilateral budgets (voluntary contributions), but also provide for substantial increases for some programmes. Belgium sees a great advantage in its ability to commit voluntary contributions to its multilateral partners for periods of four years.

## Notes

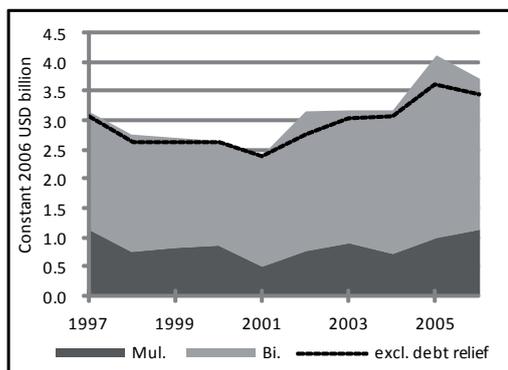
1. [http://www.dgdc.be/en/actors/multilateral\\_cooperation/index.html](http://www.dgdc.be/en/actors/multilateral_cooperation/index.html).
2. These approved partner organisations are: UNDP, UNFPA, UNICEF, UNIFEM, UNCDF, UNEP, OHCHR, UNCHR, OCHA, UNRWA, UNAIDS, FAO, WHO, ILO, UNESCO, WB, CGIAR, IOM, ICRC, Global Fund and WFP.
3. Belgian Federal Public Service of Foreign Affairs, Foreign Trade and Development Cooperation (2005), Global Partnership for Development – Millennium Development Goal 8, Brussels, page 14, [http://www.dgos.be/en/topics/mdg/mdg8\\_first\\_progress\\_report.html](http://www.dgos.be/en/topics/mdg/mdg8_first_progress_report.html).
4. [http://www.dgdc.be/en/dgdc/organization\\_chart/index.html](http://www.dgdc.be/en/dgdc/organization_chart/index.html).

## Canada

### 1. Multilateral aid at a glance

In 2006, Canada contributed 31% of its gross ODA in core contributions to multilateral organisations, placing it above the 2004-06 DAC average of 24%. Net of debt relief, the multilateral share was 33%, compared to the three-year DAC average of 29% (three-year DAC average of 19% excluding the EC). Multilateral aid decreased slightly (USD 8 million) over the past ten years, from a peak in 1997 to USD 1.2 billion in 2006, with the multilateral share of total ODA falling 6 percentage points over the same period. During that period, the multilateral share of ODA has fluctuated from 37% in 1997 to a low of 21% in 2001.

Figure 1. Canada's gross ODA 1997-2006



Source: DAC Aggregate Statistics

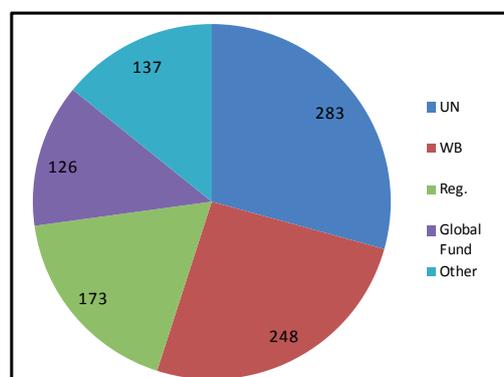
Table 1. Multilateral share of total ODA

Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	37	38
1998	28	29
1999	31	32
2000	33	33
2001	21	22
2002	25	28
2003	29	30
2004	23	24
2005	24	28
2006	31	33

Compared to other DAC member countries, Canada's multilateral development assistance is more equally divided among its largest multilateral recipients. In 2004-06, the UN system (including UN humanitarian agencies) was its largest multilateral recipient accounting for 29% of multilateral assistance (8% of total ODA), closely followed by the World Bank, which accounted for 26% (7% of total ODA). The regional development banks accounted for 18% of total multilateral aid in 2004-06, of which the AfDB was the largest recipient. A high share of Canada's multilateral assistance targets global funds and partnerships, primarily The Global Fund, which received 13% of multilateral aid in 2004-06.

Figure 2. Major recipients of Canada's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD million)



Source: DAC Aggregate Statistics.

## 2. Total use of the multilateral system

Canada's core contributions (commitments) to the UN amounted to USD 305 million in 2006, but these represented only 45% of Canada's total aid to and through the UN that year. Another USD 401 million was allocated through the UN for specific projects and programmes, including humanitarian assistance. Canada's share of earmarked funding to the World Bank and other multilaterals is large compared to most other DAC donors. In terms of both core and non-core funding, Canada channelled some 48% of its aid to and through the multilateral system in 2006. According to Canadian International Development Agency (CIDA), the trend over several years has been that multi-bi funding has grown significantly while core funding and initiative-specific funding have been more stable.

Table 2. Canada's core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>305</b>	<b>401</b>	<b>706</b>	<b>45</b>
of which: <i>UNDP</i>	49	56	105	59
<i>UNICEF</i>	24	93	117	21
<i>UNHCR</i>	13	16	29	45
<i>UNRWA</i>	9	18	27	33
<i>UNFPA</i>	15	14	29	52
<i>WFP</i>	28	147	175	16
<b>IMF</b>	-	2	2	0
<b>World Bank Group</b>	<b>282</b>	<b>88</b>	<b>370</b>	<b>76</b>
<b>Reg. Dev. Banks</b>	<b>163</b>	<b>15</b>	<b>178</b>	<b>92</b>
<b>Other Multilaterals</b>	<b>390</b>	<b>53</b>	<b>443</b>	<b>88</b>
<b>Total</b>	<b>1,140</b>	<b>559</b>	<b>1,699</b>	<b>68</b>

Source: DAC Aggregate Statistics and Creditor Reporting System

### 3. Multilateral Strategy

Canada uses the multilateral system as a critical element of global governance and as an effective way of dealing with challenges that are global in scope.<sup>1</sup> The multilateral system provides Canada with a forum to promote the principles of human rights, freedom, democracy and the rule of law, as well as the government of Canada's objectives and priorities.<sup>2</sup> Canada strongly values a multilateral approach to global problems and stresses that the multilateral system provides the best prospects for an inclusive process to set "rules for international conduct". It also counts on the multilaterals to influence the direction and pace of development through, for example, the MDGs, and shepherding of processes such as the Poverty Reduction Strategies, economic instruments, and social services.

Canada has no overall strategy for engagement with multilaterals in the form of a single document. However, the Canadian government's 2007 budget statement set out a three-point agenda to improve aid effectiveness by reforming Canada's aid programme to make it more focused, more efficient and more accountable.<sup>3</sup> In line with this agenda, Canada uses its influence in multilateral organisations to promote effectiveness, to improve their policies and practices, and to maximize the results of their programmes and operations in order to contribute to the achievement of the MDGs. Canada provides core funding to multilateral organisations and global partnerships whose mandates, objectives and capacities to deliver development initiatives and humanitarian assistance are consistent with the government of Canada's objectives and priorities. CIDA places considerable emphasis on health, while also stressing democratic governance, private sector development, education, environment, and equality between women and men.<sup>4</sup>

### 4. Management of multilateral aid

Canada's management responsibilities for multilateral assistance are shared among several federal government departments. However, the key actors are the Department of Foreign Affairs and International Trade (DFAIT), CIDA and the Department of Finance. CIDA manages the development aspects of Canada's relationships with all multilateral partners (except the IMF, the World Bank and EBRD, for which the Department of Finance has the lead responsibility) and it provides most of Canada's ODA funding to multilateral organisations and global partnerships. DFAIT manages the political relationship with the UN system and other multilateral partners, and manages Canada's assessed contributions to the UN system. DFAIT and CIDA share responsibility for managing Canada's humanitarian assistance. The departments of Health, Environment, Agriculture and Agri-Food Canada are also involved in policy dialogue with the UN specialised agencies and other specialised global partnerships.

### 5. Multilateral recommendations in the DAC Peer Review

In the latest Peer Review of Canada (2007), one of DAC's recommendations was to allocate multilateral aid more strategically. The DAC stressed that the spread in responsibilities among agencies could call for a stronger strategic approach, which spells out the specific roles and objectives of the federal departments and agencies dealing with multilateral assistance, in particular given Canada's whole-of-government approach to fragile states. To encourage the coherence of its bilateral and multilateral policies in fragile states, CIDA could strive to engage multilateral aid personnel in its processes for programming aid to fragile states.<sup>5</sup>

The Auditor General has not conducted any studies specifically about Canada's multilateral development assistance.

## 6. Allocation and scaling up of multilateral aid

In the scaling-up process to reach a doubling of aid from 2001-2010 (as pledged at the 2005 Gleneagles G8 Summit), there is no predetermined balance between Canada's bilateral and multilateral aid. Canada is allocating its aid resources based primarily on considerations related to aid effectiveness, in line with its goal to reduce poverty, promote human rights, and increase sustainable development in priority areas and regions.<sup>6</sup>

### Notes

1. CIDA (2007), *2006-07 Departmental Performance Report* ([http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/Publications3/\\$file/DPR\\_2006%202007%20EN.pdf](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/Publications3/$file/DPR_2006%202007%20EN.pdf)).
2. CIDA (2008), *2008-09 Report on Plans and Priorities*, <http://www.tbs-sct.gc.ca/rpp/2008-2009/inst/ida/ida-eng.pdf>.
3. Department of Finance Canada (2007), *Budget 2007*, <http://www.budget.gc.ca/2007/bp/bpc6e.html>.
4. Ibid. *2008-09 Report on Plans and Priorities*.
5. OECD (2007), *DAC Peer Review of Canada*, Paris, [http://www.oecd.org/document/60/0,3343,en\\_2649\\_34603\\_39509628\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/60/0,3343,en_2649_34603_39509628_1_1_1_1,00.html).
6. Ibid. *2008-09 Report on Plans and Priorities*.

## Denmark

### 1. Multilateral aid at a glance

In 2006, Denmark contributed 33% of its gross ODA in core contributions to multilateral organisations, placing it significantly above the 2004-06 DAC average of 24%. Net of debt relief, the multilateral share of Denmark's ODA was 36%, compared to the three-year DAC average of 29% (excluding contributions to the EC, the multilateral share was 26% compared to the three-year DAC average of 19%). Multilateral aid has increased USD 46 million over the past ten years, from USD 727 million in 1997 to USD 772 million. The share of multilateral aid has been relatively stable over the period.

Figure 1. Denmark's gross ODA 1997-2006

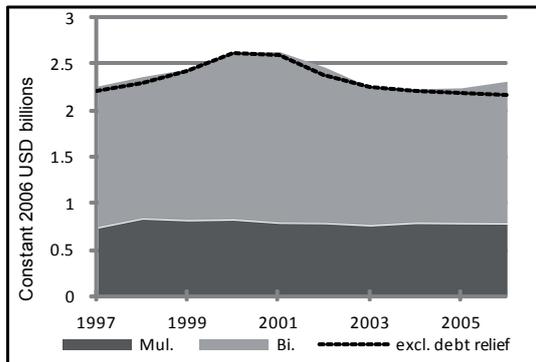


Table 1. Multilateral share of total ODA

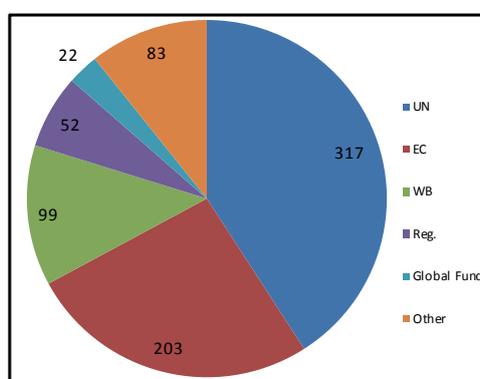
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	32	33
1998	35	36
1999	33	33
2000	31	31
2001	30	30
2002	31	33
2003	33	33
2004	35	35
2005	35	35
2006	33	36

Source: DAC Aggregate Statistics

Denmark's core UN allocations account for 41% of multilateral aid in 2004-06 (14% of total ODA). Other large recipients include the EC, accounting for 26% of multilateral ODA in 2004-06, and the World Bank, which accounts for 13%. Funds to the EC have been increasing over the last decade, whereas contributions to other multilateral partners have been rather stable, or in the case of other multilaterals, decreasing.

Figure 2. Major recipients of Denmark's multilateral ODA (core contributions)

(ODA disbursements three-year average 2004-2006, constant 2006 USD million)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

Denmark's core contributions (commitments) to the UN amounted to USD 249 million in 2006, *i.e.* 79% of total aid to and through the UN that year. Another USD 68 million was allocated through the UN for specific projects and programmes. Over 90% of Denmark's total use of multilateral is core funding, which makes the share of earmarked funding rather low compared to other DAC member countries. In terms of both core and non-core funding, Denmark channelled some 44% of its aid commitments to and through the multilateral system in 2006.

Table 2. Denmark's core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>249</b>	<b>68</b>	<b>317</b>	<b>79</b>
<i>of which:</i> UNDP	64	2	66	97
UNICEF	35	10	45	78
UNFPA	30	2	33	93
UNHCR	22	25	46	47
WFP	33	10	43	77
UNRWA	10	2	12	81
WHO	2	1	3	80
<b>EC</b>	<b>194</b>		<b>194</b>	<b>100</b>
<b>World Bank Group</b>	<b>97</b>	<b>2</b>	<b>98</b>	<b>98</b>
<b>Reg. Dev. Banks</b>	<b>38</b>		<b>38</b>	<b>100</b>
<b>Other Multilaterals</b>	<b>163</b>	<b>6</b>	<b>169</b>	<b>96</b>
<b>Total</b>	<b>741</b>	<b>75</b>	<b>816</b>	<b>91</b>

Source: DAC Aggregate Statistics and Creditor Reporting System

### 3. Multilateral Strategy

In order to strengthen the strategic relevance of its multilateral development cooperation the Danish government has recently presented an overall multilateral policy framework *Denmark's multilateral development cooperation towards 2015*.<sup>1</sup> The strategy is based on an in depth analysis of Denmark's previous multilateral cooperation and points to a number of overall principles that should help strengthen Danish multilateral engagement through 2015.

Denmark stresses the following challenges and core working areas for the multilaterals:

- Globalisation underlines the importance of effective international organisations, including its provision of public goods such as conflict management, post-conflict assistance, food security, and resolving humanitarian crisis as well as environment and climate problems;
- Sub-Saharan Africa – a special role for the multilateral organisations; and
- Need for increased multilateral engagement in fragile states.

Poverty reduction is the overriding objective for Danish multilateral assistance, as for its bilateral assistance. Denmark strives for multilateral development cooperation to be relevant and effective. Hence, in the allocation process of Danish development assistance, focus will continuously be placed on where the funds achieve the maximum benefit. Issues that will guide future multilateral allocations include: (a) how the priorities of the Danish development policy can best be pursued with due respect for the different mandates of the organisations; and (b) how to ensure maximum benefit and impact from each of the Danish multilateral development assistance donations.

Another major goal for Denmark is to continue its active multilateral development engagement with Danish assistance focusing on fewer organisations in order to achieve greater influence on the policymaking and development of selected organisations.

The principles of Danish multilateral development engagement are:

- *Poverty-oriented and long-term multilateral development engagement.*
- *A more strategic and focused approach:* The funds are channelled through the most effective organisations in order to meet the MDGs and in accordance with developing countries' own development strategies.
- *Fewer but larger contributions:* Significant financial and long-term contributions, together with focused and dedicated work in the organisations, should give Denmark a stronger voice in relation to shaping the international organisations' policy development, the dialogue with developing countries and their work to define global norms and standards.
- *More systematic, less automatic:* Contributions to multilateral organisations will systematically be assessed based on a continuous and comprehensive assessment of the four parameters within the framework of Danish development policy (partnership, relevance, efficiency, and dialogue and strategic influence). There will be no fixed division between multilateral and bilateral development assistance and international organisations will be expected to meet all the parameters – although to a different extent.
- *Ratings and evaluations based on existing systems:* The assessment of the four parameters will be based on follow-up of Danish organisation strategies and on evaluations, by other countries or research institutions.

- *Explicit strategy for influence:* As an integral part of the organisation strategies, Denmark will explain how and in what areas influence is being sought in each organisation. This will be done by strengthening the link between financial contributions (both core and earmarked contributions), increasing dialogue, working in the governing bodies, and building alliances with like-minded countries as well as new players.

*Mode of multilateral assistance:* As a rule, Denmark will grant multi-annual core contributions. Earmarked funds will be used as an exception rather than a rule. In cases where it is considered appropriate for the promotion of a country-specific (multilateral-bilateral) development assistance or thematic priority (for instance through a vertical fund) the use of earmarked contributions will have to be justified explicitly, including how to ensure effective coordination at country level.<sup>2</sup>

*Individual organisation strategies:* The new multilateral framework set out overall policy. The individual organisation strategies will guide Danish cooperation with each multilateral organisation that receives more than USD 3 million annually, as well as organisations that are strategically important to Danish multilateral cooperation. Each strategy outlines Danish priorities for the organisation's performance within the overall framework established by the organisation's own multiannual strategy and sets out specific targets Denmark will pursue in its cooperation with the organisation. While organisation strategies cover a three-year period, annual action plans define objectives, targets and indicators to be achieved during each year. Annual assessments centred on the action plans are carried out by the multilateral representations.

*Africa in a Danish multilateral context:* In its Strategy for Africa (2007), the Danish government committed itself to an increase in development assistance to Africa. Besides an increased and more focused bilateral assistance to this region, the government pledged increased contributions to the AfDB and to work towards increased prioritisation of Africa by other multilateral organisations.<sup>3</sup> The strategy also recommended more international focus on youth employment, for which the Danish government established an international Africa Commission in early 2008 to consider strategies for improving job opportunities for African youth. The Commission will report in May 2009.

#### 4. Management of multilateral aid

The South Group of the Ministry of Foreign Affairs of Denmark (Danida) manages multilateral aid. The Department for United Nations and Global Development Co-operation is responsible for formulations of multilateral strategies and Denmark's relations with the UN, the World Bank and crosscutting issues such as debt relief. However, there is some inter-ministerial division of labour as regards a few multilateral organisations such as UNESCO, ILO, WHO, EBRD, EIB and IMF. For example in relation to UNESCO, the Ministry of Education manages contributions and leads the policy dialogue on basis of a policy co-ordinated with other ministries such as the Ministry of Foreign Affairs, Ministry of Culture and Ministry of Science, Technology and Innovation.

Based on positive experiences from bilateral decentralisation in 2003, the Danish multilateral programme was decentralised in four representations in 2005: UN missions in Geneva and New York, and offices in Washington DC and Rome. The main task of these representations is to promote Danish development policy priorities within the multilateral agencies and to manage all organisation-specific issues relating to the locally based organisations, including policy dialogue, management of Danish contributions, co-ordinations with donors and other

actors, and performance assessments. As regards the daily co-operation and management of the regional development banks and funds, the responsibility is kept at Headquarter level.<sup>4</sup> The decentralisation has led to a strengthening of the quality and effectiveness of the ongoing dialogue with the organisations. The dialogue, anchored in concrete organisation strategies, has become more specific and results-oriented. At the same time, preliminary experience indicates that there is potential for an even greater degree of common prioritising and coordination between multilateral and bilateral development assistance; the multilateral framework stresses that Denmark's bilateral engagement should be further strengthened by the multilateral experience and actions, and vice versa in relation to the multilateral engagement.<sup>5</sup>

## 5. Multilateral recommendations in DAC Peer Review and by the national audit office

In the latest Peer Review of Denmark (2007), the DAC stated that Denmark could reinforce its strategic approach in order to be more influential within the multilateral system and might reconsider whether it should engage with fewer international organisations.

As described above, Danida has undertaken an analysis of Danish engagement with multilateral organisations with the aim to promote quality and efficiency in the use of the multilateral system. The background for the multilateral analysis and the development of the overall multilateral policy framework was to address recommendations raised in: (a) the globalisation analysis by the Foreign Ministry itself; and (b) the DAC's Peer Review (2007).

*Rigsrevisionen* (the national audit institution) presented a report on Danish multilateral assistance and the MDGs in 2006. The aim was to evaluate priority for the MDGs in Danish multilateral programmes and Danida's work on multilateral effectiveness. Conclusions were positive and suggested that the MDGs to a large extent were reflected in the multilateral strategies. Danida's follow up on aid effectiveness through its performance management framework and several other monitoring instruments, including its cooperation with other donors, were evaluated to be good. However, the report pointed to the lack of multilaterals' management audits even though this was set as a common principle for international organisation audits set by the International Organisation of Supreme Audit Institutions. In Danida's multilateral work, it should lobby for the organisations, and especially the UN system, to carry out management audits as an integral part of their audits.<sup>6</sup> Currently, *Rigsrevisionen* is following up on its previous work in this field. This study is focusing on: (a) documentation of and assessments on multilaterals' results; (b) a strengthened monitoring of the multilateral work on fighting corruption; and (c) more regular management audits within the UN system.

## 6. Allocation and scaling up of multilateral aid

Denmark has moved away from its former 50-50 consensus or principle on the distribution among bilateral and multilateral aid. As a follow up to the multilateral aid review in 2005, the Minister for Development Cooperation indicated that the Danish allocation between bilateral and multilateral aid should not follow a specific formula, but rather follow an effectiveness principle and hence, the money should be used where the highest results are achieved.

Denmark has no specific scaling up plans on multilateral allocations; any multilateral increases will not follow a fixed share, but depend on effectiveness. In order to strengthen the strategic relevance of its multilateral cooperation further, the government will make a gradual reprioritisation of its multilateral assistance over the next five years.

## Notes

1. Ministry of Foreign Affairs of Denmark (Danida), *Denmark's multilateral development cooperation towards 2015*, Copenhagen, [http://www.netpublikationer.dk/UM/9014/pdf/Multilateral\\_samlet\\_UK.pdf](http://www.netpublikationer.dk/UM/9014/pdf/Multilateral_samlet_UK.pdf).
2. Ibid. page 17.
3. Danida (2007), *Denmark in Africa – A continent on its way*, Copenhagen, [http://www.netpublikationer.dk/um/8426/pdf/Africa\\_-\\_A\\_Continent\\_On\\_Its\\_Way.pdf](http://www.netpublikationer.dk/um/8426/pdf/Africa_-_A_Continent_On_Its_Way.pdf).
4. Danida (2006), *Danidas årsberetning 2005*, Copenhagen, [http://www.netpublikationer.dk/um/6556/danidas\\_aarsberetning\\_05.pdf](http://www.netpublikationer.dk/um/6556/danidas_aarsberetning_05.pdf).
5. Ibid. *Denmark's multilateral development cooperation towards 2015*, Copenhagen, page 13.
6. Rigsrevisionen (2006), *Beretning om Danmarks multilaterale bistand og 2015-målene*, Copenhagen, <http://www.folketinget.dk/BAGGRUND/statsrev/SR1605.pdf>.

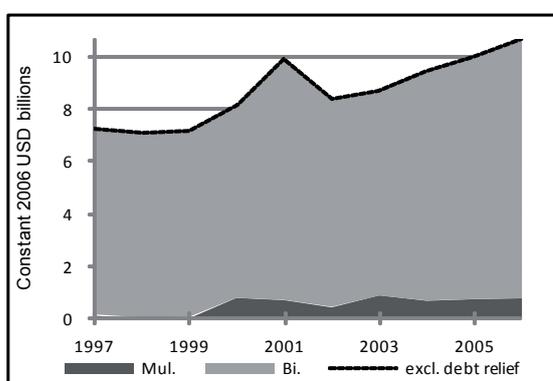
## European Commission

### 1. Multilateral aid at a glance

The European Commission (EC) is unique among DAC donors in that it plays a dual role in development. It has two main sources of funds; the EDF and the budget. For the EDF the EC is exactly like any other multilateral agency, with five-yearly replenishments negotiated by the members. For the budget, the EC Parliament and the Council (Member States) decide during a yearly budget procedure (just as bilateral donors do) how much funding from the Community's own resources will be provided for development. In line with the purpose of the Appendix, this Section describes the EC's role as a bilateral donor contributing to and cooperating with other multilateral organisations.

In 2006, the EC contributed 5% of its gross ODA in core contributions to multilateral organisations. It should be noted that, with very limited exceptions, the EC does not contribute to the running costs of multilateral organisations, contributing instead to specific programmes and projects (see Table 2). Due to its primary role as a multilateral organisation itself, it is understandable that the share of ODA via other multilateral organisations is relatively low. The EC's core contributions to other multilaterals has risen by USD 442 million over the past ten years, from USD 137 million to USD 579 million. Over the period, the EC's share of core multilateral contributions in total ODA has varied from 0% to a peak of 10% in 2003. However, the share has stabilised over the last few years at 5%.

Figure 1. EC's gross ODA 1997-2006



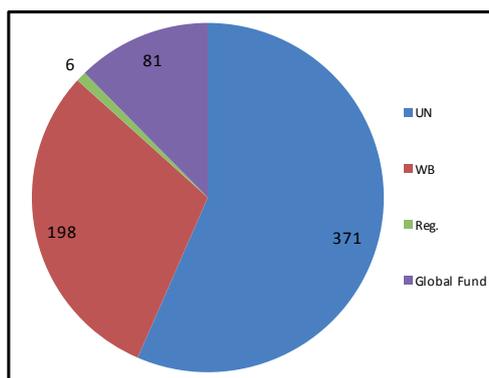
Source: DAC Aggregate Statistics

Table 1. Multilateral share of total ODA

Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	2	2
1998	0	0
1999	0	0
2000	9	9
2001	7	7
2002	5	5
2003	10	10
2004	7	7
2005	7	7
2006	5	5

In 2004-06, the UN system was by far the EC's largest multilateral recipient in terms of core funding, accounting for 57% of multilateral ODA. Among the UN agencies, WFP and UNRWA were the largest recipients. The World Bank accounted for 28% of core contributions. The Global Fund, to which the EC contributes via the World Bank, was also one of the EC's major multilateral partners, with a share of 11%.

Figure 2. **Major recipients of EC's multilateral ODA (core contributions)**  
(ODA three-year average 2004-2006, constant 2006 USD millions)



Source: DAC Aggregate Statistics

Table 2. **EC's core contributions to multilateral agencies and aid channelled through multilaterals**  
Commitments (excluding debt relief) in 2006, millions of USD

		Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>		<b>277</b>	<b>794</b>	<b>1,071</b>	<b>26</b>
<i>of which:</i>	<i>FAO</i>	-	60	60	0
	<i>UNDP</i>	-	389	389	0
	<i>UNHCR</i>	-	62	62	0
	<i>UNESCO</i>	-	57	57	0
	<i>WFP</i>	132	27	158	83
<b>World Bank Group</b>		<b>192</b>	<b>366</b>	<b>558</b>	<b>34</b>
<b>Reg. Dev. Banks</b>		-	<b>66</b>	<b>66</b>	<b>0</b>
<b>Other Multilaterals</b>		<b>113</b>	<b>451</b>	<b>564</b>	<b>20</b>
<b>Total</b>		<b>582</b>	<b>1,676</b>	<b>2,258</b>	<b>26</b>

\* The European Investment Bank (EIB) accounted for a large part of this.

Source: DAC Aggregate Statistics and Creditor Reporting System.

## 2. Total use of the multilateral system

The EC's contributions (commitments) allocated through the UN for specific projects and programmes amounted to USD 794 million in 2006. The EC also channelled large amounts of earmarked funding through the World Bank and other multilaterals. In total, the EC's core contributions accounted for only 26% of its total use of the multilaterals. In terms of both core and non-core funding, the EC channelled some 18% of its aid to and through the rest of the multilateral system in 2006. Compared to the DAC member

countries, the EC's share of earmarked funding in its total use of other multilaterals was high in 2006, which is understandable due to its special character as a contracting agency rather than a member contributing core resources.

### 3. Multilateral Strategy

Cooperation between the Commission and multilateral organisations, in particular the UN and World Bank, has increased since 2001. This is linked to policy initiatives, in particular two Communications to Council and the European Parliament on the UN and multilateralism which have provided a framework for cooperation. This dialogue is further enhanced through strategic partnerships which have been concluded with a number of UN organisations. The Commission generally avoids contributing to the running costs of other multilateral agencies, preferring instead to finance programmes and projects that are compatible with and support EU development policies. Channelling funds in this way offers demonstrable added value, through, for example, their specialist expertise, field presence or acceptability to partner countries. The Commission has worked extensively with the UN and the World Bank in post crisis and reconstruction situations, often contributing to large multi-donor trust funds. Multilateral agencies have also proved to be valuable partners for electoral assistance programmes throughout the world and the Commission has been able to participate in initiatives such as The Global Fund by partnering with the UN and the World Bank. The neutrality and legitimacy of the UN in particular has often allowed it to intervene, with Commission support, in politically sensitive areas from which bilateral donors might be excluded. Working with multilaterals has also facilitated the mobilisation of significant resources and often results in fewer transaction costs to partner countries when procedures can be harmonised.

A Financial and Administrative Framework Agreement (FAFA) was introduced in 2003 to enhance EC/UN cooperation. The FAFA facilitates financial and contractual relations between the EC and the UN. By increasing the predictability of the rules to be applied for all parties concerned, the FAFA contributes to greater transparency and greater impact of the operations on the ground\*. Similar framework documents exist for EC's cooperation with the World Bank and a number of other international organisations.

### 4. Management of multilateral aid

The EC cooperates with multilateral organisations where such cooperation supports EC policy objectives and adds value. Decisions to fund a particular programme are based on geographical or thematic policy considerations and objectives, with the most appropriate channel of funding selected to achieve these aims. Management of external aid within the Commission is carried out through close cooperation between the Directorates-General responsible for giving policy guidance (External Relations and Development) and EuropeAid, which is responsible for implementation of aid programmes. Management of aid programmes has been progressively devolved to the Commission's extensive network of field Delegations, with fewer programmes now managed from Headquarters. The Directorates-General for Enlargement and Humanitarian Aid manage pre-accession aid and humanitarian assistance respectively. Many other DGs channel smaller volumes of funds through multilateral organisations and most have a unit responsible for relations with international organisations.

\* [http://ec.europa.eu/external\\_relations/un/ip03\\_585.htm](http://ec.europa.eu/external_relations/un/ip03_585.htm).

## 5. Multilateral recommendations in the DAC Peer Review

In the latest Peer Review of the European Commission (2007), the DAC recommended that the EC should ensure that it has a considered and comprehensive framework for its interaction with the multilateral institutions and should clarify the role it plays in relation to Member States. It also recommended that the EC continues to formalise and strengthen its relations with multilateral organisations like the World Bank and the UN.

An evaluation of Commission's external cooperation with partner countries through the organisations of the UN family has been finalised. This will offer an opportunity for the Commission to discuss guiding principles for its relationship with the UN entities. Furthermore, the EC is encouraging Member States to have a better coordination mechanism on operational relationships with the UN system. An evaluation of the delivery of aid through the World Bank is under way.

With regard to other multilateral organisations, currently the EC is moving towards a joint cooperation process between the EC, the World Bank and the AfDB for the sub-Saharan African region. A well established coordination mechanism exists in Washington between the European Member States represented in the World Bank. The EC is currently encouraging the European Member States represented in the AfDB (through the European Executive Directors) to have more joint positions on the AfDB Board agenda items.

## 6. Allocation and scaling up of multilateral aid

For the 2007-2013 financial framework for the EU budget, the main split between bilateral and multilateral aid is done within the legislative process, at the time of negotiations of the instruments and corresponding envelopes, when the share is decided between main geographic regions (which will be mostly bilateral cooperation) and horizontal-thematic envelopes. In the latter case, since the very purpose of thematic envelopes is to address global cross-cutting issues, a greater share will go through multilateral channels, such as for core funding of global initiatives like The Global Fund or new innovative approaches like the GEEREF (investment in renewable energies). Within this framework, the most suitable channel of delivery is defined during the formulation of the specific aid programme and projects and depends on the specific circumstances of the country.

There is no global scaling up plan for multilaterals. Responses to new circumstances may lead to increases in funding of multilateral agencies or funds if they are chosen as channels of delivery.

## Finland

### 1. Multilateral aid at a glance

In 2006, Finland contributed 45% of its gross ODA and ODA net of debt relief in core contributions to multilateral organisations, compared to the 2004-06 DAC average of 29% net of debt relief (excluding contributions to the EC, the multilateral share was 27% compared to the three-year DAC average of 19%). Multilateral aid increased in absolute terms in the past ten years, from USD 223 million in 1997 to USD 380 million in 2006. Since bilateral assistance has increased at the same rate, the multilateral share in 2006 is almost the same as in 1997.

Figure 1. Finland's gross ODA 1997-2006

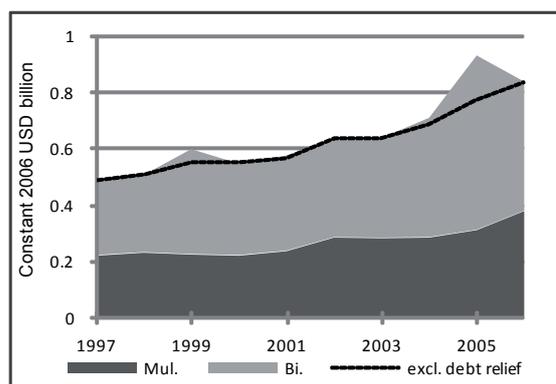


Table 1. Multilateral share of total ODA

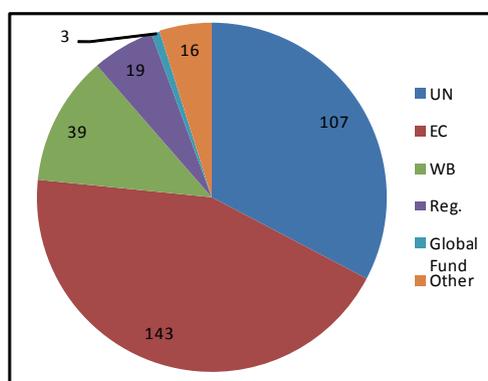
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	46	46
1998	46	46
1999	38	41
2000	41	41
2001	41	42
2002	45	45
2003	45	45
2004	40	42
2005	34	40
2006	45	45

Source: DAC Aggregate Statistics

In 2004-06, the EC was Finland's largest multilateral aid recipient, accounting for 44% of multilateral ODA (17% of total ODA). The UN system accounted for 33% of multilateral ODA (13% of total ODA). UNDP, UNFPA and UNICEF were the three largest UN-recipients of core funds, accounting for 18%, 17% and 16% respectively. The World Bank's share of multilateral assistance was 12% (5% of total ODA) and contributions to the regional development banks amounted to 6%.

Figure 2. Major recipients of Finland's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD, millions)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

Finland's core contributions (commitments) to the UN amounted to USD 90 million in 2006, but these represented only 58% of Finland's total aid to and through the UN that year. Another USD 65 million was allocated through the UN for specific projects and programmes. In total, Finland's core contributions accounted for 79% of its total use of the multilaterals. In terms of both core and non-core funding, Finland channelled some 47% of its aid commitments to and through the multilateral system in 2006.

Table 2. Finland's core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>90</b>	<b>65</b>	<b>155</b>	<b>58</b>
<i>of which:</i>				
UNDP	20	15	35	57
UNFPA	19	3	22	86
UNICEF	18	6	24	76
UNHCR	-	10	10	-
WFP	8	11	18	42
WHO	4	6	10	36
<b>EC</b>	<b>119</b>	<b>-</b>	<b>119</b>	<b>100</b>
<b>World Bank Group</b>	<b>52</b>	<b>14</b>	<b>66</b>	<b>79</b>
<b>Reg. Dev. Banks</b>	<b>30</b>	<b>6</b>	<b>36</b>	<b>83</b>
<b>Other Multilaterals</b>	<b>66</b>	<b>8</b>	<b>73</b>	<b>90</b>
<b>Total</b>	<b>357</b>	<b>93</b>	<b>450</b>	<b>79</b>

Source: DAC Aggregate Statistics and Creditor Reporting System

### 3. Multilateral Strategy

Finland has recently adopted a policy framework *Multilateral Cooperation in Finland's Development Policy 2008* for its overall policy and engagement with multilaterals. Finnish multilateral policy and objectives are described in documents such as *Development Policy Programme 2007\**, *Finland's Development Cooperation†* and *Strategy of the Finnish Foreign Affairs Administration regarding the United Nations 2008*. Finland engages with multilaterals, because of their wide geographical and sectoral reach, in-country resources and expertise, as well as their monitoring capabilities. As a result, even those countries with which Finland has no bilateral cooperation ties can be reached.

Finland stresses that the most important ways in which its multilateral cooperation can influence development are through Finnish involvement in policy guidance of partner organisations, funding development programmes, and thematic cooperation. For Finland, the key implementers of multilateral cooperation are the UN agencies and the international development and environmental financing institutions. These are seen as significant actors in the achievement of the MDGs and the monitoring of progress. For Finland, multilateral cooperation, the strengthening of the multilateral system and the promotion of development policy goals are vital, as are the following priorities: the reform of the UN; the development of the multilateral agreement system; and the creation of a comprehensive international development architectural framework. Finland aims to strengthen the multilateral system by pursuing the following:

- Supporting the development of the multilateral system and organisations' reforms, such as the "One UN" and "Voice and participation of Developing and Transition Countries" in the Bretton Woods institutions.
- Actively participating in international negotiations and partnership process and projects.
- Supporting the organisations' field level presence and cooperation with development partners in a coherent and complementary manner.
- Securing predictable and long-term basic funding for the organisations; and
- Promoting Finland's value-added in the development process.

Of the UN operative agencies, UNDP, UNICEF, UNFPA and WFP are Finland's four key partners, in line with its UN core and non-core allocations (see Table 2). The Finnish government supports the "One UN" principle and supports all efforts and measures to harmonise and simplify the UN system. Finland allocates its thematic funding to UN organisations specifically for strengthening developing countries' economic capacity and ability to negotiate and implement trade agreements, and to combat health threats. Within the group of IFIs, the World Bank Group (especially IDA) and the African, Asian and Inter-American Development Banks are Finland's main partners. Thematic cooperation with the IFIs deals mostly with environmental, natural resources and governance issues.

Finland's aim is to improve the quality of EU community aid, secure its arrival at the destination more effectively and ensure that aid is channelled to the cause of poverty

\* Ministry for Foreign Affairs of Finland (2007), *Development Policy Programme 2007 – Towards a Sustainable and Just World Community*, Helsinki, <http://formin.finland.fi/Public/download.aspx?ID=24014&GUID={41C62727-0F60-4794-B744-F40E9460D79F}>.

† Ministry for Foreign Affairs of Finland (2005), *Finland's Development Cooperation*, Helsinki (<http://global.finland.fi/Public/download.aspx?ID=13658&GUID=%7B7BB6F6BE-7504-4054-A5F1-79D01C5394E1%7D>).

reduction and, above all, to the poorest, least developed countries. Finland promotes harmonisation and complementarity of community aid and the bilateral aid of member countries. It emphasises that the EC should highlight development policy as part of its external relations and commit to the consistent promotion of development goals in all political sectors. In addition, Finland emphasises that the EC should strengthen the internal consistency of international cooperation through its operations.

#### **4. Management of multilateral aid**

The Ministry for Foreign Affairs of Finland carries the main responsibility for multilateral cooperation and policy formulation in the internal administration. Within the Ministry of Foreign Affairs, organisational rearrangement took place at the beginning of September 2008, which means that the tasks of the Department for Global Affairs are now divided between the Department for Development Policy, the Political Department and the Department for External Economic Relations. The organisational rearrangement is to improve the coherence and coordination of multilateral issues. The Department for Development Policy is primarily responsible for multilateral development assistance. The Department covers international and multilateral development issues and deals with the UN, the IFIs, debt issues and humanitarian assistance and cooperates closely with other Departments in the Ministry on issues regarding overall planning and policy development. In order to improve policy coherence among the ministries involved in international cooperation, the Ministry of Foreign Affairs cooperates closely with other ministries such as the Ministry of Finance on World Bank issues or Ministry of Environment on climate related issues.

#### **5. Multilateral recommendations in the DAC Peer Review and by the national audit office**

In the latest Peer Review of Finland (2007), the DAC raised specific recommendations on the multilateral aid channel and encouraged Finland to continue its policy of providing core contributions to multilateral organisations. Contributions to multilaterals organisations should be a key consideration in the strategy for scaling up. The policy on multilateral organisations should be based on a consideration of performance and used in policy dialogue and to inform decisions on funding allocations.

The Auditor General's Office presented a report in 2008 that assessed the performance audit of cross-sectoral themes in bilateral development cooperation and in aid delivered through multilateral channels and the European Union. The report pointed out the necessity of division of labour and coherence between the bilateral and multilateral actors and the EU also in respect of the cross-sectoral themes.

#### **6. Allocation and scaling up of multilateral aid**

According to the recently adopted policy framework *Multilateral Cooperation in Finland's Development Policy 2008* and latest projections of the Finnish ODA, the share of the multilateral assistance is set to remain at current levels of total ODA. Most of the multilateral assistance is projected for the core budgets of the organisations, in support of operational capacity, effectiveness and results orientation.

## France

### 1. Multilateral aid at a glance

In 2006, France contributed 27% of its gross ODA in core contributions to multilateral organisations compared to the 2004-06 DAC average of 24%. Given that France has provided considerable debt relief for developing countries over the last decade its multilateral share net of debt relief was 38%, compared to the three-year DAC average of 29% (excluding contributions to the EC, the multilateral share was 16% compared to the three-year DAC average of 19%). Multilateral aid increased USD 1.4 billion in absolute terms over the past ten years, from USD 2 billion to USD 3.4 billion. The multilateral share (net of debt relief) increased more than 10 percentage points over the decade.

Figure 1. France's gross ODA 1997-2006

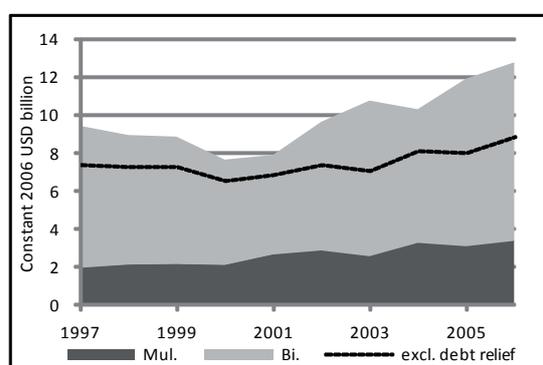


Table 1. Multilateral share of total ODA

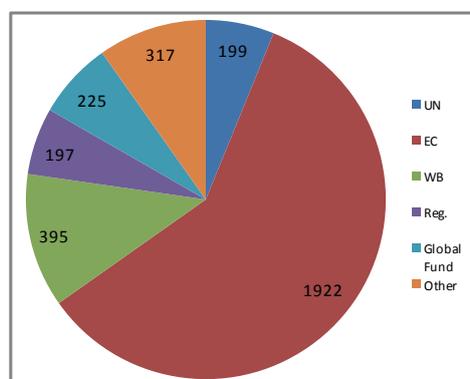
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	21	27
1998	24	29
1999	24	30
2000	28	33
2001	34	39
2002	30	39
2003	24	37
2004	32	40
2005	26	39
2006	27	38

Source: DAC Aggregate Statistics

As for most EU member states, the EC is by far the largest recipient, accounting for nearly 60% of multilateral ODA (16% of total ODA) in 2004-06, of which 43% was routed to the EDF. The World Bank is the second largest recipient with 12% of the multilateral core budget in 2004-06. Among the DAC members, France is the second largest contributor to The Global Fund in 2004-06. The UN system accounts for 6% of multilateral ODA in 2004-06, which is less than the DAC average. The contribution to the AfDB ranks 5<sup>th</sup>, accounting for 80% of French financing of regional development banks in 2004-06.

Figure 2. Major recipients of France's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD million)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

At present, France does not report on the “channel of delivery”, and hence DAC statistics do not currently include data on the full use of the multilateral system. For this report, the Ministry of Foreign and European Affairs contributed aggregate data on non-core contributions in 2006. These showed that non-core funding to the UN system amounted to USD 69 million in 2006, *i.e.* France makes more use of the UN system than Figure 2 suggests. Based on these data, France's core contributions accounted for 98% of its total use of the multilaterals. However, the overall non-core estimate may only reflect part of France's total use of this instrument due to exclusion of peace keeping operations and other activities, which are not in the domain of The Ministry of Foreign and European Affairs.

Table 2. France's core contributions to multilateral agencies and aid channelled through multilaterals

Disbursements (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>205</b>	<b>69</b>	<b>274</b>	<b>75</b>
<i>of which:</i>				
UNDP	30	14	44	69
WFP	5	21	27	20
WHO	24	10	34	70
UNICEF	18	14	32	57
<b>EC</b>	<b>1,938</b>	<b>-</b>	<b>1,938</b>	<b>100</b>
<b>World Bank Group</b>	<b>456</b>	<b>5</b>	<b>461</b>	<b>99</b>
<b>Reg. Dev. Banks</b>	<b>207</b>	<b>5</b>	<b>212</b>	<b>98</b>
<b>Other Multilaterals</b>	<b>578</b>	<b>1</b>	<b>579</b>	<b>100</b>
<b>Total</b>	<b>3,383</b>	<b>80</b>	<b>3,464</b>	<b>98</b>

Source: DAC Aggregate Statistics supplemented with non-core estimates (disbursements) from France's Ministry of Foreign and European Affairs.

### 3. Multilateral Strategy

Although France has a strong commitment to provide assistance to multilateral organisations, the lack of a strategic, medium term vision for multilateral aid is a limit to the French influence in the international organisations in general\*. The on-going “general review of public policies” recommended that France develop a more explicit strategy for its multilateral cooperation and exert more selectivity in the range of multilateral organisations supported.

To address this, France has subsequently launched the preparation of a general strategy for multilateral cooperation, with the aim of reducing the total number of multilateral institutions supported and clarifying the objectives, inputs and expected outcomes for all multilateral organisations retained. It is working in parallel on individual strategies for the EC and the World Bank, to be completed in 2008. Strategies for the UN Development Group, the African Development Bank and the OECD development activities will follow in 2009.

France has been part of MOPAN since 2005 and is supporting MOPAN’s on-going development of an ambitious methodology to better assess multilateral organisations’ performances.

### 4. Management of multilateral aid

In France, the institutional setup as regards development policy, including multilateral assistance, is spread among several players. In contrast to some DAC member countries, there is no single French institution which has the overall responsibility for coordination of the system. The Ministry of Foreign and European Affairs (MAEE) manages funds for the European Commission, the UN system and the vertical health funds. The Directorate-General of the Treasury and Economic Policy (DGTPE) as a part of Ministry of Economy, Finance and Employment has institutional responsibility for the development banks and certain thematic funds (such as GEF).

### 5. Multilateral recommendations in DAC Peer Review and by the *Cour des Comptes*

France’s development assistance has recently been reviewed through the DAC Peer Review process in May 2008. The DAC raised in particular one recommendation on the multilateral aid, which was in line with a recommendation from 2004: France would benefit from defining its multilateral strategy more closely, both with respect to more targeted positioning in relation to multilateral players and in terms of articulation among the different instruments and channels of French aid.

The French *Cour des Comptes* produced a report on the MAEE’s Voluntary and Obligatory Contributions (4<sup>e</sup> chamber, 3<sup>e</sup> section). The main conclusions of this report are: lack of overall strategy, the scattering of responsibilities, the accumulation of different kinds of contributions for the same organisation, weakness of control on use of funds, and lack of control on the growth of contributions. The report noted new measures taken by the MAEE. The DGTPE presents a report to Parliament on the contributions to the development Banks.

As noted above, France has followed up on these recommendations by launching the preparation of a general strategy for multilateral cooperation.

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\* OECD (2008), DAC Peer Review 2008 (DCD/DAC/AR(2008)2/08/PART2, Paris, [http://www.oecd.org/document/41/0,3343,en\\_2649\\_34603\\_40735977\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/41/0,3343,en_2649_34603_40735977_1_1_1_1,00.html).

## **6. Allocation and scaling up of multilateral aid**

France's allocation of aid to multilateral organisations has significantly increased over the last 10 years, faster than overall aid volumes, resulting in an increase of the share of multilateral aid in total ODA. Planned increases of ODA will, in the future, go in priority with bilateral cooperation to maintain a balance between bi- and multilateral funding channels. The intended strategy for multilateral co-operation should result in medium term reallocations among the multilaterals as well as a more proactive relationship between bi- and multilateral funding, rather than an absolute increase of multilateral contributions.

## Germany

### 1. Multilateral aid at a glance

In 2006, Germany contributed 28% of its gross ODA in core contributions to multilateral organisations compared to the 2004-06 DAC average of 24%. Net of debt relief, Germany's multilateral assistance accounted for 38% in 2006, compared to the three-year DAC average of 29% (excluding contributions to the EC, the multilateral share was 14% compared to the three-year DAC average of 19%). Germany's multilateral aid increased in absolute terms over the past ten years, from USD 2.6 billion in 1997 to USD 3.4 billion in 2006. However, its share of multilateral assistance over this period has fluctuated.<sup>1</sup> Debt relief has accounted for a significant share of Germany's total ODA, especially in the last few years.

Figure 1. Germany's gross ODA 1997-2006

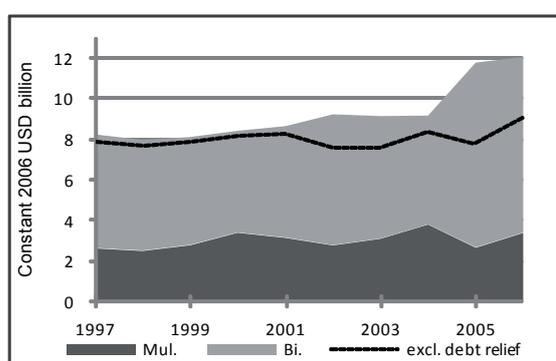


Table 1. Multilateral share of total ODA

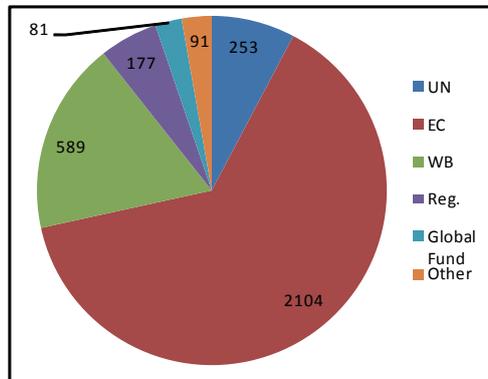
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	32	34
1998	32	33
1999	34	36
2000	41	42
2001	37	39
2002	30	37
2003	34	41
2004	42	46
2005	23	34
2006	28	38

Source: DAC Aggregate Statistics

In 2004-06, the EC was by far Germany's largest recipient of core contributions, accounting for 64% of multilateral ODA (19% of total ODA). In absolute terms, Germany was the largest contributor to the EC of all EU member states in 2006. With a share of 18% of German multilateral assistance (5% of total ODA), the World Bank was its second largest multilateral partner. All German funds to the World Bank were channelled through IDA in the period 2004-06. The UN accounted for 7% of multilateral ODA. The regional development banks accounted for 5% of multilateral ODA, of which 65% went to the AfDB.

Figure 2. Major recipients of Germany's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD millions)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

Germany does not report on the individual channel for each agency, and hence it is not possible to estimate non-core funding for each multilateral organisation. However, aggregate figures that it reports show that Germany channels USD 210 million through the multilateral system to specific projects and programmes. Thus, non-core funding is not a commonly used instrument by Germany and its core contributions account for 95% of its full use of the multilateral system. Germany believes that these funds should remain an exception rather than a rule, due to the risk of undermining the multilateral system. In terms of both core and non-core funding, Germany channelled some 39% of its aid (commitments) to and through the multilateral system in 2006.

## 3. Multilateral Strategy

Germany is currently developing an overall strategy document for its policy and engagement with multilaterals. It builds on its policy papers on development cooperation, such as *The German Government's 12<sup>th</sup> Development Policy Report*<sup>2</sup>, the *Programme of Action 2015*<sup>3</sup> and *Germany's Contributions to Achieving the Millennium Development Goals*<sup>4</sup>, defining objectives and priorities in multilateral cooperation. Germany supplements these multilateral statements with more in-depth strategy/position documents for its major multilateral partners such as the World Bank, the regional development banks, the EU and UNDP. Moreover, there are around 30 "Institutional Briefs" for every multilateral organisation that the Federal Ministry for Economic Cooperation and Development (BMZ) is funding. These 3-4 page internal briefs define strategic directions for cooperation with each organisation.

Germany stresses that broad membership, political neutrality, capital and know-how are issues that make international organisations important players in development cooperation. Multilateral institutions set standards for successful economic, social and environmental policies and play a crucial role in implementing and coordinating development cooperation in developing countries. It emphasises the importance of multilateral organisations in achieving the MDGs and how effective multilateral institutions are also needed to address other global structural policy challenges such as climate change, unstable financial markets

and biodiversity. However, their mandates must be better delimited and the specific strengths of each institution more clearly defined and better exploited.

The German government considers poverty to be the most pressing problem facing the international community and thus poverty reduction its most important challenge. As a member of many international organisations, Germany helps design the institutional policies and actions in a coherent manner with a view to achieving this shared goal.<sup>5</sup> Other objectives and interests, such as peace, security, stability and growth, are also mentioned by the German government to justify its multilateral engagement as well as the significant returns to German industry in the form of new contracts won.<sup>6</sup>

With its political and economic weight, Germany expects the EU to be the driving force in development cooperation. Germany is supporting the reform of the common development policy of the EU, to enable greater coherence, better cooperation and enhanced complementarity.<sup>7</sup>

Germany's World Bank policy is an integral part of German development policy with poverty reduction as the primary goal. Germany takes pride in being among the largest shareholders and actively takes part in implementing reform at the Bank. Consequently, Germany wants to see its development policy agenda strongly reflected in the work of the World Bank and therefore works to strengthen its effectiveness and efficiency.<sup>8</sup>

Of the regional banks, Germany emphasises the role of the African, Asian, Inter-American and Caribbean Development Banks in the multilateral financial system due to their regional clout, which encourages strong ownership by the regional member countries. In accordance with German Development Cooperation policies, Germany has increased its support to the AfDB, in order to strengthen the role of the bank in the international and African development architecture. The objective of German membership in these banks is to gear their regional policies towards poverty reduction and sustainable development. Germany participates in the institutional debate within these banks in order to drive reform processes, make comparative advantages more visible and to strengthen harmonisation.<sup>9</sup>

Although Germany's UN-contributions are relatively small compared to those of other DAC donors, Germany nonetheless acknowledges the UN's importance for collective action in areas such as peace processes. Multilateralism is a fundamental pillar of German policy and strengthening the UN system to make it a more effective multilateral body is thus a key part of German foreign and development policy. Germany calls for the UN and Bretton Woods institutions to work more closely together to ensure a division of labour in order to provide optimum support to developing countries in their poverty-reduction policies, and to ensure that these are geared to the MDGs.<sup>10</sup>

Strategy papers and institutional briefs are updated on a regular basis (every 2-3 years). As a basis of the assessment of the cooperation with the organisations, BMZ is increasingly using results of performance assessment surveys, such as the MOPAN or COMPAS reports. These reports are one source for assessing the value of the cooperation with a specific organisation, along with other criteria such as the mandate of the organisation and its relevance in the international aid architecture.

#### **4. Management of multilateral aid**

In Germany, the BMZ carries the administrative responsibility for most multilateral assistance and cooperation. BMZ manages financial contributions to the EDF, contributions to the World Bank as well as to regional development banks and financial support for

different funds and programmes of the UN. Within the BMZ, Directorate-General 3 (18 divisions) is responsible for cooperation with international organisations, with the exception of the UN for which the responsibility is with Directorate-General 2. Directorate-General 3 comprises the sectoral divisions and elaborates the fundamental principles and promotion concepts for major fields of development-policy work, such as economic and financial systems, the environment and sustainable natural resources management, poverty reduction and social development.

The Ministry of Finance is lead department for the IMF, as well as for other IFIs, such as the EBRD and EIB. With regards to the World Bank, there is a shared responsibility between BMZ and the Ministry of Finance, the BMZ being the lead department. For intra-governmental consultation and decision making the joint rules of procedure of the Federal ministries apply. According to their principles all decisions made on behalf of the government need to be agreed upon among the ministries involved. In the case of the health sector, there is a consultation process on a regular basis between BMZ, Foreign Office and the Ministry of Health on global health issues as well as specific consultations before meetings of the executive board of the relevant multilateral organisation. Additionally, there is a regular consultation process between the responsible ministries in the context of the adoption of a specific country strategy.

BMZ country desks are responsible for coordinating the policy towards multilateral organisations in the specific country context. They have a constant exchange of information with the Foreign Office and its respective embassies as well as the representatives of the implementing agencies in the partner countries, whose knowledge and experience is very often incorporated (*e.g.* when it comes to commenting on project proposals or country strategies).

## 5. Multilateral recommendations in DAC Peer Review and by the Federal Court of Audit

In the latest Peer Review of Germany (2005), the DAC recommended in reference to the multilateral aid channel, that Germany's effectiveness approach could be better translated into allocation policy and required a more adequate framework based on defined criteria and a sound methodology to assess effectiveness.<sup>11</sup>

To address these recommendations BMZ is currently working on an overall strategy for multilateral cooperation, which aims, among other things, at defining criteria that can serve as a basis for decisions on the amount and character of cooperation with multilateral organisations. In order to actively take part in the process of assessing effectiveness of multilateral organisations, Germany is planning to join the MOPAN network. Results of MOPAN surveys are incorporated in the design of institutional briefs. In addition, BMZ and the Foreign Office have started jointly to evaluate their voluntary contributions to international organisations engaged in humanitarian aid. Further joint work with other donors on other multilateral organisations is under consideration.

Germany's Federal Court of Audit has reviewed current practices of Germany's contributions to international organisations. In its report of 2007 to the Budget Committee of the Parliament, the Court of Audit stated that, according to the budget code, ministries are required to regularly assess and evaluate voluntary contributions to international organisations. In the case of BMZ and the Foreign Office, which provide most of the funds, an overall assessment of their contributions was recommended.

## 6. Allocation and scaling up of multilateral aid

In 1993, Parliament's budget committee decided on a guideline determining the percentage of the BMZ budget that is spent for multilateral cooperation that annual expenses made to multilateral organisations must not exceed one third of the BMZ budget. In some instances, this cap has led to minor corrections in the allocation process to reduce the share for multilateral organisations. For the time being, Germany's scaling up of ODA will be realised within that range (1/3 multilateral, 2/3 bilateral of the BMZ budget).

### Notes

1. Germany deposited two promissory notes at the World Bank in 2004 and no promissory note in 2005, explaining the peak in 2004 and sharp drop in 2005.
2. Federal Ministry for Economic Cooperation and Development (2005), *The German Government's 12th Development Policy Report*, Berlin, <http://www.bmz.de/en/service/infotehk/fach/materialien/materialie152.pdf?PHPSESSID=437d56ceaed29780153b164268320d50>.
3. Federal Ministry for Economic Cooperation and Development (2005), *Programme of Action 2015*, Berlin, <http://www.bmz.de/en/principles/aims/programme2015/index.html>.
4. Federal Ministry for Economic Cooperation and Development (2005), *Germany's Contributions to achieving the Millennium Development Goals*, Berlin, [http://www.undg.org/archive\\_docs/6580-Germany\\_MDG\\_Report.pdf](http://www.undg.org/archive_docs/6580-Germany_MDG_Report.pdf).
5. Ibid. *Programme of Action 2015*, Berlin, page 31.
6. Ibid *The German Government's 12th Development Policy Report*, page 187.
7. Ibid. *Germany's Contributions to achieving the Millennium Development Goals*, page 57.
8. Federal Ministry for Economic Cooperation and Development (2007), *World Bank Group – Key messages of German development Cooperation*, Berlin, [http://www.bmz.de/en/approaches/multilateral\\_cooperation/players/WorldBankGroup/301-wb-kernbotschaften-neu-en.pdf](http://www.bmz.de/en/approaches/multilateral_cooperation/players/WorldBankGroup/301-wb-kernbotschaften-neu-en.pdf).
9. Federal Ministry for Economic Cooperation and Development (2008), *Combating Poverty – Our Objectives in the Regional Development Banks*, Berlin, <http://www.bmz.de/en/service/infotehk/fach/konzepte/strategie148.pdf>.
10. Ibid. *Germany's Contributions to achieving the Millennium Development Goals*.
11. OECD (2005), *DAC Peer Review of Germany*, Paris ([http://www.oecd.org/document/33/0,2340,en\\_2649\\_34603\\_35878945\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/33/0,2340,en_2649_34603_35878945_1_1_1_1,00.html)).

## Greece

### 1. Multilateral aid at a glance

In 2006, Greece contributed 55% of its gross ODA and ODA net of debt relief in core contributions to multilateral organisations, compared to the 2004-06 DAC average of 29% net of debt relief (excluding contributions to the EC, the multilateral share was 17% compared to the three-year DAC average of 19%). Multilateral aid increased by USD 47 million in absolute terms over the past ten years, from USD 187 million in 1997 to USD 234 million in 2006. However, in 2006 bilateral aid was more than three times higher than in 1997, leading the multilateral share of total ODA to decline sharply over this period, from 79% in 1997 to a low of 37% in 2003.

Figure 1. Greece's gross ODA 1997-2006

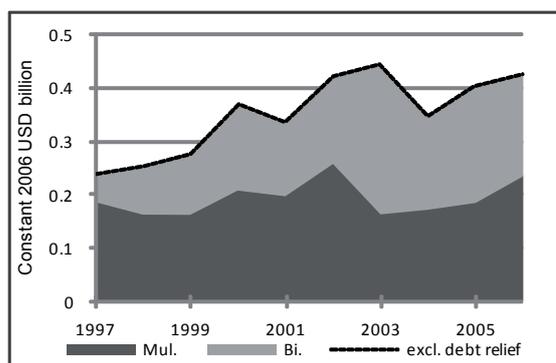


Table 1. Multilateral share of total ODA

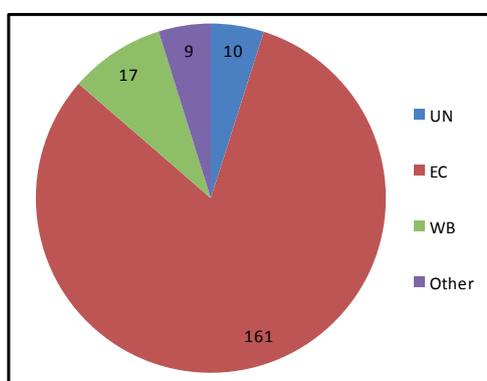
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	79	79
1998	65	65
1999	59	59
2000	56	56
2001	59	59
2002	61	61
2003	37	37
2004	50	50
2005	46	46
2006	55	55

Source: DAC Aggregate Statistics

The picture of Greece's multilateral allocations is fairly simple. Greece is engaged with the EU, the UN and its agencies, funds and commissions, the World Bank Group and some other multilateral institutions. In 2004-06, the EC was by far its largest recipient, accounting for 82% of multilateral ODA (41% of total ODA), of which 74% went to the Commission. Contributions to the World Bank and the UN-system accounted for 9% and 5% of multilateral assistance respectively (4% and 2% of total ODA). Greece did not allocate funds to any of the major regional development banks in 2004-06. Figure 2 shows that the disbursement of multilateral aid through organisations other than the EU is low.

Figure 2. Major recipients of Greece's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD millions)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

Greece's core contributions (commitments) to the UN amounted to USD 13.6 million in 2006, which represented 95% of Greece's total aid to and through the UN that year. A small amount of USD 0.8 million was allocated through the UN for specific projects and programmes. Earmarked contributions to the EC and other multilaterals amounted to 1.5 and 700 000 respectively. Greece's use of non-core funding is very limited and in total, its core contributions accounted for 99% of its total use of the multilaterals. In terms of core and non-core funding, Greece channelled some 56% of its aid commitments to and through the multilateral system in 2006.

Table 2. Greece's core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>14</b>	<b>1</b>	<b>14</b>	<b>95</b>
<i>of which:</i>				
UNDP	2	0	2	96
UNICEF	0	0	0	72
UNHCR	1	0	1	89
WFP	-	0	0	-
WHO	2	0	2	89
<b>EC</b>	<b>164</b>	<b>2</b>	<b>165</b>	<b>99</b>
<b>World Bank Group</b>	<b>42</b>	<b>-</b>	<b>42</b>	<b>100</b>
<b>Other Multilaterals</b>	<b>15</b>	<b>1</b>	<b>16</b>	<b>96</b>
<b>Total</b>	<b>235</b>	<b>3</b>	<b>238</b>	<b>99</b>

Source: DAC Aggregate Statistics and Creditor Reporting System

### 3. Multilateral Strategy

Greece has prepared a single strategy document (not yet politically approved) for its overall policy covering their engagement with multilaterals. Multilateral ODA in recent years accounts for approximately half of the Greek development cooperation budget and Greece's overall development cooperation strategies include objectives and priorities to guide its multilateral engagements. The general objective of Greek multilateral policy is the attainment of the MDGs.

The EC is the most important multilateral player for Greece due to its membership in the EU. In its engagement with the EC, Greece focuses on participating in the formulation, adoption and implementation of the EC's position on development issues to achieve the goals set at EU level.

In its engagement with the World Bank, Greece's main priorities are:

- To contribute to the achievement of the MDGs;
- To help overcome poverty and spur sustainable growth in the poorest countries, especially in the Africa region;
- To address the special challenges of states coming out of conflict, fragile states and LICs;
- To address climate change since developing countries and particularly the world's poorest people are the most vulnerable to changes in climate and extreme weather;
- To support sustainable economic growth in South-Eastern Europe, the ECA region in general and MENA, where economic development is precarious; and
- To combat hunger and deteriorating malnutrition due to the rapid increase in food and energy prices through the "New Deal for Global Food Policy".

Greece is involved in the UN through its membership. Its priorities in the UN Bodies are:

- Reduction of poverty;
- Prevention and coping with the climate change problems and adaptation to climate change parameters and needed measures;
- Coping with environmental problems such as water pollution, water shortage, deforestation, and destruction of biodiversity;
- Support Mediterranean countries to solve the issues of pollution of the Mediterranean Sea
- Development of Africa countries;
- Development of the Balkan countries and Black Sea countries; and
- Implementation of MDGs.

### 4. Management of multilateral aid

The responsibilities of multilateral aid are split between different actors. However, the focus of leadership is the Ministry of Foreign Affairs in terms of its role in setting the national development policy. The remaining part of multilateral assistance is managed by different ministries among which are the Ministry of Economy and Finance, the Ministry of Environment, Land Planning and Public Works, the Ministry of Health and Social Solidarity, the Ministry of Agricultural Development and Food, and the Ministry of Culture.

## 5. Multilateral recommendations in the DAC Peer Review

In the latest Peer Review of Greece (2006), the DAC encouraged Greece, in order to maximise its aid effectiveness while increasing aid, to increase the share of aid to multilateral organisations other than the EC. The DAC also suggested that while expanding its multilateral programme, Greece should be more selective and develop a proactive strategy to multilateral assistance\*.

Greece notes that one response, which addresses these recommendations, is its programming of multilateral assistance in the sense that multilateral aid receives increased volumes of aid. Areas for support are selected upon strategic considerations, *i.e.* increasing the synergies between interacting areas such as migration and environment, climate change and health, as well as ensuring synergies between priority sectors in bilateral and multilateral aid. This approach is demonstrated in the draft the Third Five-Year Development Plan (2008-2012). Greece has also tried to address the DAC recommendation by developing an overall multilateral strategy.

## 6. Allocation and scaling up of multilateral aid

Greece follows a specific allocation key to multilateral aid of 0.10% of GNI and plans to maintain this key until 2012. Thus, multilateral aid volume will increase, in line with Greek GNI which was expected to rise throughout the five year period by approximately 7% per year, though this growth rate is likely to be scaled back following the economic and financial crisis.

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\* OECD (2006), DAC Peer Review on Greece, Paris, [http://www.oecd.org/document/53/0,3343,en\\_2649\\_34603\\_37754997\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/53/0,3343,en_2649_34603_37754997_1_1_1_1,00.html).

## Ireland

### 1. Multilateral aid at a glance

In 2006, Ireland contributed 38% of its gross ODA and ODA net of debt relief in core contributions to multilateral organisations, compared to the 2004-06 DAC average of 29% net of debt relief (excluding contributions to the EC, the multilateral share was 26% compared to the three-year DAC average of 19%).<sup>1</sup> Although Irish multilateral aid has almost quadrupled in absolute terms over the past ten years from USD 99 million in 1997 to USD 389 million in 2006, the multilateral share of total ODA has stayed relatively constant due to a similar growth rate of its bilateral aid.

Figure 1. Ireland's gross ODA 1997-2006

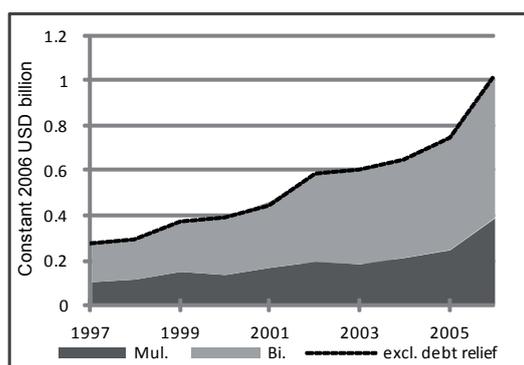


Table 1. Multilateral share of total ODA

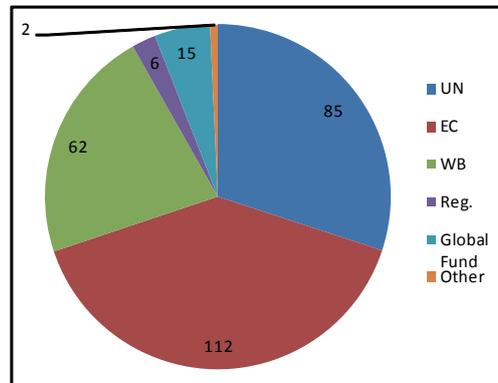
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	36	36
1998	38	38
1999	39	39
2000	34	34
2001	36	37
2002	33	33
2003	30	30
2004	33	33
2005	33	33
2006	38	38

Source: DAC Aggregate Statistics

In 2004-06, over 90% of Ireland's multilateral core contributions were split between three main multilateral recipients: the EC, the UN system, and the World Bank, which accounted for 40%, 30% and 22% of the Irish multilateral assistance respectively (14%, 11% and 7% of total ODA). Regarding the contributions to the EC, a share of 24% was channelled through the EDF in the period 2004-06.<sup>2</sup> In terms of core contributions, Ireland's top three UN partners are UNDP, UNICEF and UNHCR, accounting for 22%, 16% and 12% of core UN contributions respectively. Compared to most other DAC donors, Ireland is not involved in many regional development banks, although it became a member of the AsDB in 2006.

Figure 2. Major recipients of Ireland's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD million)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

At present Ireland does not report on the channel of delivery of aid through multilaterals. However, Ireland is about to adapt its information systems to report on this. Without data on non-core funding, the full use of the multilateral system cannot be presented. Even though Ireland does not use earmarked funding to a large extent, there is still some non-core funding especially to the UN system that raises the total use of the multilateral system compared to the picture on core funding presented in the Section above.

## 3. Multilateral Strategy

While Ireland has no single strategy document setting out its overall policy and engagement with multilaterals, the Government of Ireland's White Paper on Irish Aid, launched in September 2006, includes information on future multilateral aid implementation and cooperation.<sup>3</sup> The White Paper serves as a blueprint that guides the expansion of the Irish aid programme. Ireland's general and overarching objective for development is poverty reduction, with Africa as the principal geographic focus and a sector focus on basic needs, including in the key social sectors of education and health, and the fight against HIV/AIDS.

Regarding multilateral assistance, the White Paper focuses on Ireland's major partners: the UN, EC and the World Bank. It stresses that the UN system plays an important role in building international consensus on key development challenges and that partnerships with the UN has advantages such as avoidance of fragmentation and duplication and a wider reach compared to bilateral aid.

The government emphasises that Ireland has rationalised its engagement with the UN funds and programmes, by concentrating the bulk of its support on a small number of priority partners within the UN development system. Irish Aid has agreed partnerships with UNICEF, UNFPA and UNHCR and agreements with UNDP and WHO are pending. In the case of the latter, the proposed Framework agreement is a joint initiative of Irish Aid and the Department of Health and Children and will form the centrepiece of a whole of government approach to Ireland's relationship with WHO. These partnerships generally entail funding increases to UN bodies in exchange for progress on agreed development objectives. They also include strengthened arrangements for monitoring and evaluation of the UN funds and

programmes to ensure accountability and value for money. Most of the Irish UN contributions are core, allowing the agencies to determine their priorities, within the agreed mandate, but earmarking is still important in emergency situations.<sup>4</sup>

EC development assistance is an integral part of the Irish aid programme and Ireland will work to improve the quality of that aid and the effectiveness of its delivery. In its cooperation with the EC, Ireland will seek to ensure that a greater proportion of EC assistance goes to least developed countries, encourage other EU donors to move towards 100% untied aid and strengthen coherence at EU level.

As regards to the Bretton Woods Institutions, Ireland stresses IDA as a significant channel for the delivery of Irish aid. It recognises that the World Bank, in close relationship with IMF, has a significant and frequently decisive weight in policy decisions and in allocating resources in the developing countries. Ireland will seek to ensure that the World Bank and IMF interventions in developing countries promote a favourable environment conducive to the effectiveness of its bilateral aid and to the achievement of the MDGs.

Furthermore, Ireland stresses that it will provide aid to the African Union and other regional organisations in Africa, to support efforts to tackle the challenges facing the continent, including support to the African Peer Review Mechanism. Ireland will prioritise UN's coordinating role in humanitarian crisis, and recognises that multilateral organisations and global health partnerships provide vital resources to country health programmes, and these will be supported.

#### 4. Management of multilateral aid

Irish Aid, a division of the Department of Foreign Affairs, is responsible for the management and administration of the Irish overseas aid programme and for the conduct of Irish development policy, including most of the multilateral programmes. The UN and World Bank Section of Irish Aid works closely with the UN Coordination Section of the Political Division in the Department of Foreign Affairs on the co-ordination of Ireland's overall participation in the work of the UN and to ensure that Ireland's interests and values are reflected at the UN. The Section carries out this work in close cooperation with other divisions and with Ireland's Permanent Missions to the UN in New York, Vienna and Geneva. As regards EC assistance, a similar level of coordination exists through the Permanent Representation of Ireland to the EU in Brussels and ECU Multilateral Section of Irish Aid. The main objective is to ensure that overall EC funding is as effective as possible and gives priority to poverty reduction measures.

The Department of Finance has the overall responsibility for Irish engagement in the Bretton Woods Institutions and other IFIs. Other government departments also contribute to the official aid programme, and in particular to Irish engagement with multilateral organisations. Examples of such collaboration are support by the Department of Agriculture and Food in Irish engagement in WFP and the Department of Health and Children support as regards the WHO.

In the White Paper, the government stresses the need for close cooperation between Irish Aid and the Department of Finance and pledges to develop a close working relationship between the two departments to integrate a strong development perspective into the positions taken by Ireland in the international financial institutions. The government has established a new Inter-Departmental Committee on Development (IDCD) to strengthen coherence in the government's approach to development in general and to make the best use of the expertise and skills available across the public services.<sup>5</sup> The IDCD has a specific sub-committee on multilateral engagement, which has a remit to oversee the relationships with the UN and IFI bodies.

## 5. Multilateral recommendations in DAC Peer Review

In the latest Peer Review of Ireland (2003), the DAC acknowledged Ireland's adoption of a more selective and targeted approach and increased contributions to agencies that reinforce its policy objectives as recommended in the previous Peer Review of 1999. With its strategic approach in 2001, Ireland reduced its number of UN partners from 35 to 20 by withdrawing funding to agencies that only received symbolic contributions and had a poor fit with Ireland's development objectives in general.<sup>6</sup>

Ireland has made significant efforts in developing a strategic and focused approach to its multilateral partners, especially the UN agencies. In 2003, the DAC recommended that Ireland pursue an even more strategic and programmatic engagement with a selected number of key multilateral agencies. This recommendation was followed up by implementing a strategic review in 2006/7. Recommendations from this review have been implemented, resulting in focused and strategic partnerships with UNICEF, UNFPA and UNHCR, with further agreements with UNDP and WHO pending. Ireland has enhanced budget predictability to these bodies through the provision of multi-annual funding commitments based on agreed development objectives. These shared objectives draw on the Strategic Plan of the partner organisation and include agreed indicators to ensure a greater degree of measurability. The duration of the funding commitment to partner organisations is synchronised with the respective planning horizon; where a Strategic Plan is over four years, Irish Aid provides a four year commitment in return for progress on the agreed objectives. This progress is assessed annually via bilateral consultations, country-level reporting by Irish field offices and other means.

## 6. Allocation and scaling up of multilateral aid

Ireland does not practise a conscious allocation policy when considering the split between bilateral and multilateral aid. As new initiatives emerge, careful consideration is given to where they might feature in Ireland's hierarchy of priorities. The current proportions of bilateral to multilateral aid are two-thirds to one-third respectively. In the scaling up process to reach the UN target of 0.7% ODA/GNI in 2012 and the interim target of 0.6% in 2010 as pledged in the White Paper (2006)<sup>7</sup>, Ireland plans to maintain the multilateral share at a level consistent with past practice.

## Notes

1. 2006 was an unusual year, as the multilateral share was 38% compared to a general rule of 30-33%.
2. According to Irish Aid, this split will change in the future due plans of increased contributions to the EDF.
3. Government of Ireland (2006), *White Paper on Irish Aid*, Dublin, [www.irishaid.gov.ie/whitepaper](http://www.irishaid.gov.ie/whitepaper).
4. Ibid. *White Paper on Irish Aid*.
5. Ibid. *White Paper on Irish Aid*.
6. OECD (2003), *DAC Peer Review of Ireland*, Paris, [http://www.oecd.org/document/27/0,3343,en\\_2649\\_34603\\_20366555\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/27/0,3343,en_2649_34603_20366555_1_1_1_1,00.html).
7. Ibid. *White Paper on Irish Aid*.

## Italy

### 1. Multilateral aid at a glance

In 2006, Italy contributed 41% of its total gross ODA in core contributions to multilateral organisations, placing it above the 2004-06 DAC average of 24%. Net of debt relief, Italy's multilateral assistance accounted for 68% of ODA in 2006, compared with the three-year DAC average of 29% (excluding contributions to the EC, the multilateral share was 14% compared to the three-year DAC average of 19%). Italy's multilateral aid increased by USD 524 million in the past ten years, from USD 1.1 billion in 1997 to USD 1.6 billion in 2006. Debt relief accounted for a significant share of Italy's total ODA over the period.

Figure 1. Italy's gross ODA 1997-2006

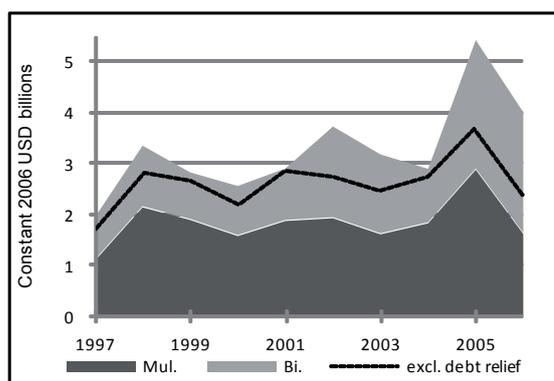


Table 1. Multilateral share of total ODA

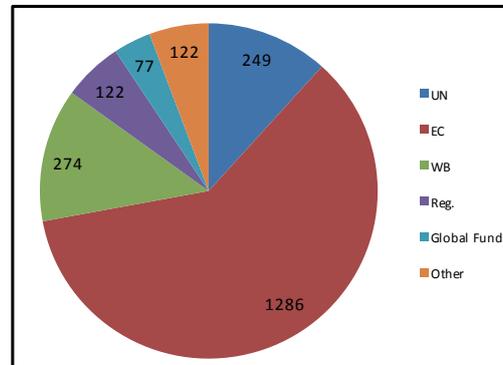
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	57	64
1998	65	77
1999	68	72
2000	63	72
2001	65	66
2002	52	71
2003	51	66
2004	64	67
2005	54	79
2006	41	68

Source: DAC Aggregate Statistics

In 2004-06, the EC was by far Italy's largest multilateral recipient, accounting for 60% of multilateral ODA (31% of total ODA). Core contributions to the World Bank and UN system amounted to 13% and 12% of multilateral ODA respectively (7% and 6% of total ODA). The regional development banks accounted for 6% of multilateral ODA (3% of total ODA), of which about half was channelled through the AfDB.

Figure 2. Major recipients of Italy's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD millions)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

Italy does not report on the individual channel code for each agency, and hence it is not possible to measure non-core funding for each multilateral agency. However, the aggregate figure shows that Italy channels USD 128 million through the multilateral system to specific projects and programmes. Italy's core contributions account for 93% of its full use of the multilateral system, so non-core funding is not a commonly used financing instrument. In terms of both core and non-core funding, Italy channelled some 69% of its aid (commitments) to and through the multilateral system in 2006.

## 3. Multilateral Strategy

Italy has no single strategy document for its overall policy and engagement with multilaterals, despite multilateral ODA accounting for the major share of Italy's development cooperation budget. Its overall development cooperation strategies include objectives and priorities to guide its multilateral engagements. Among the reasons for Italy's reliance on multilateral channels include: the associated low transaction costs of such use, and a political desire both to maintain Italy's international standing and fulfil its obligations. There are some moves to adjust this accent on multilateral funding, trying to better balance multilateral and bilateral activities.

A large part of Italian multilateral contribution is allocated to agencies, funds and programmes of the UN, consistent with traditional political attention to the UN institutions. A specific focus is on the international organisations based in Italy (FAO, IFAD and WFP), particularly oriented towards humanitarian aid, food security and financial support to the agricultural sector. Italy plays an important role in supporting UN activities in the field of human development (UNDP), gender (UNIFEM), environment (UNEP), good governance (Democracy Fund and Peace Building Fund) and human rights.

Apart from the UN-related organisations, Italy is deeply engaged in the health sector, being a large contributor to The Global Fund. As a member state of the EU, Italy allocates financial resources to the EU budget for development, and hence participates in the debate on aid effectiveness and division of labour.

In its engagement with the World Bank, the main Italian priorities concern food security (with a special attention to agricultural research and rural development), health, microfinance, the protection of cultural heritage, gender, small and medium enterprises, the protection of the environment, and the enhancement of the private sector.

#### 4. Management of multilateral aid

Multilateral aid is managed by both the Ministry of Foreign Affairs and the Ministry of Finance. Both multilateral and bilateral contributions by the Ministry of Foreign Affairs (if they exceed EUR 1 million) are approved by an Interministerial Committee (*Comitato Direzionale*). Participation is also extended to other Ministries other Directorate Generals within the Ministry of Foreign Affairs.

The Ministry of Finance deals primarily with MDBs and Funds, and with innovative sources of financing such as the International Finance Facility for Immunisation (IFFIm) and Advance Market Commitments (AMCs).

#### 5. Multilateral recommendations in the DAC Peer Review and by *Corte dei Conti*

In the latest Peer Review (2004), the DAC offered Italy several recommendations on the multilateral aid channel, including: taking a more results-based approach to multilateral budgeting; placing more emphasis on the importance of publicly communicating the rationale behind allocation decisions; encouraging greater co-operation between the Foreign and Finance ministries; and upgrading the capacity of the Finance Ministry to monitor, evaluate and plan investments in multilateral institutions.

The National Audit Office (*Corte dei Conti*) is responsible for more formal regular control of the management of Italian resources, and normally intervenes only on financial aspects, not on political ones. As for the Parliament, it is engaged in discussions and hearings concerning development cooperation, especially in view of the reform of the Italian system. However, there is no specific recommendation on multilateral assistance.

#### 6. Allocation and scaling up of multilateral aid

The split between multilateral and bilateral aid is decided by the Parliament when approving the financial law. The split between multilaterals is then decided by the competent ministries, according to the above mentioned priorities (agricultural development and food security, health, environment, gender and human rights).

The trend of contributions to multilaterals has been increasing in the latest years, in view of respecting international commitments and following a more active role within the UN after becoming a member of the Security Council (in particular in the field of human rights and the fight against the death penalty). Italy plans to progressively increase the impact of the bilateral channel in its international cooperation, without however neglecting its traditional contributions to the multilaterals. However, at the moment, there is no specific scaling-up projection, as the annual financial law has not been approved yet.

## Japan

### 1. Multilateral aid at a glance

In 2006, Japan contributed 23% of its total gross ODA in core contributions to multilateral organisations, placing it just below the 2004-06 DAC average of 24%. Net of debt relief, Japan's multilateral assistance accounted for 29% of gross ODA in 2006, in line with the three-year DAC average of 29% (three-year DAC average of 19% excluding the EC). Japan's multilateral aid increased by USD 1.3 billion in the past ten years, from USD 2.6 billion in 1997 to USD 3.9 billion in 2006. Debt relief accounted for a significant share of Japan's total ODA in the last few years. Nevertheless, there was some variability in Japan's multilateral share of total ODA, which dipped to a low of 11% in 1999.

Figure 1. Japan's gross ODA 1997-2006

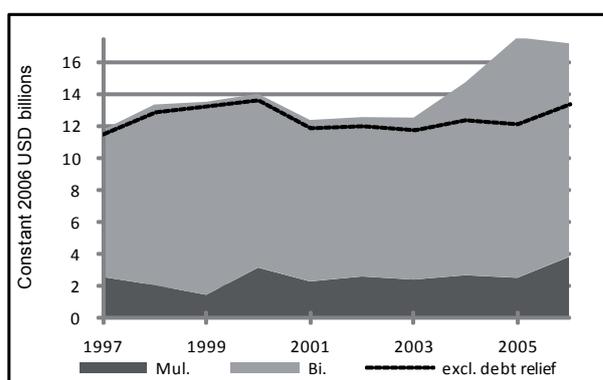


Table 1. Multilateral share of total ODA

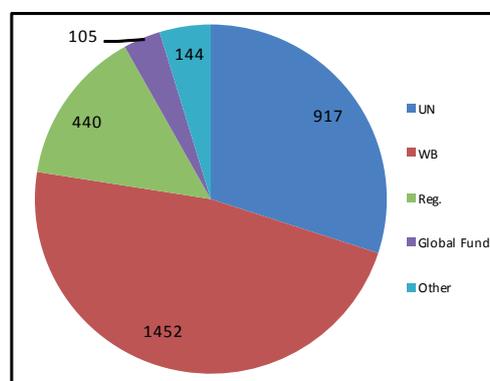
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	22	23
1998	16	16
1999	11	11
2000	23	24
2001	19	20
2002	21	22
2003	20	21
2004	19	22
2005	15	21
2006	23	29

Source: DAC Aggregate Statistics

In 2004-06, the World Bank was its largest multilateral recipient, accounting for 48% of multilateral ODA (9% of total ODA). Funding to the UN-system amounted to 30% of multilateral assistance (6% of total ODA). Within the UN-system, UNDP, UNICEF and the WFP were Japan's largest recipients in terms of core contributions, accounting for 16%, 13% and 9% of total UN contributions respectively. The regional development banks accounted for 14% of multilateral ODA (3% of total ODA), of which 71% was channelled through the AsDB.

Figure 2. **Major recipients of Japan's multilateral ODA (core contributions)**

(ODA three-year average 2004-2006, constant 2006 USD millions)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

At present, Japan does not fully report on the channel of delivery. DAC statistics on Japan's non-core funding are, therefore, limited and as a result, they do not provide a complete picture of Japan's full use of the multilateral system. However, from the data reported in addition to Japan's core contributions to the UN of USD 511 million in 2006, another USD 353 million was allocated to the UN for specific projects and programmes. Thus, core contributions represented only 59% of Japan's total aid to and through the UN in 2006. From the reported figures Japan's core contributions accounted for 91% of its total use of the multilaterals, which is likely an overestimate due to missing data.

Table 2. **Japan's core contributions to multilateral agencies and aid channelled through multilaterals**

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>511</b>	<b>353</b>	<b>864</b>	<b>59</b>
<i>of which:</i>				
UNICEF	80	60	140	57
UNDP	78	130	208	37
UNHCR	4	65	69	6
UNRWA	5	13	19	29
WFP	-	63	63	0
<b>World Bank Group</b>	<b>2,489</b>	<b>-</b>	<b>2,489</b>	<b>100</b>
<b>Reg. Dev. Banks</b>	<b>448</b>	<b>-</b>	<b>448</b>	<b>100</b>
<b>Other Multilaterals</b>	<b>284</b>	<b>18</b>	<b>302</b>	<b>94</b>
<b>Total</b>	<b>3,731</b>	<b>371</b>	<b>4,103</b>	<b>91</b>

Source: DAC Aggregate Statistics and Creditor Reporting System

### 3. Multilateral Strategy

Japan has no single strategy document for its overall policy and engagement with multilaterals. Nevertheless, in *Japan's Official Development Assistance Charter*, revised in 2003, partnership and collaboration with the international community is referred to as one of the basic policies of Japan's ODA, and its approach in dealing with multilateral organisations is briefly touched upon in its ODA White Paper 2007.<sup>1</sup> The Japanese multilateral policy follows the priorities set in its overall development policy which include: (a) addressing environmental and climate change issues; (b) realising economic growth of developing countries and furthering economic prosperity in Japan; (c) promoting democratisation and assisting market-oriented economic reforms; (d) peace building and the fight against terrorism; and (e) ensuring human security.

Japan stresses that providing assistance to and collaborating with developing countries to achieve the MDGs is now more necessary than ever, as is the ability to exchange ideas within international forums. In Japan's estimation, the advantages of assistance delivered through international institutions include: (a) the advanced specialist knowledge and experience unique to each institution; (b) aid can be delivered in a politically neutral manner; and (c) the existence of a global aid network capable of swiftly responding to the emergencies. Japan emphasises that the integration of bilateral and multilateral assistance will yield numerous benefits to all recipient countries, Japan and the international institutions involved.

Among other things, Japan emphasises that the UN's support of peace and security is important. Japan actively promotes co-financing with MDBs, paying close attention to priority sectors such as the environment.<sup>2</sup> Japan considers the international financial system to be central to the functioning of the global economy, providing a framework which facilitates the exchange of goods, services and capital, contributing to sustained economic growth. In general, Japan is striving to play a greater role in the management of multilateral organisations in pursuit of its main goals, while enhancing the effectiveness and strengthening the financial integrity of such institutions.<sup>3</sup> As stated in the latest DAC Peer Review, the budget allocations to multilaterals are driven by the following criteria: efficient management, role and visibility, reflection of Japanese policies within the strategy; an effort to increase Japanese staff; and effective utilisation of Japanese contributions.

### 4. Management of multilateral aid

The Ministry of Foreign Affairs of Japan carries the main responsibility for multilateral aid, including coordination of Japan's UN-operations. The Ministry of Finance also plays a role in the internal administration of multilateral assistance cooperation in terms of its engagements with the International Financial Institutions.

The Ministry of Foreign Affairs underwent a structural reorganisation in August 2006. The Economic Cooperation Bureau and the Global Issues Department in charge of international development agencies were integrated to form the International Cooperation Bureau, setting in place one structure to plan and formulate both bilateral and multilateral assistance. Japan strives to implement effective and efficient international cooperation by improving the results of its cooperation in developing countries. This is done by examining the synergy of bilateral and multilateral aid, including by:

- (a) Leveraging the specialised expertise of international organisations with Japan's technology and experience. For example, since 2004 Japan has been implementing cooperation which combines UNICEF's expertise in education with Japan's expertise in science and mathematics education in the primary education sector in Bangladesh.

- (b) Increasing the amount of aid (total funds) passing through international organisations and broadening the range in developing countries. For example, in October 2007, Japan approved a loan to Uganda for the development of the domestic electricity transmission network in the southeast of the country through co-financing with the AfDB. In Sudan, five Japanese NGOs have been conducting activities since May 2006 to assist returned refugees in coordination with other organisations such as the UNHCR, the United Nations World Food Programme (WFP), UNICEF and others, expanding a wide range of assistance as a whole.
- (c) Using the flexible implementation structures of international organisations to take advantage of the field offices of international organisations branching out to different regions of the world. This will make it possible to support to the residents of remote districts, ethnic minorities, and social groups who are isolated from society in developing countries and to utilise rapid initial-response systems in such cases as disaster relief. For example, Japan has provided emergency humanitarian assistance through international organisations at the immediate post-conflict stage, and when it is difficult to provide bilateral assistance, in Iraq and Sudan.
- (d) Highlighting the political neutrality of international organisations. For example, cooperation over population issues and HIV/AIDS prevention and treatment may be sensitive in some countries, so it could be useful to work with an organisation that has the recognised expertise, such as the United Nations Population Fund (UNFPA) and the International Planned Parenthood Federation (IPPF). Furthermore, international organisations make it possible for Japan to contribute to humanitarian assistance without being preoccupied about diplomatic relations with the partner country.

## 5. Multilateral recommendations in the DAC Peer Review

In the latest Peer Review of Japan (2003), the DAC raised no specific recommendations on the multilateral aid. However, it suggested that Japan would benefit from developing a formal, comprehensive multilateral aid strategy.<sup>4</sup>

## 6. Allocation and scaling up of multilateral aid

Japan does not allocate multilateral assistance through a specific formula. There has been no information given on the multilateral weight in future aid levels except for the new multilateral activities mentioned in Section 4. However, for the future the Japanese Ministry of Foreign Affairs stresses that “*by effectively combining bilateral assistance and assistance through international organisations, Japan can make its aid more effective, and furthermore, take an integrated stance from advocacy in international forums through implementation of assistance in the field.*”

## Notes

1. The Ministry of Foreign Affairs of Japan (2007), *Japan's Official Development Assistance White Paper 2007: Japan's International Cooperation*, Tokyo, <http://www.mofa.go.jp/policy/oda/white/2007/index.htm>.
2. <http://www.mofa.go.jp/policy/oda/guide/1998/5-1.html>.
3. OECD (2003), *DAC Peer Review of Japan*, Paris, [http://www.oecd.org/document/10/0,3343,en\\_2649\\_34603\\_22579914\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/10/0,3343,en_2649_34603_22579914_1_1_1_1,00.html).
4. Ibid. *DAC Peer Review of Japan*.

## Luxembourg

### 1. Multilateral aid at a glance

In 2006, Luxembourg contributed 30% of its gross ODA and ODA net of debt relief in core contributions to multilateral organisations, placing it above the 2004-06 DAC average of 29% net of debt relief (excluding contributions to the EC, the multilateral share was 21% compared to a three-year DAC average of 19%). Multilateral aid has more than doubled in the past ten years, from USD 41 million in 1997 to USD 86 million in 2006. The growth rate of bilateral assistance has similarly increased, so the share of multilateral aid of total ODA was the same in 2006 as in 1997, though it dipped to a low of 20% in 2000.

Figure 1. Luxembourg's gross ODA 1997-2006

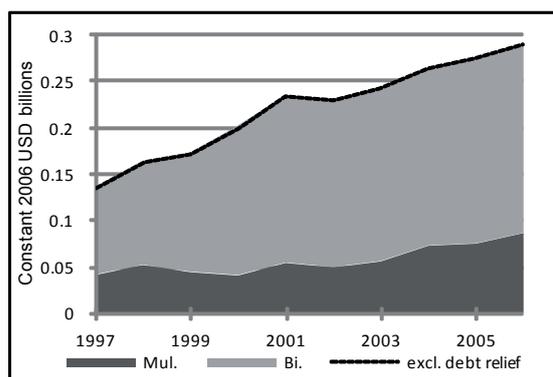


Table 1. Multilateral share of total ODA

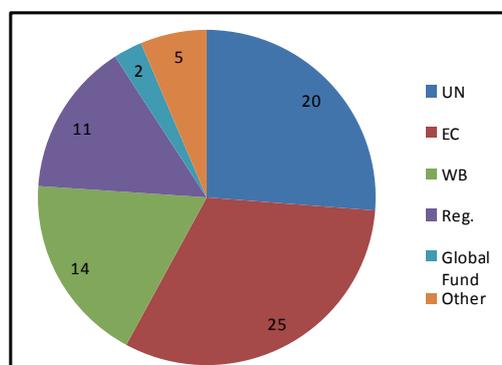
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	30	30
1998	31	31
1999	25	25
2000	20	20
2001	23	23
2002	21	21
2003	23	23
2004	27	27
2005	27	27
2006	30	30

Source: DAC Aggregate Statistics

Luxembourg's multilateral allocations are more equally divided among the largest organisations compared with those of other DAC members. The EC was its largest recipient, accounting for 32% of multilateral ODA (9% of total ODA) in 2004-06. The UN-system and the World Bank accounted for 26% and 18% of multilateral aid respectively (7% and 5% of total ODA). During the period 1997-2006, core funding to the UN system has more than doubled. Within the UN system, Luxembourg focuses mainly on five organisations with whom it has signed framework agreements (UNDP, UNCDF, UNICEF, UNFPA, WHO). In 2004-06, core contributions to the regional development banks amounted to 15% of all multilateral assistance, of which nearly all was channelled through the AsDB.

Figure 2. Major recipients of Luxembourg's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD millions)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

Luxembourg's core contributions (commitments) to the UN amounted to USD 26 million in 2006, but these represented only 32% of Luxembourg's total aid to and through the UN that year. Another USD 55 million was allocated through the UN for specific projects and programmes. Earmarked contributions to the rest of the multilateral organisations were low. Core contributions made up 60% of Luxembourg's total use of multilaterals and when core and non-core funding are counted together, Luxembourg channelled some 49% of its aid commitments to and through the multilateral system in 2006.

Table 2. Luxembourg's core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>26</b>	<b>55</b>	<b>81</b>	<b>32</b>
<i>of which:</i>				
UNDP	2	7	7	26
UNICEF	2	6	7	21
UNFPA	1	6	6	22
UNHCR	1	8	9	15
WHO	1	3	4	32
<b>EC</b>	<b>24</b>	<b>-</b>	<b>24</b>	<b>100</b>
<b>World Bank Group</b>	<b>19</b>	<b>2</b>	<b>21</b>	<b>93</b>
<b>Reg. Dev. Banks</b>	<b>11</b>	<b>-</b>	<b>11</b>	<b>100</b>
<b>Other Multilaterals</b>	<b>5</b>	<b>-</b>	<b>5</b>	<b>100</b>
<b>Total</b>	<b>86</b>	<b>57</b>	<b>143</b>	<b>60</b>

Source: DAC Aggregate Statistics and Creditor Reporting System

### 3. Multilateral Strategy

Luxembourg has strengthened its cooperation with multilateral organisations in recent years at both the policy and operational level. In particular, cooperation with the UN system has risen, as shown by the increased allocations to the UN agencies illustrated in Section 1. Luxembourg intends to further increase its cooperation with UN agencies in the future. In 2003, Luxembourg developed a single strategy approach to its multilateral cooperation. This approach takes account of Luxembourg's priorities and the DAC Peer Review recommendations. This multilateral strategy approach seeks greater focus and rationalisation of choices, aiming primarily to:

- Create special relationships with international agencies that meet Luxembourg's cooperation objectives, which offer a competitive advantage.
- More effectively define the priority sectors and geographical range of Luxembourg's multilateral cooperation, taking into account the priorities of the international agenda, particularly the MDGs.

The objective of this approach was to: (a) increase the effectiveness of multilateral action and its complementarity with bilateral cooperation and (b) reinforce the role and visibility of Luxembourg within the main international forums in the field of development\*. This multilateral approach has guided the changes in the multilateral field made in recent years. For example, Luxembourg's cooperation with the UN has become more strategic thanks to the new framework agreements reached with WHO, UNDP, UNFPA and UNICEF. These agencies were selected by Luxembourg because of the close alignment between their activities and Luxembourg's priority sectors. Luxembourg's future priorities in the UN bodies are to consolidate the approach defined in the 2003 strategy; align multilateral cooperation further with bilateral cooperation in partner countries; evaluate the cohesion and the effectiveness of this approach; reinforce the relationship with two further UN agencies by signing framework agreements with United Nations Capital Development Fund and ILO.

The aim of its engagement with the IFIs, including the World Bank and AfDB, is to complement Luxembourg's development policy both in terms of geographical and sectoral concentration. Private sector development in developing countries is perceived as a priority to contribute to the fight against poverty in this context.

### 4. Management of multilateral aid

The responsibilities of multilateral policy design and implementation are split between the Ministry of Foreign Affairs and the Ministry of Finance in Luxembourg. Within the Ministry of Foreign Affairs, the Directorate of Development Cooperation is primarily in charge of multilateral issues regarding the UN system. In close cooperation with the bilateral desks as well as the cooperation offices in the field, the multilateral desk identifies, launches, and manages the projects implemented through multilateral agencies in partner countries. The multilateral desk also follows the work of the administrative boards of its major partner agencies and the discussions on multilateral development cooperation in the UN, such as in ECOSOC. It also ensures contacts with the main partner agencies through annual consultations and regular contacts with the focal points in these agencies. The Ministry of Finance is responsible for relations with the international financial institutions including, in particular, the IMF and the World Bank.

\* Ministry of Cooperation and Humanitarian Aid (2004), Declaration on Luxembourg's Development Cooperation and Humanitarian Aid Policy, Luxembourg, <http://www.pac.gov.lu/documents/docs/31060-20574-2512007.pdf>.

## 5. Multilateral recommendations in the DAC Peer Review

In the latest Peer Review of Luxembourg (2008), the DAC offered no specific recommendations on the multilateral aid channel. However, in the Peer Review of 2003 the DAC suggested that Luxembourg more clearly defined its priorities and criteria for allocating resources to different recipient organisations. By developing the multilateral approach proposed in 2003 and its increasing work on strategy frameworks for a few UN agencies, Luxembourg has actively used the DAC recommendations to strive for a better multilateral cooperation policy.

## 6. Allocation and scaling up of multilateral aid

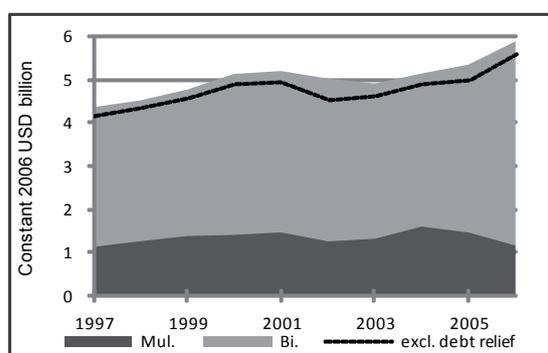
Luxembourg does not allocate aid between bilateral and multilateral by a formula, and in the allocations to the different multilateral agencies, preference is given to those agencies which have framework agreements and are main partners in the field. Furthermore, Luxembourg has a scaling up plan for those agencies with which it has signed a framework agreement. Luxembourg has agreed to pay each year no less than the previous year and if possible up to 10% more each year – pending overall development of the ODA budget and the approval of Parliament. Scaling up with other agencies (*e.g.* UNWRA) depends solely on political decisions.

## Netherlands

### 1. Multilateral aid at a glance

In 2006, the Netherlands contributed 20% of its gross ODA in core contributions to multilateral organisations, placing it below the 2004-06 DAC average of 24%. Net of debt relief, the multilateral share of the Netherlands' total ODA was 21%, compared to the three-year DAC average of 29% (excluding contributions to the EC, the multilateral share was 13% compared to the three-year DAC average of 19%). In 2006, Dutch multilateral assistance amounted to USD 1.2 billion and grew 3% from 1997 to 2006, in line with the growth in GNI. Over this period, the multilateral share has fluctuated between 28 and 30%, with a sharp decline in 2006.<sup>1</sup>

Figure 1. The Netherlands' gross ODA 1997-2006



Source: DAC Aggregate Statistics

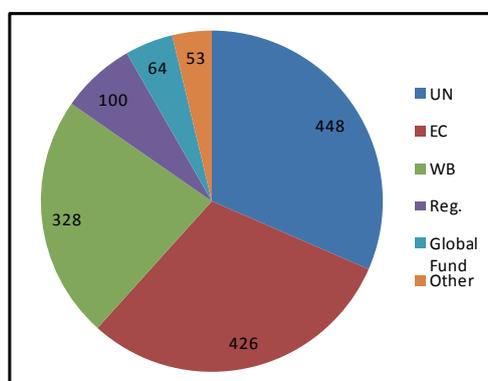
Table 1. Multilateral share of total ODA

Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	26	28
1998	28	30
1999	29	31
2000	28	29
2001	28	30
2002	25	28
2003	27	29
2004	31	33
2005	28	30
2006	20	21

In 2004-2006, the UN system and the EC were the Netherlands' two largest multilateral aid recipients, accounting for 32% and 30% of multilateral ODA respectively (about 8% of total ODA). Within the UN, UNDP, UNFPA and UNHCR received 26%, 19% and 12% of all UN core contributions respectively. Core contributions to the World Bank amounted to 23%, while those to the regional banks totalled 7% of its multilateral ODA. Of the Netherlands' core contributions to the regional development banks in the period 2004-06, 63% went to the AfDB.

Figure 2. Major recipients of the Netherlands multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD millions)



Source: DAC Aggregate Statistics

Table 2. Netherlands' core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>513</b>	<b>842</b>	<b>1,355</b>	<b>38</b>
<i>of which:</i>				
<i>IFAD</i>	40	6	46	87
<i>ILO</i>	41	36	77	53
<i>UNDP</i>	3	140	143	2
<i>UNICEF</i>	143	421	564	25
<i>UNHCR</i>	51	18	70	74
<i>UNRWA</i>	15	3	18	83
<i>WHO</i>	87	10	97	90
<i>WFP</i>	34	47	81	42
<b>EC</b>	<b>904</b>	-	<b>904</b>	<b>100</b>
<b>IMF</b>	-	<b>5</b>	<b>5</b>	<b>0</b>
<b>World Bank Group*</b>	<b>70</b>	<b>523</b>	<b>594</b>	<b>12</b>
<b>Reg. Dev. Banks</b>	<b>55</b>	<b>99</b>	<b>154</b>	<b>36</b>
<b>Other Multilaterals</b>	<b>253</b>	<b>82</b>	<b>335</b>	<b>75</b>
<b>Total</b>	<b>1,796</b>	<b>1,551</b>	<b>3,347</b>	<b>54</b>

\* Primary Education – Fast Track Initiative

Note: The Netherlands does not believe that its commitments give a comprehensive overview of their core funding to multilateral agencies, for example with respect to UNDP and UNICEF

Source: DAC Aggregate Statistics and Creditor Reporting System

## 2. Total use of the multilateral system

The Netherlands' core contributions (commitments) to the UN amounted to USD 513 million in 2006, but this represented only 38% of its total aid to and through the UN that year. Another USD 842 million was allocated through the UN for specific projects and

programmes. The share of earmarked contributions to the World Bank was exceptionally high in 2006, counting for 88% of total World Bank contributions. This earmarked funding to the World Bank was primarily linked to the education sector and more specifically to the *Fast Track Initiative*. In total, the Netherlands' core contributions accounted for only 54% of its total use of the multilaterals. In terms of both core and non-core funding, the Netherlands channelled some 32% of its aid to and through the multilateral system in 2006.

### 3. Multilateral Strategy

The Netherlands has no single strategy document on its overall policy and engagement with multilaterals. However, multilateral cooperation policy and programmes are integrated in the policy note, *Our Common Concern*, on Dutch Development Cooperation 2007-2011<sup>2</sup> and in the 2003 policy memorandum *Multilateral Interest, Mutual Responsibilities*<sup>3</sup>. A core principle in its development policy is that some development efforts in countries and regions cannot be solved by the Netherlands alone and require a global strategy. These issues concern environmental protection, combating drugs, gender equality, food security and population growth. For this reason, the Netherlands supports the international organisations which are capable of mobilising significant resources. Another reason the Netherlands provides multilateral aid is that it is less susceptible to donors' own interests, and coordination is easier than with bilateral programmes.

The Dutch government aims to maintain its status as a key donor to those organisations which deliver results, focus on the MDGs, make a tangible contribution to Dutch policy goals and enable the Netherlands to provide added value. Other considerations include how well they operate, how much they contribute to reforms and the added value they generate at country level. From the Dutch government's perspective, the advantages of multilaterals include: legitimacy and universal membership, centres of expertise, worldwide networks, economies of scale, easier management, lower transaction costs, and the lower burden placed on donors and partner countries. Through its cooperation with the multilaterals, the Netherlands tries to influence the organisations' strategies to ensure that Dutch objectives are served as much as possible. Coordination between all the organisations and among their different activities is also an important role for the Netherlands.<sup>4</sup>

In its 2007 policy note, the Netherlands stresses that multilateral organisations like the World Bank and UNDP set the necessary rules of the game in international forums, serve as the main channel for aid and as centres of expertise, and provide a platform for dialogue with other development partners. At the same time it also points out that the multilaterals can be cumbersome and bureaucratic and it is therefore vital to help steer their course for greater effectiveness.<sup>5</sup> Concerning the EU, the Dutch government emphasises that recent policy developments have created a more interesting framework, providing openings for a more political approach to development cooperation and a focus on policy coherence. The government notes the important role of the multilaterals and a large number of strengthened partnerships in relation to its focus areas, especially with regards to security and development in fragile states.

The Netherlands is currently working on a policy paper on multilateral development cooperation. This policy paper will review developments and trends in an international context and formulate a Dutch vision in this regard. Subsequently, it will outline a number of improvements the Netherlands will strive for in all multilateral organisations, in order to increase their effectiveness and efficiency (e.g. better cooperation and division of labour, better use of national development strategies and local systems, increased decentralisation, investment in quality of personnel, results based management and impact monitoring,

better representation in terms of voice and participation, better donor policies on predictability, multi-year funding, non ear-marked financing and the increased participation of civil society. Finally, the paper will describe how the Netherlands plans to further its four development cooperation priorities (fragile states, gender and sexual and reproductive health and rights, climate change, and durable energy, and growth) through multilateral channels.

The Netherlands has been reviewing the administrative functioning of selected multilateral agencies. These reviews are for internal use only and are updated on an annual basis. In this regard it is noteworthy that the Netherlands has continued to actively participate in MOPAN, an initiative of like-minded donors.

#### 4. Management of multilateral aid

The administrative and policy responsibilities concerning Dutch multilateral development assistance and cooperation are centred in the Ministry of Foreign Affairs of the Netherlands. The two departments within the Ministry of Foreign Affairs that provide the Dutch contribution to multilateral organisations are the European Integrations Department (DIE) and the UN and International Financial Institutions Department (DVF). DIE seeks to ensure the consistency of Dutch policy within the EU. Through this work, it consults with other ministries to coordinate the Dutch contributions to decision-making in the EU. The DVF coordinates the Dutch contributions to the UN bodies and the international financial institutions.<sup>6</sup>

With regards to the World Bank, IMF and the EBRD the Ministry of Finance is fully engaged in the policy-making process. The regional IFIs, such as AfDB, AsDB, IDB are the sole responsibility of the Ministry of Foreign Affairs since January 2008. The Ministry of Foreign Affairs regularly co-ordinates its multilateral aid policy with other ministries. This cooperation takes different forms depending on the multilateral organisation concerned. For example, other ministries (*e.g.* Ministry for Health, Welfare and Sport) assume the responsibility for the coordination of policymaking in the financing of the WHO. The Ministry of Foreign Affairs regularly organises meetings with all directors of international affairs of the other ministries to coordinate policy towards multilateral organisations. Co-ordination may also take place on an ad-hoc and demand driven basis.

#### 5. Multilateral recommendations in DAC Peer Review

In the DAC Peer Review of 2001, it was recommended that the Netherlands maintain its active involvement in co-ordinated action with selected multilateral agencies as well as in European policy dialogue and co-ordination. In the latest Peer Review of the Netherlands (2006), the DAC recommended that given its objective of promoting greater multilateral effectiveness, the Netherlands should elaborate on its multilateral strategy and make efforts to avoid the risk of “bilateralising” multilateral agency programmes.<sup>7</sup>

The Netherlands has followed up on its commitment to increase multilateral effectiveness by becoming a member of the MOPAN Group and participating in the development of a common systematic approach to performance assessments of the multilateral agencies.

There are no recent evaluations of multilateral policy by the National Audit Office or Parliament. The last evaluation of the National Audit Office dates from 1999. Evaluations are frequently carried out by outside experts; however, these evaluations are usually theme – or organisation – specific and do not cover multilateral policy as a whole.

## 6. Allocation and scaling up of multilateral aid

The multilateral share (core and non-core) of the Netherlands' ODA has been around 30% over recent years, but does not use a fixed allocation formula. In the policy memorandum *Mutual Interests, Mutual Responsibilities* which dates from the previous government, there is a reference to advice from the Inter-ministerial Policy Review to increase the multilateral share, ultimately to half of all aid. The Ministry of Foreign Affairs did not retain this recommendation because of what the implications of committing to a fixed percentage for any channel could have in managing for effectiveness and results. There is also limited political support for increased multilateral cooperation because of Parliamentary concern over the quality of international organisations. The aforementioned policy paper on development co-operation through multilateral organisations, which will be presented to Parliament shortly, will, among other things, address the issue of how large the share of multilateral aid ought to be.

### Notes

1. This decline was mainly due to substantial fluctuations in the annual deposit of promissory notes to the MDBs.
2. The Ministry of Foreign Affairs of the Netherlands (2007), *Our Common Concern – Investing in development in a changing world*, The Hague, [http://www.minbuza.nl/binaries/en-pdf/080027\\_our-common-concern.pdf](http://www.minbuza.nl/binaries/en-pdf/080027_our-common-concern.pdf).
3. The Ministry of Foreign Affairs of the Netherlands (2003), *Multilateral interest, mutual responsibilities – Dutch development cooperation en route to 2015*, The Hague, <http://www.dutchembassy.ge//aspx/download.aspx?file=/contents/library/77/mutualinterestsmutualresponsibilities.pdf>.
4. [http://www.minbuza.nl/en/developmentcooperation/development\\_partners,support\\_via\\_international\\_organisations.html](http://www.minbuza.nl/en/developmentcooperation/development_partners,support_via_international_organisations.html).
5. Ibid. *Our Common Concern – Investing in development in a changing world*, page 19.
6. [http://www.minbuza.nl/en/ministry/organisational\\_structure,Multilateral-Departments.html](http://www.minbuza.nl/en/ministry/organisational_structure,Multilateral-Departments.html).
7. OECD (2006), *DAC Peer Review of the Netherlands*, Paris, [http://www.oecd.org/document/28/0,3343,en\\_2649\\_34603\\_37425308\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/28/0,3343,en_2649_34603_37425308_1_1_1_1,00.html).

## New Zealand

### 1. Multilateral aid at a glance

In 2006, New Zealand contributed 22% of its gross ODA and ODA net of debt relief in core contributions to multilateral organisations, positioning it below the 2004-06 DAC average of 29% net of debt relief (three-year DAC average of 19% excluding the EC). Multilateral aid increased USD 8 million in absolute terms in the past ten years, from USD 48 million in 1997 to USD 56 million in 2006. Bilateral aid increased at a faster rate. Therefore, the multilateral share of total ODA decreased 5 percentage points over this period.

Figure 1. New Zealand's gross ODA 1997-2006

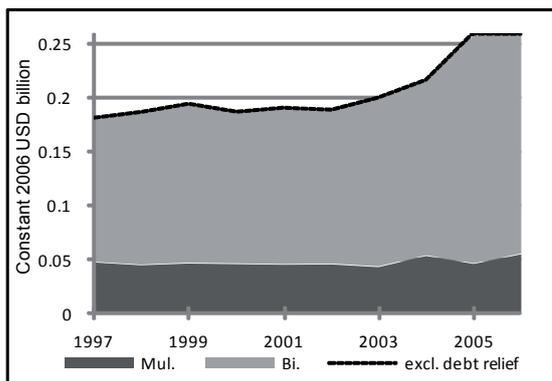


Table 1. Multilateral share of total ODA

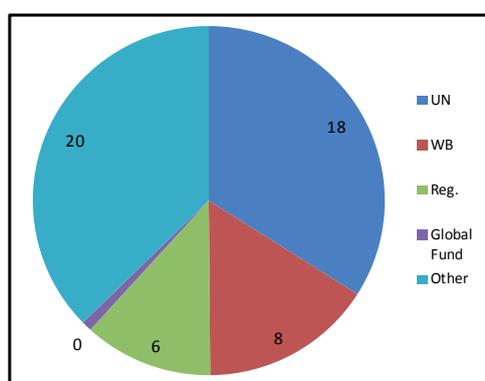
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	27	27
1998	24	24
1999	24	24
2000	25	25
2001	24	24
2002	25	25
2003	22	22
2004	25	25
2005	18	18
2006	22	22

Source: DAC Aggregate Statistics

In 2004-06, the category of “other agencies” accounted for 37% of all multilateral assistance, of which the Commonwealth institutions accounted for a major share together with the Pacific regional agencies.<sup>1</sup> Core contributions to the UN system accounted for 34% of multilateral ODA or (7% of total ODA). UNDP, UNFPA and UNICEF were the top-three UN recipients, accounting for 26%, 12% and 11% of all UN-contributions respectively. The World Bank accounted for 16% and the regional development banks for 12% of New Zealand’s multilateral assistance. New Zealand’s International Aid and Development Agency (NZAID) has only one regional development bank partner, the AsDB. During the period 1997-2006, there has been an increasing trend in New Zealand’s multilateral assistance towards the UN agencies.

Figure 2. Major recipients of New Zealand's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD millions)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

New Zealand's core commitments to the UN amounted to USD 24 million in 2006, although these represented only 45% of New Zealand's total aid to and through the UN system that year, as another USD 30 million was allocated through the UN for specific projects and programmes. In all, New Zealand's core contributions accounted for 46% of its total disbursements to the multilaterals. In terms of both core and non-core funding, New Zealand channelled some 36% of its total aid to and through the multilateral system in 2006.

Table 2. New Zealand's core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>24</b>	<b>30</b>	<b>55</b>	<b>45</b>
<i>of which:</i>				
UNDP	5	12	17	31
UNFPA	2	4	6	39
UNICEF	3	2	5	57
UNHCR	2	1	3	78
WFP	2	4	6	34
<b>IMF</b>	-	1	1	-
<b>World Bank Group</b>	<b>8</b>	<b>7</b>	<b>16</b>	<b>54</b>
<b>Reg. Dev. Banks</b>	<b>6</b>	<b>22</b>	<b>27</b>	<b>21</b>
<b>Other Multilaterals</b>	<b>19</b>	<b>9</b>	<b>28</b>	<b>69</b>
<b>Total</b>	<b>58</b>	<b>69</b>	<b>127</b>	<b>46</b>

Source: DAC Aggregate Statistics and Creditor Reporting System

### 3. Multilateral Strategy

New Zealand's International Aid and Development Agency (NZ Aid) has developed a “whole-of-agency” strategy on engagement with international agencies for the period 2005-2010. NZ Aid's engagement with the multilateral system is about participation in collective action aimed at eliminating poverty and achieving the realisation of agreed human rights for all, but also about fulfilling its role as a “*good international citizen*”. New Zealand's intention – as a small donor – is to engage substantively with a small number of agencies that work in areas where New Zealand can make a difference. The strategy *NZ Aid Multilateral Engagement Strategy 2005-2010*<sup>2</sup> sets out NZ Aid's contribution to these goals through support of the UN, the international financial institutions (in particular the World Bank Group and the AsDB), the Commonwealth agencies, and other international voluntary agencies.<sup>3</sup> The strategy has been developed to provide a framework for NZ Aid's multilateral funding policy and programming partnerships.

The Multilateral Engagement Strategy (MES) outlines the goals and objectives of NZ Aid's multilateral engagement and the strategies to be used in pursuit of these objectives. The overarching goal of NZ Aid's multilateral engagement is poverty elimination and achievement of the MDGs and other international development targets through an effective multilateral development system. Some challenges are better addressed collectively through an effective multilateral system due to their particular nature, economies of scale, or political sensitivities. Multilaterals are able to mobilise resources and expertise on a scale and cost that no individual country could provide, so New Zealand participates actively to support the multilateral system, promote its value and principles, and contribute its fair share of the costs. Consistent with its core geographic focus, NZ Aid is committed to advancing Pacific interests within the multilateral system. The expected outcomes of NZ Aid multilateral engagement cover: improvements in health, education and economic growth; protection and promotion of human rights, gender equality and environmental principles; and reduced vulnerability to poverty and hunger. NZ Aid plans to develop closer, stronger and more transparent partnerships with key multilateral agencies as well as better NZ Aid mechanisms for coordinating a “whole-of-government” approach.

NZ Aid divides its strategies for building a more effective multilateral system into categories such as aid effectiveness, MDG processes, multilateral reform and Pacific development. NZ Aid has high priority engagement with 10 multilateral agencies, medium priority with 8 and low priority with the rest of its multilateral partners. The priority ratings take into account: levels of funding, the outcomes of assessment framework, alignment with priority sectors/themes, and certain expectations set by NZ Aid. For the high-priority agencies, NZ Aid develops agency partnership frameworks outlining the priority issues to be addressed during the following year. NZ Aid's multilateral engagement is reviewed each year to evaluate the priority placed on the partnerships and the issues to be addressed. In addition, NZ Aid is fully committed to providing multi-year commitments to all core funded multilateral partners.

The MES has been used to guide operational planning for NZ Aid's multilateral engagement. Most significantly there has been increased focus on engagement with the top ten multilateral partners through increased staff capacity at Posts and in Wellington to manage these relationships, significant increased funding, and more strategic approaches to engagement which are identified in annual agency engagement frameworks. These frameworks include establishing strong links between country level engagement and overall agency governance with each agency.

At the beginning of each calendar year the MES thematic issues are reviewed to ensure they are relevant and include new issues which have arisen. These priority thematic areas guide NZAID's focus for meetings and forums such as the AfDF and IDA negotiations in 2007/8 and the UN General Assembly. Underpinning these priority areas are international thematic briefs which ensure greater consistency of messaging at international forums. The MES process followed on from an assessment and alignment review process called the Multilateral and Regional Agencies Assessment Framework (MARAAF) which saw New Zealand cease funding eight out of 35 agencies. The MARAAF process will be reviewed in 2008 and recommendations will guide the framework of the next MARAAF process. It is likely that NZAID will harmonise their MARAAF to other donor agencies' and multilateral agencies' assessment processes.

The MES will be reviewed in 2009. During this review NZAID will assess the usefulness and relevance of the strategy, and consider what form a new strategy might take. In particular there is likely to be an increased focus on policy coherence with other New Zealand government departments.

#### **4. Management of multilateral aid**

NZAID holds the main, but not exclusive responsibility for coordinating multilateral development cooperation. Certain UN organisations, such as the FAO, ILO and WHO, fall under the responsibility of other ministries. While the New Zealand Treasury possesses the overall responsibility for dealing with the World Bank and AsDB, NZAID is in charge of negotiations with IDA and the Asian Development Fund. Within NZAID, the Global Group manages NZAID's relationships with IFIs and other multilateral agencies, including selected international voluntary agencies.

Oversight for NZAID's multilateral partnerships rests with the Multilateral Team that monitors and advocates for issues such as multilateral aid effectiveness and reform. This team manages the governance responsibilities for core funding relationships, while bilateral and regional programmes directly manage engagement with multilateral partners. At all levels NZAID consults and coordinates with other government departments on relevant issues and partnerships. For example, the Department of Labour, and the Ministry of Foreign Affairs and Trade work as a team on issues relating to UNHCR. Equally other government departments seek NZAID input into their engagement with multilateral agencies. Increasingly there is significant coordination in these areas.

#### **5. Multilateral recommendations in the DAC Peer Review**

In the latest Peer Review of New Zealand (2005), the DAC recommended on the multilateral aid channel that the government should reflect on the decline of core funding to multilateral agencies. Given the intention of engaging more actively with selected international organisations, the government was encouraged to consider the strategic value of increased support for multilateral organisations in the finalisation process of NZAID's multilateral strategy.

Since the DAC Review, NZAID has continued to champion the special circumstances that prevail in the Pacific in multilateral forums. NZAID has furthermore reinforced the poverty reduction focus of the programme and become increasingly engaged in multilateral processes such as ECOSOC and UNGA as part of New Zealand's commitment to being a constructive member of the international community.

## 6. Allocation and scaling up of multilateral aid

NZAID does not have a formula for a split between bilateral and multilateral funding. Core funding has been just above a 20% level in recent years, with drops as a result of increases to bilateral programmes, not declines in multilateral funding.

In the spirit of the Monterrey Consensus and the Paris Declaration Principles, NZAID provides forward projections for the next three years to its multilateral partners. These are always subject to annual Ministerial approval and are based on a commitment to maintaining, at a minimum, current levels of funding. NZAID does not have a scaling up plan for multilateral aid. When there is an increase in the allocation agreed for multilateral funding this is targeted first to the top ten partners, followed by the middle level partners. NZAID has increased its funding to all core partners over the past four years.

## Notes

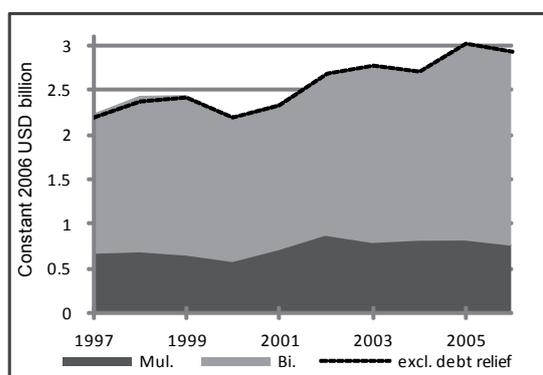
1. Notable are the University of the South Pacific and the Secretariat of the Pacific Community, which although funded by NZAID they are not covered by NZAID's multilateral engagement strategy.
2. New Zealand Agency for International Development, *NZAID Multilateral Engagement Strategy 2005-2010*, Wellington, <http://www.nzaid.govt.nz/library/docs/nzaid-mes-0510.pdf>.
3. In NZAID's terminology, multilateral aid also refers to engagement with certain international voluntary agencies such as ICRC. These contributions are not, however, recorded as multilateral aid in DAC statistics but as contributions to NGOs under bilateral ODA.

## Norway

### 1. Multilateral aid at a glance

In 2006, Norway contributed 26% of its gross ODA and ODA net of debt relief in core contributions to multilateral organisations, placing it just below the 2004-06 DAC average of 29% net of debt relief (three-year DAC average of 19% excluding the EC). Multilateral aid increased slightly in the past ten years, from USD 667 million in 1997 to USD 769 million in 2006. However, bilateral aid has grown at a higher rate, meaning the multilateral share of gross ODA has decreased from 30% to 26% of total gross ODA over this period. However, it is important to bear in mind that Norway is the only country among DAC members that cancels bilateral debt of developing countries without reporting it as ODA.

Figure 1. Norway's gross ODA 1997-2006



Source: DAC Aggregate Statistics

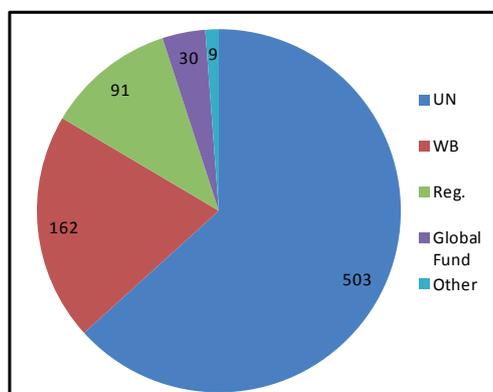
Table 1. Multilateral share of total ODA

Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	30	31
1998	28	29
1999	26	27
2000	26	26
2001	30	31
2002	32	33
2003	28	29
2004	30	30
2005	27	27
2006	26	26

In 2004-06, the UN system was by far Norway's largest recipient of multilateral aid, accounting for 63% of multilateral ODA (17% of total ODA). In 2004-06, UNICEF and UNDP were Norway's largest UN recipients, accounting for 28% and 24% of all UN core contributions respectively. The World Bank accounted for 20% (6% of total ODA) of total multilateral ODA, of which 80% was allocated to IDA. The regional development banks accounted for 12% of multilateral ODA, of which more than half was channelled through the AfDB.

Figure 2. Major recipients of Norway's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD million)



Source: DAC Aggregate Statistics

Table 2. Norway's core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>483</b>	<b>620</b>	<b>1,102</b>	<b>44</b>
<i>of which:</i>				
UNDP	108	98	206	52
UNICEF	131	131	262	50
UNFPA	41	4	45	91
UNHCR	27	2	29	92
WFP	32	72	104	31
UNRWA	16	10	26	60
WHO*	36	114	150	24
<b>World Bank Group</b>	<b>136</b>	<b>144</b>	<b>279</b>	<b>49</b>
<b>IMF</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>
<b>Reg. Dev. Banks</b>	<b>87</b>	<b>9</b>	<b>96</b>	<b>91</b>
<b>Other Multilaterals</b>	<b>63</b>	<b>49</b>	<b>112</b>	<b>56</b>
<b>Total</b>	<b>769</b>	<b>822</b>	<b>1,591</b>	<b>48</b>

Source: DAC Aggregate Statistics and Creditor Reporting System

## 2. Total use of the multilateral system

Norway's core contributions (commitments) to the UN amounted to USD 483 million in 2006, but these represented only 44% of Norway's total aid to and through the UN that year. Another USD 620 million was allocated through the UN for specific projects and programmes. Non-core funds for the World Bank were also significant, accounting for more than half of the total use of the World Bank group in 2006. In aggregate, Norway's core contributions only accounted for 48% of the total use of the multilateral system. In contrast to a relatively stable Norwegian share of core multilateral funding out of total

ODA (see Table 1), the share of non-core funding has been increasing in the recent years.\* In terms of both core and non-core funding, Norway channelled some 50% of its aid to and through the multilateral system in 2006.

### 3. Multilateral Strategy

Norway has no single strategy document for its overall policy and engagement with multilaterals. However, in Norway's White Paper *Fighting Poverty Together*† a Section on multilateral organisations is included. The Norwegian government stresses that the UN system and the development banks are vital channels for efforts to achieve the MDGs. Norway finds that the multilaterals have advantages that exceed transfers and resources due to their role at both the national and global level in setting the development principles and standards and providing advisory services and technical assistance. The government emphasises that the allocation of multilateral resources is based on the way the multilateral organisations are supporting the MDGs within the framework of their mandates. Importance will be attached to their effectiveness but also to the degree to which the organisation is promoting donor harmonisation and rationalisation.

Norway's overall commitment towards the UN is strong. It considers the specialised UN agencies and programmes to be important instruments for promoting economic and social development in the poorest countries. Since the 1990s, the government has been working to promote a more effective UN in three areas: (a) more coherent and integrated activities at country level; (b) better management and policy development at central level; and (c) more stable and predictable flows of funds. Norway stresses that excessive earmarking is detrimental and often hampers the effectiveness of individual agencies. Therefore, the government has increasingly begun to channel its non-core contributions through a joint pool with other donors. This applies, for example, to the UNDP, UNICEF and WHO, which are the top-three UN agencies receiving Norwegian multi-bilateral funding. Norway decided in 2005 to make multi-year indicative pledges to key UN funds and programmes. Multi-year financing has been offered on the condition that the agencies remain committed to making progress on issues to which there is broad international consensus. These issues include: achievement of the MDGs, individual and collective commitment to UN reform, human rights, gender, and performance or results-based management. The multi-year pledges are subject to annual approval of the Norwegian parliament. They are further contingent on the organisation's ability to make progress in the priority areas and on implementation of the organisation's strategic plan.

Norway also prioritises its work with the multilateral financial institutions in combating poverty. The MDBs, and particularly the World Bank, are seen as "knowledge banks" which provide extensive advisory and analytical services. The regional development banks are seen to incorporate a positive element of ownership. The government is working to strengthen the IFIs' role as development institutions with a focus of poverty reduction in practice, and advocates for an intensified interplay between the Bank's activities and bilateral assistance. A Norwegian prioritisation is also for the IFIs to make greater efforts

\* The Norwegian Ministry of Foreign Affairs (2007), Norwegian Development Assistance in 2008 – Priority Areas, Oslo, <http://www.regjeringen.no/en/dep/ud/selected-topics/Development-cooperation/norwegian-development-assistance-in-2008.html?id=493308>.

† The Norwegian Ministry of Foreign Affairs (2004), *"Fighting Poverty Together" – A Comprehensive Development Policy*, Oslo, [http://www.regjeringen.no/upload/kilde/ud/stp/20032004/0003/ddd/pdts/stp200320040003ud\\_dddpdts.pdf](http://www.regjeringen.no/upload/kilde/ud/stp/20032004/0003/ddd/pdts/stp200320040003ud_dddpdts.pdf).

in relation to harmonisation and distribution of roles at the country level. Norway is channelling earmarked funds to the Banks in order to influence and develop their policies and operations, and to encourage them to try out innovative and more effective approaches. These non-core contributions are seen as important in strengthening the partnership and the dialogue between Norway and the management and staff in the institutions. A general priority as regards to the multilateral organisations is for them to coordinate, both between the various UN agencies but also between the UN and the IFIs.

#### **4. Management of multilateral aid**

The Norwegian Ministry of Foreign Affairs is the central player in managing Norway's multilateral aid and cooperation. The Department for UN, Peace and Humanitarian Affairs carries the overall responsibility for the multilateral policy and implementation, including both the UN-system and the IFIs. However, The Norwegian Agency for Development Cooperation (Norad) – a directorate under the Ministry of Foreign Affairs – also has a role as a technical adviser on aid programmes and projects funded through the multilateral organisations. An example of cooperation between Norwegian ministries is Ministry of Foreign Affairs' active cooperation with the Ministry of the Environment on planning and implementation of activities under the deforestation initiative, an initiative accounting for USD 220 million of the Government's annual budget proposal for 2009, with the objective of being to raise the annual level to the double this amount. While the Ministry of Environment is the policy lead of the deforestation programme, a project group has been set up, with staff from both ministries represented. The deforestation initiative is further anchored up with an interministerial coordination group. The financing of the deforestation initiative (exclusively ODA) rests with the Ministry of Foreign Affairs, adding to the need for seamless coordination with the Ministry of Environment. In contrast to many other DAC members, the Ministry of Finance in Norway only has a minor role in multilateral cooperation, since its responsibilities are limited to IMF affairs only.

#### **5. Multilateral recommendations in DAC Peer Review and by national audit office**

In the latest Peer Review of Norway (2008), the DAC commended Norway for being a strong supporter of multilateral organisations, as well as being at the forefront of efforts to reform and increase the effectiveness and efficiency of the UN. The DAC also recommended Norway develop an overall strategy to guide multilateral spending.

The National Audit Office will complete a broad-based review of Norwegian development assistance, including multilateral assistance channelled through the UN, in 2009.

#### **6. Allocation and scaling up of multilateral aid**

Norway does not follow any specific allocation formula to determine bilateral and multilateral assistance. Currently there are no Norwegian plans to scale the multilateral share of ODA up further. However, the 2005-initiative on pledges to key UN agencies has a multi-year construction (see Section 3 above).

## Portugal

### 1. Multilateral aid at a glance

In 2006, Portugal contributed 46% of its gross ODA and ODA net of debt relief in core contributions to multilateral organisations, compared to the 2004-06 DAC average of 29% net of debt relief (excluding contributions to the EC, the multilateral share was 15% compared to the three-year DAC average of 19%). Multilateral aid has increased by USD 58 million in absolute terms in the past ten years, from USD 127 million in 1997 to USD 185 million in 2006. Over this period, the multilateral share of total ODA fluctuated, with a low of 15% in 2004. Debt relief accounted for major peaks in ODA during this period, while the multilateral share of gross ODA net of debt relief reached its peak of 55% in 1997.

Figure 1. Portugal's gross ODA 1997-2006

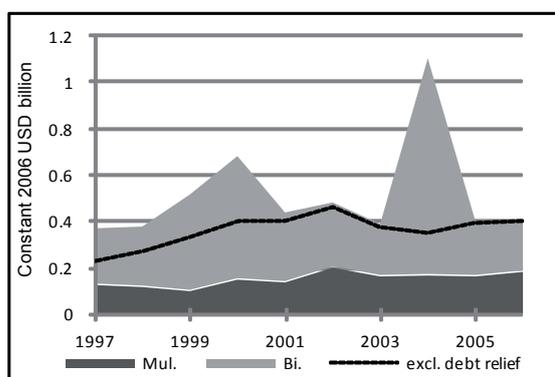


Table 1. Multilateral share of total ODA

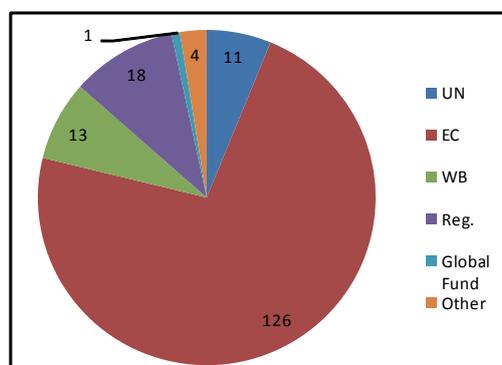
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	35	55
1998	32	43
1999	19	30
2000	22	38
2001	32	34
2002	42	44
2003	43	44
2004	15	48
2005	41	42
2006	46	46

Source: DAC Aggregate Statistics

In 2004-06, the EC was by far the largest multilateral recipient, accounting for 73% of multilateral ODA (20% of total ODA). The regional development banks accounted for 10% of multilateral assistance (3% of total ODA), of which more than half went to the AfDB. The World Bank amounted for 8% of multilateral ODA (2% of total ODA). Compared to others, the Portuguese contributions to the UN system were low, accounting for 6% of multilateral aid.

Figure 2. Major recipients of Portugal's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD millions)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

Table 2 shows data on the channel of delivery for Portugal. Portugal's core contributions to the UN amounted to USD 10 million in 2006, but these represented only 37% of Portugal's total aid routed through the UN that year. Another USD 17 million was allocated to and through the UN for specific projects and programmes. Of the earmarked funding to the UN system, the UN Administered Funds<sup>1</sup> accounted for a major share. However, earmarked funding to the rest of the multilateral organisations was relatively low, and core contributions made up 90% of the total use of multilaterals. In terms of both core and non-core funding, Portugal channelled some 51% of its aid commitments to and through the multilateral system in 2006.

Table 2. Portugal's core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>10</b>	<b>17</b>	<b>27</b>	<b>37</b>
<i>of which:</i>				
UN adm. funds		14		
UNDP	2	0	3	94
UNICEF	-	0	0	-
UNHCR	-	1	1	-
ILO	0	1	1	16
<b>EC</b>	<b>124</b>	<b>2</b>	<b>126</b>	<b>99</b>
<b>World Bank Group</b>	<b>14</b>	<b>0</b>	<b>14</b>	<b>99</b>
<b>Reg. Dev. Banks</b>	<b>30</b>	<b>-</b>	<b>30</b>	<b>100</b>
<b>Other Multilaterals</b>	<b>6</b>	<b>2</b>	<b>8</b>	<b>75</b>
<b>Total</b>	<b>185</b>	<b>21</b>	<b>206</b>	<b>90</b>

Source: DAC Aggregate Statistics and Creditor Reporting System

### 3. Multilateral Strategy

Portugal is currently developing a strategy document for its overall policy and engagement with multilaterals bearing in mind the DAC Peer Review (2006) and the 2005 document *A strategic vision for Portuguese cooperation*. The 2005 strategy advocated the importance of Portugal's involvement in the major international discussions aiming to advance the strategic interest of Portuguese foreign policy and to contribute to the elaboration of international strategies. Taking these principles into consideration together with the MDGs, the main orientations of Portuguese participation in the multilateral arena are: (a) the focus on Africa and in particular in LDCs and fragile states; (b) support to the stabilisation and transition to development; (c) alignment and harmonisation between the international and national strategies aiming to achieve the MDGs; and (d) strengthening the Portuguese-speaking countries' positions within the international community. Multilateral agencies are supported to the extent that they address the priorities in Portugal's strategy for development cooperation and other allocation criteria are decided upon on a day-to-day basis.<sup>2</sup> In this sense, the important multilateral organisations to Portugal are: the EC, the Community of the Portuguese-Speaking Countries (CPLP), the UN system, OECD, the International Financial Institutions (IFI), the Ibero-American Summit and Regional Organisations.

As an EU member-state, Portugal is actively involved in the definition of the EC development cooperation policy to ACP (African, Caribbean and Pacific) countries and to the Latin American countries. The following development issues are of specific Portuguese interest in the EU:

- Reinforcement of EU-Africa dialogue which was a priority of the three EU Presidencies (Germany, Portugal and Slovenia), including a significant deepening of the relation between the two regions;
- Policy coherence: issues such as migration, climate change, security and development; and
- Fragile situations: the need for EU develop a response to situations of fragility, being more coherent in using all tools and mechanisms, and combining political, diplomatic, development, security and humanitarian instruments.

In the context of CPLP, the objective is to be more deeply involved in this community particularly through a new approach – the multi-bi approach. This method of work is one of the main orientations of the 2005 Strategy, which should be followed in different international organisations, and is referred to as “*a question of finding ways to enhance bilateral development cooperation, by pursuing it in partnership with multilateral efforts, while simultaneously ensuring that bilateral efforts are directed, in a coordinated manner, so as to converge with other partners' interventions*”.<sup>3</sup> Portugal sees the CPLP as an important area for development cooperation, using the common language as an engine for the intervention, involving three or more countries. The Portuguese participation in CPLP corresponds to the three goals of the Community: the Portuguese language, development cooperation, and diplomatic and political concertation.

In the context of UN system, Portugal has been participating in the major international debates (conferences, summits and meetings such as the ECOSOC and General Assembly) and has been working closely with some UN agencies. The main UN partners of Portugal, in terms of development, have been UNDP, UNHCR, UNFPA and UNICEF. These agencies will continue to be Portugal's preferred partners.

The main objectives regarding the IFIs are to influence the adaptation of policies and programmes favourable to the interests and strategies of Portuguese foreign policy and ensure Portuguese representation in the institutions at both decision and staff levels; and procurement.

#### 4. Management of multilateral aid

Responsibility for multilateral assistance is spread among different actors in Portugal. The Portuguese Institute for Development Assistance (IPAD), however, carries the main responsibility for defining multilateral policies, coordinating and implementing Portuguese multilateral programmes. IPAD promotes this cooperation through the Inter-ministerial Commission for Cooperation (CIC). CIC is a consultative forum that supports the government in development cooperation policies, under IPAD's supervision. The CIC's mission is to manage the planning and execution of the development cooperation policy acting in articulation with the other ministries and the public and private bodies concerned.

The Ministry of Finance carries dialogue with the IFIs, namely the World Bank, AfDB, AsDB and IDB. However, the Ministry of Finance and IPAD work very close at this level. The Ministry of Finance is also responsible for specific subjects on development with IMF and developing studies and analyses about multilateral themes in debate within the IFIs.

#### 5. Multilateral recommendations in the DAC Peer Review

In the latest Peer Review of Portugal (2006), the DAC raised some specific recommendations on the multilateral aid channel, including encouraging Portugal to give consideration to formulating a multilateral strategy on the basis of specific allocation criteria. As seen above Portugal has recently developed a multilateral strategy and thereby followed up on the DAC's recommendation.

#### 6. Allocation and scaling up of multilateral aid

Portugal does not allocate aid by a specific formula. In its scaling up process to reach the EU goal of 0.51% ODA/GNI by 2010 it has no specific plan for multilaterals.

### Notes

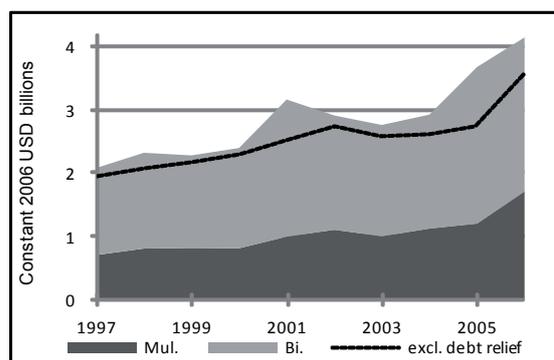
1. Of these funds 79% was allocated to UN's Integrated Mission in Timor-Leste.
2. OECD (2006), *DAC Peer Review on Portugal*, Paris, page 23-26, [http://www.oecd.org/document/26/0,3343,en\\_2649\\_34603\\_36563418\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/26/0,3343,en_2649_34603_36563418_1_1_1_1,00.html).
3. 2005, *A Strategic Vision for Portuguese Development Cooperation*, Portugal, page 32, [http://www.portugal.gov.pt/NR/rdonlyres/205FA259-9FE6-4F32-A251-503634301171/0/Estrategia\\_Cooperacao.pdf](http://www.portugal.gov.pt/NR/rdonlyres/205FA259-9FE6-4F32-A251-503634301171/0/Estrategia_Cooperacao.pdf).

## Spain

### 1. Multilateral aid at a glance

In 2006, Spain contributed 41% of its total gross ODA in core contributions to multilateral organisations, placing it above the 2004-06 DAC average of 24%. Net of debt relief, Spain's multilateral assistance accounted for 48% of ODA in 2006, a much larger share than the three-year DAC average of 29% (excluding contributions to the EC, the multilateral share was 24% compared to the three-year DAC average of 19%). Spain's multilateral aid increased by USD 1 billion in the past ten years, from USD 720 million in 1997 to USD 1.7 billion in 2006. Debt relief has accounted for a sizeable share of Spain's total ODA especially in the last few years.

Figure 1. Spain's gross ODA 1997-2006



Source: DAC Aggregate Statistics

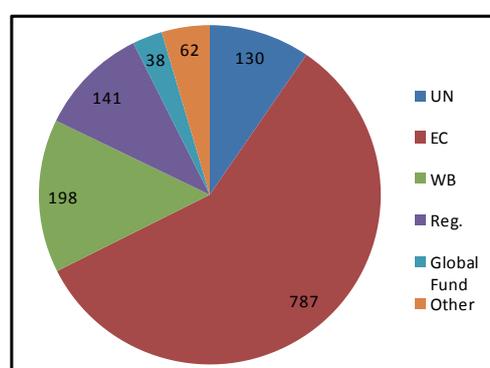
Table 1. Multilateral share of total ODA

Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	34	37
1998	35	39
1999	36	38
2000	34	36
2001	32	40
2002	38	41
2003	37	39
2004	39	43
2005	33	44
2006	41	48

In 2004-06, the EC was Spain's largest multilateral aid recipient, accounting for 58% of multilateral ODA (22% of total ODA). Contributions to the World Bank made up 15% of the multilateral budget (6% of total ODA). The regional development banks and the UN-system each accounted for 10% of multilateral ODA (4% of total ODA). Between 2005 and 2006, core funding to the UN system increased from USD 50 to 286 million, as Spain placed deliberate emphasis on multilateral aid, especially UN agencies and programmes. This trend of increased funding to the UN and other multilateral agencies continued in 2007, in line with the increase in Spain's overall ODA budget.

Figure 2. **Major recipients of Spain's multilateral ODA (core contributions)**

(ODA three-year average 2004-2006, constant 2006 USD millions)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

At present, Spain does not report on the channel of delivery, so DAC statistics do not currently include data on its full use of the multilateral system. For this exercise, the Ministry of Foreign Affairs and Cooperation of Spain contributed aggregate data on non-core contributions in 2006. According to this, non-core funding to the UN system amounted to USD 94 million in 2006. Therefore, Spain makes more use of the UN system than Figure 2 would suggest. In total, Spain's core contributions accounted for 92% of its total use of the multilaterals. In terms of both core and non-core funding, Spain channelled 52% to and through the multilateral system.

Table 2. **Spain's core contributions to multilateral agencies and aid channelled through multilaterals**

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>286</b>	<b>94</b>	<b>380</b>	<b>75</b>
<i>of which:</i>				
UNDP	58	13	71	82
UNICEF	26	21	47	56
UNHCR	18	8	26	69
WHO	18	4	22	81
<b>EC</b>	<b>852</b>	<b>1</b>	<b>853</b>	<b>100</b>
<b>World Bank Group</b>	<b>229</b>	<b>13</b>	<b>242</b>	<b>95</b>
<b>Reg. Dev. Banks</b>	<b>139</b>	<b>1</b>	<b>140</b>	<b>99</b>
<b>Other Multilaterals</b>	<b>215</b>	<b>38</b>	<b>253</b>	<b>85</b>
<b>Total</b>	<b>1,722</b>	<b>147</b>	<b>1,869</b>	<b>92</b>

Source: DAC Statistics supplemented by figures on "channel via agency" from the Ministry of Foreign Affairs and Cooperation of Spain. Figures on non-core funds were given in Euros and the Secretariat has converted these to USD.

### 3. Multilateral Strategy

Spain is finalising its Strategy on Multilateral Development Cooperation, which defines the mechanisms for collaboration with international bodies through development policies. The Strategy was elaborated through a consultative process with all relevant stakeholders, endorsed and approved by the Cooperation Council and launched in July 2008. The Strategy states that Spanish multilateralism will be active, selective and strategic and will seek, within the framework of the EU and other international organisations, to achieve a more favourable integration of developing countries into the global economy.<sup>1</sup>

In its Multilateral Strategy, the Spanish government emphasises that Spain's multilateral development policy is an essential element of its overall development policy, of which the overarching objective is to support the international community's efforts to achieve the MDGs. Consequently, Spain intends to increase its participation in international development initiatives and in drafting of development and cooperation rules at the multilateral level. To achieve this, Spain acknowledges that it must increase its contributions to multilateral organisations to bring them more in line with its economic status – a process which, as reflected in the ODA figures (see Section 1), has already begun. The Strategy sets out the key objectives, principles, selection criteria, strategic lines, priority actions and instruments, and mechanisms that make up Spain's policy in the multilateral development setting. The table below summarises the objectives and strategic lines developed in the Strategy, which are already guiding Spain's policy and the allocation of resources for multilateral development organisations.

#### *Short introduction to Spain's Strategy for Multilateral Cooperation: Objectives and Strategic Lines*

Key Objectives	Strategic Lines
1. To strengthen the multilateral system so as to transform it into a more democratic and effective mechanism for the generation and distribution of development opportunities.	1.1 To improve the development content of the policies and actions of Multilateral Organisations. 1.2. To contribute to a more appropriate specialisation of multilateral organisations, and to promote coordination among them and with the rest of international stakeholders, specially the EU. 1.3. To improve the efficiency and efficacy of the operations of multilateral organisations.
2. To increase Spain's multilateral commitment, through active and effective implication in the international system and a broader and more balanced support to its institutions.	2.1. To increase Spain's profile in the multilateral organisations, by raising its financial support as well as its analytical activities and policy proposals. 2.2. To improve the level of coordination within the Spanish central administration and with the rest of Spanish stakeholders, in terms of the country's positions for the multilateral organisations. 2.3. To improve the complementarity and synergies between Spain's bilateral and multilateral cooperation.
3. To foster the instruments of democratic governance in the international arena, in order to face the challenges arising from the current process of globalisation.	3.1. To improve the levels of representation, transparency and accountability of the multilateral organisations. 3.2. To improve the transparency and accountability of Spain's multilateral policy and actions. 3.3. To promote and facilitate global responses to global problems based on collaboration and consensus.

Source: Spain's Ministry of Foreign Affairs and Cooperation.

Key Selection Criteria for multilateral organisations:

- Contribution to improved governance of the international development aid system and to the provision of global and regional public goods,
- Complementarity between multilateral organisations and Spanish Cooperation,
- Relevance in terms of resource mobilisation and development financing, and
- Quality, efficacy and efficiency of the programmes and activities of the various multilateral organisations, including capacity to evaluate them and act upon their recommendations.

Spain believes the UN-system plays a vital role in helping countries fulfil the MDGs, particularly given its expertise in the drafting and application of development programmes. The UN bodies can offer Spain a high degree of technical specialisation and added value in dealing with global problems, including conflicts, natural disasters, pandemics and threats to the environment.<sup>2</sup> Spain stresses the need for the UN to function much more effectively and to be more coordinated, particularly among the field UN agencies. In this sense, Spain is fully committed to the UN Reform in particular through advancing firmly in the implementation of the “Delivering as One” approach. The Spain-UNDP MDG Fund is a clear model of the improved coordination and collaboration Spain wishes to see among UN Agencies. On top of that, making more strategic and coordinated contributions to achieve the MDGs has been the underlying rationale for the large increase in Spanish funds for non-financial institutions such as the UN.

Traditionally, the EC has been the largest recipient of Spain’s multilateral aid, primarily channelled through the EDF and Community Budget. Spain considers the EU to be the appropriate framework for advancing and improving the coherence between the various policies affecting developing countries as stated in the EU Development Consensus. Spanish priorities in the EC sphere include full implementation of the EU Code of Conduct, which entails advancing in delegated cooperation and better harmonisation and coordination among Member States and Commission’s aid. Furthermore, Spain supports the implementation of the EU Aid for Trade Strategy.

With regard to the IFIs, Spain is an active member of those considered to be the key actors in the international aid architecture. Spain seeks to increase its participation in and commitment to these institutions, through the following instruments: capital increases, soft-loan windows, entry into new institutions, constitution of consultancy funds, and enhancements of the involvement in governing bodies and high-level posts.<sup>3</sup> Spain considers IFIs as key institutions necessary to promote private sector development and shared economic growth in low-income countries, and new and innovative financial products to middle-income countries. In addition, Spain will work closely with IFIs in the effective design and delivery of global and regional public goods, through global funds, in fields like transmittable diseases, and global warming.

Finally, Spain has increased its involvement in regional multilateral bodies, particularly in Latin America and more recently in Africa. It finds that these regional bodies have increasingly taken up more responsibilities and competences for promoting economic integration and providing regional public goods. Spain has a tradition of working with Latin American regional organisations, and more recently has stepped up its cooperation with African ones, such as NEPAD, ECOWAS and the African Union.

#### **4. Management of multilateral aid**

The responsibilities and administrative setup for multilateral aid in Spain is mainly divided between two departments within the central administration, the Ministry for Foreign Affairs and Cooperation and the Ministry of Economy and Finance. Within the Ministry of Foreign Affairs and Cooperation (MAEC), the State Secretariat for International Cooperation in close cooperation with the Spanish Agency for International Development Cooperation (AECID), defines Spain's UN policies and promotes its role within the UN-system. The multilateral responsibilities of the Ministry of Economy and Finance deal with the International Financial Institutions. Increasingly, MAEC is funding programmes and initiatives led or managed by regional development banks, which is done in full coordination and agreement with Ministry of Finance.

Since 2006 two coordinating bodies were created, headed by the Directorate General for Planning and Evaluation of Development Policies in the Ministry of Foreign Affairs and Cooperation, with the objective of sharing information and coordinating multilateral actions and initiatives. The first of those is an intra-ministry working group within MAEC, which includes representatives from AECID and the regional departments with competences over developing countries. The second is a more formal Multilateral Committee that includes representatives from all ministries that work with multilateral development agencies, whose objective is to ensure full policy coherence towards those organisms and coordination of multilateral budgets. Finally, under the ongoing restructuring of the AECID, a new Sectoral and Multilateral Directorate General has been created, thus greatly strengthening Spain's capacities to plan, monitor and follow up its multilateral policy.

#### **5. Multilateral recommendations in the DAC Peer Review**

In the latest Peer Review of Spain (2007), the DAC stressed that Spain's multilateral strategy should be finalised as soon as possible, given the rapid rise in its multilateral aid budget. As described above, Spain has addressed the DAC recommendation by finalising the Multilateral Strategy.

#### **6. Allocation and scaling up of multilateral aid**

Spain's multilateral aid has grown substantially in the last few years and now represents more than half (core and non-core combined) of its total ODA. This rapid growth is attributed to the political commitment to engage with the multilateral system. As it scales up its aid further, Spain plans to roughly level off the multilateral share as it stands now. Spain is currently planning to shift to multi-annual planning with regards to core funding especially for the main UN Agencies it funds to increase predictability. Currently, the Ministry of Foreign Affairs and Cooperation is leading the preparation of the new master plan for Spanish Cooperation 2009-2011, which will envisage that multilateral contributions will be more focused, concentrated and selective in terms of agencies. The master plan lays out principles for the negotiation of multi-year agreements with relevant agencies to increase predictability of funding in exchange for more accountability and results.

## Notes

1. Ministry of Foreign Affairs and Cooperation (2005), *The Master Plan for Spanish cooperation (2005-2008)*, Madrid, [http://www.aecid.es/03coop/6public\\_docs/2seci/2doc\\_coop\\_esp/ftp/Plan\\_Director\\_Ing.pdf](http://www.aecid.es/03coop/6public_docs/2seci/2doc_coop_esp/ftp/Plan_Director_Ing.pdf).
2. Ibid. *The Master Plan for Spanish cooperation (2005-2008)* page 87.
3. Ibid. *The Master Plan for Spanish cooperation (2005-2008)* page 86.

## Sweden

### 1. Multilateral aid at a glance

In 2006, Sweden contributed 28% of its gross ODA in core contributions to multilateral organisations, placing it above the 2004-06 DAC average of 24%. Net of debt relief, the multilateral share of Sweden's total ODA was 30%, compared to a three-year DAC average of 29% (excluding contributions to the EC, the multilateral share was 23% compared to the three-year DAC average of 19%). Even though multilateral aid has nearly doubled in absolute terms in the past ten years, from USD 600 million to USD 1.1 billion, the multilateral share has remained constant when excluding debt relief. However, there have been variations in its multilateral contributions during the decade, with especially large increases in 2002 and 2005.

Figure 1. Sweden's gross ODA 1997-2006

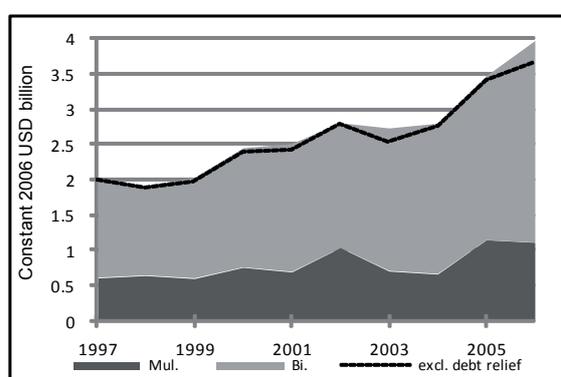


Table 1. Multilateral share of total ODA

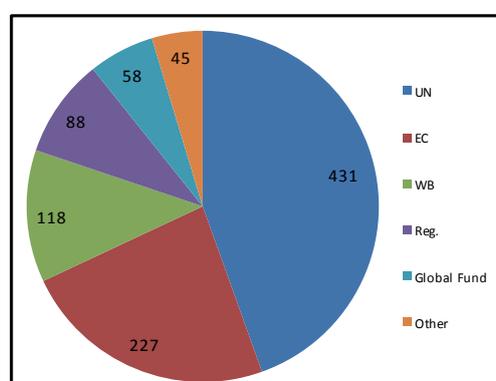
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	30	30
1998	34	34
1999	30	30
2000	31	32
2001	28	28
2002	37	37
2003	26	28
2004	24	24
2005	33	33
2006	28	30

Source: DAC Aggregate Statistics

Historically, Sweden's core contributions to the UN system have accounted for 30% to 62% of multilateral ODA (11-17% of total ODA) in the last 10 years. In 2004-06, the UN system accounted for 45% of multilateral ODA (13% of total ODA) followed by the EC with a share of 23% (7% of total ODA). Within the UN system, UNDP, UNICEF and WFP were its largest recipients with 24%, 12% and 10% of all UN core contributions respectively. Core contributions to the World Bank accounted for 12% of Sweden's multilateral aid in 2004-2006 and the regional development banks for 9%, of which the AfDB is its largest recipient.

Figure 2. Major recipients of Sweden's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD million)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

Sweden does not report on the individual channel for each agency, so it is impossible to measure non-core funding for each multilateral agency. However, aggregate figures show that Sweden channels USD 646 million through the multilaterals to specific projects and programmes. Sweden's core contributions account for 64% of its full use of the multilateral system, leading to the assumption that non-core funding is a commonly used financing instrument in Sweden. In terms of both core and non-core funding, Sweden channelled some 45% of its aid to and through the multilateral system in 2006. According to the Ministry of Foreign Affairs, the increased use of the multilateral system within recent years has mainly been a result of increasing multi-bi support.

## 3. Multilateral Strategy

For Sweden, multilateral organisations are central in achieving the MDGs, promoting human rights and implementing the Paris Declaration. Sweden stresses the UN to be the platform for the MDGs and their follow up, and the EU and the IFIs also share these central global objectives.<sup>1</sup>

Sweden has developed a single multilateral strategy. Sweden's *Strategy for Multilateral Development Cooperation*<sup>2</sup> was launched in April 2007 and is a first step towards clearer and more results-oriented Swedish work and involvement in multilateral development cooperation. The main purpose of the strategy is to assure the quality and increase the effectiveness of Sweden's multilateral development cooperation, with the overall objective to enable poor people to improve their living conditions. It also serves as normative guidance for the ministries and agencies that work with the UN, EC and the IFIs on defining and developing criteria for priorities, financial principles and methods for strategic influence on multilateral work. The strategy is currently being implemented and the first review will be carried out in 2010.

The strategy proposes that relevance of the organisation and its effectiveness be the main criteria in assessing and allocating aid through multilateral channels. Relevance refers to the compatibility of activities with Swedish development goals and the role of the organisation in the international multilateral architecture. Effectiveness refers to whether

the organisation contributes to the relevant goals and whether activities lead to results and effective use of aid resources. Sweden emphasises the whole range of aid effectiveness measures highlighted in the Paris Declaration (focus on results, evaluation, reliable auditing, coordination with other development actors and the private sector, respect for national ownership).

Assessments based on relevance and effectiveness will be made for Sweden's multilateral partners. These will serve as a guidance tool for financing decisions in annual budget rounds and replenishments. Sweden will base its allocations on a simplified model of priority-setting, and a measure of how relevant an organisation is found. If it is not deemed relevant, contributions will be reduced and possibly phased out, while if it is relevant, contributions can be adjusted depending on the level of effectiveness and level of progress. Financing should contribute to adequate and predictable funding in which non-earmarked contributions and long-term financing are prioritised. The strategy emphasises the risks of earmarked funding, including lack of focus on the core activity, unclear distribution of work and weakened internal systems for accountability. Contributions to vertical funds are made only under special circumstances, and multi-bi support only within the context of a country programme or activity prioritised by Sweden. Humanitarian financing should follow the internationally agreed principles of Good Humanitarian Donorship.

Finally, the strategy sets out needs for new instruments and working methods in Sweden's multilateral development cooperation. Among these are: (a) the development of an assessment template; (b) the design of organisation-specific strategies for the most important institutions; (c) a review of the division of labour between Ministry of Foreign Affairs and Sida with regards multilateral cooperation; and (d) a review of statistics and reporting on multilateral aid.

#### **4. Management of multilateral aid**

The key actors within the Swedish development cooperation system include the Ministry of Foreign Affairs and the Swedish International Development Cooperation Agency (Sida – bilateral implementation). The Ministry of Foreign Affairs has the overall responsibility for policymaking and actual implementation of multilateral assistance, while other ministries and or Sida play a supporting role. However, primary responsibility for the specialised agencies of the UN lies within the relevant ministries. The Ministry of Finance shares responsibility with the Ministry of Foreign Affairs for the World Bank, and has primary responsibility for the IMF, EBRD and debt issues.

The Ministry of Foreign Affairs is the main responsible institution for the implementation of the multilateral strategy. The Ministry of Foreign Affairs consults with the specialised agencies and missions to UN and EU where relevant. Although Sida's role in multilateral development cooperation has increased in recent years due to increasing multi-bi contributions, the focus on interfaces and possible synergies between bilateral and multilateral assistance, as stressed in the multilateral strategy, require even stronger collaboration between the Ministry of Foreign Affairs and Sida. To clarify the division of responsibility and achieve a more rational management of resources, the strategy stresses the urgency of a special review of the division of labour between the Ministry of Foreign Affairs and Sida (see above). The conclusions from the Management's report from 2005<sup>3</sup> indicate that the Ministry of Foreign Affairs should concentrate on overall strategic issues and Sida on operational issues.

## 5. Multilateral recommendations in DAC Peer Review and by the Committee on Foreign Affairs

In the latest Peer Review of Sweden (2005), the DAC raised one specific recommendation on the multilateral aid channel and suggested that the Ministry of Foreign Affairs develop a clear multilateral strategy and appropriate performance based tracking system to form the basis of its engagement with the multilateral organisations.

In addition, national institutions such as the Committee on Foreign Affairs<sup>4</sup> and the Swedish Agency for Public Management<sup>5</sup> pointed to deficiencies in the management of multilateral assistance in 2005. They made specific recommendations relating to an improved strategic action, emphasis on results, reporting and evaluation functions and clarifying the role among different actors.

In launching its multilateral strategy last year, Sweden followed up on the DAC recommendation to develop a general multilateral strategy. The strategy is a first step, and covers many important issues, principles and instruments to ensure good quality and the effectiveness of Sweden's multilateral development cooperation. However, for the strategy to be useful as a political tool in allocation processes, it will have to rely on assessments of organisation-specific strategies and clear division of labour among the different actors. The review in 2010 will be the first stocktaking exercise.

## 6. Allocation and scaling up of multilateral aid

Sweden has no fixed allocation formula to decide between bilateral and multilateral assistance, but traditionally it is a large multilateral contributor. Sweden plans to remain an important player in the multilateral field but has no specific plans to scale up.

## Notes

1. Ministry of Foreign Affairs Sweden (2007), *Strategy for Multilateral Development Cooperation*, Stockholm, <http://www.regeringen.se/content/1/c6/08/38/43/4a7cef2b.pdf>.
2. <http://www.sweden.gov.se/sb/d/3102/a/81853>.
3. Ibid. *Strategy for Multilateral Development Cooperation*.
4. Riksdagstryckeriet (2006), *Utrikesutskottets uppföljning av det multilaterala utvecklingssamarbetet*, Stockholm, [http://www.riksdagen.se/upload/Dokument/utskotteunamnd/200506/UU/FR6\\_0506.pdf](http://www.riksdagen.se/upload/Dokument/utskotteunamnd/200506/UU/FR6_0506.pdf).
5. The Swedish Agency for Public Management, *Management of Swedish International Development Cooperation* Stockholm, [http://www.statskontoret.se/upload/Publikationer/2005/200531\\_englishabstract.pdf](http://www.statskontoret.se/upload/Publikationer/2005/200531_englishabstract.pdf).

## Switzerland

### 1. Multilateral aid at a glance

In 2006, Switzerland contributed 24% of its gross ODA in core contributions to multilateral organisations, in line with the 2004-06 DAC average. Net of debt relief, the multilateral share of Switzerland's total ODA was 25%, compared to the three-year DAC average of 29% (three-year DAC average of 19% excluding the EC). Multilateral aid decreased in absolute terms in the past ten years, from USD 414 million in 1997 to USD 392 million in 2006, but bilateral aid has increased. Consequently, the share of multilateral aid has decreased over the last decade, and reached a low of 18% in 2002.<sup>1</sup>

Figure 1. Switzerland's gross ODA 1997-2006

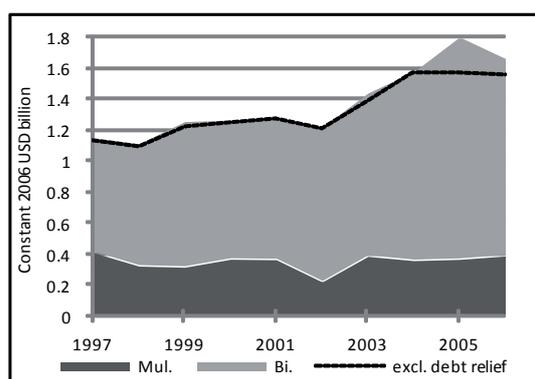


Table 1. Multilateral share of total ODA

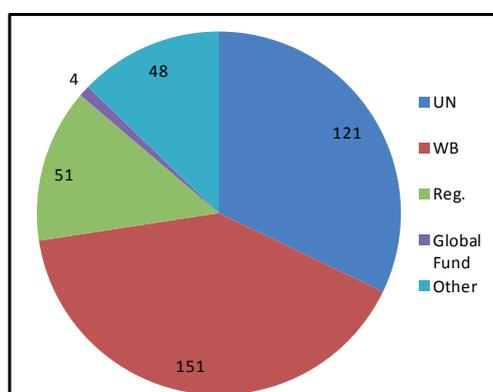
Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	36	37
1998	30	30
1999	26	26
2000	29	30
2001	29	29
2002	18	19
2003	27	28
2004	23	23
2005	21	24
2006	24	25

Source: DAC Aggregate Statistics

In 2004-06, the World Bank was Switzerland's largest recipient, accounting for 40% of multilateral ODA (9% of total ODA), of which all was channelled through the IDA. The UN-system accounted for 32% of Swiss multilateral aid (7% of total ODA) and core contributions to the regional banks amounted to 14% of multilateral aid (3% of total ODA), of which 90% went to the AfDB. In 2004-06, UNDP, UNICEF and UNRWA were the top-three UN recipients, accounting for 34%, 12% and 8% of all UN core contributions respectively.

Figure 2. Major recipients of Switzerland's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD million)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

Switzerland's core contributions (commitments) to the UN amounted to USD 144 million in 2006; these represented 57% of Switzerland's total aid to and through the UN that year. Another USD 109 million was allocated to the UN for specific projects and programmes. From data available on Swiss non-core funding, core contributions made up 77% of the total use of multilaterals. In terms of both core and non-core funding, Switzerland channelled some 46% of its aid to and through the multilateral system in 2006.

Table 2. Switzerland's core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>144</b>	<b>109</b>	<b>253</b>	<b>57</b>
<i>of which:</i> UNICEF	29	3	32	90
UNDP	41	12	53	78
UNFPA	20	1	21	95
UNHCR	9	11	20	44
WFP	8	41	49	16
<b>World Bank Group</b>	<b>443</b>	<b>45</b>	<b>487</b>	<b>91</b>
<b>Reg. Dev. Banks</b>		<b>5</b>	<b>5</b>	<b>0</b>
<b>Other Multilaterals</b>	<b>50</b>	<b>29</b>	<b>79</b>	<b>64</b>
<b>Total</b>	<b>637</b>	<b>187</b>	<b>824</b>	<b>77</b>

Source: DAC Aggregate Statistics and Creditor Reporting System

### 3. Multilateral Strategy

Switzerland is one of the DAC member countries with a single strategy for its overall policy and engagement with multilaterals. In 2005, the Federal Department of Foreign Affairs (Swiss Agency for Development and Cooperation (SDC)) and the State Secretariat of Economic Affairs (SECO) approved *Switzerland's Multilateral Development Cooperation Strategy*.<sup>2</sup> The strategy represents the basis for cooperation between the SDC and SECO for the purpose of exercising their multilateral development cooperation mandate.

Switzerland stresses that a functioning multilateral system lies in the interest of all countries, and in particular small countries. In all of its multilateral activities, Switzerland is committed to reaching the MDGs and emphasises that achieving these objectives is only possible through cooperation with multilateral development institutions. In its multilateral strategy, Switzerland defines the following cornerstones guiding its multilateral commitments:

- *The multilateral system must be strengthened:* improvements in task-sharing and coordination within the multilateral system; concentration on areas and functions where they possess political legitimacy and have clear comparative advantages in terms of expertise and financial conditions.
- *Cooperation in the multilateral system must be results-oriented.*
- *Priorities should be set:* engagement is prioritised for multilateral institutions and programmes according to selected criteria such as focus on results and strategic and/or political relevance. High priority is given to institutions with significant importance in the development financing architecture and for Swiss Foreign Policy, as well as a leading role in the global policy dialogue (e.g. UNDP and the World Bank). Lower priority is given to organisations with a regional outreach such or specialised UN-agencies with limited strategic scope.
- *Synergies with bilateral development aid:* optimise synergies between its multilateral and bilateral efforts.
- *New multilateral partners should be carefully selected:* Switzerland aims at participating selectively in new forms of multilateral cooperation as well as multilateral initiatives and programmes, which it evaluates openly, but critically. New institutions must be able to prove that they add value to the overall multilateral system.
- *Partner countries should be actively supported:* Switzerland endeavours to build alliances with partner countries in the South and East and strengthen their presence in the relevant organisations.
- With regard to Switzerland's monitoring of its cooperation with and the performance of its multilateral partners, the strategy includes the following questions and guidelines to be answered in the reviews:
  - Is the involvement in multilateral development cooperation relevant, results-driven and transparent?
  - Do the partners exhibit clear competitive advantages, engage in dialogue and exhibit learning and good governance?
  - Is Switzerland's involvement likely to exert a significant influence on the partner institution, create added value in terms of development impact and help promote other Swiss interests and/or concerns?

- Must Switzerland enter new territory, change its priorities, build capacities and/or make modifications?

To supplement its multilateral strategy, Switzerland has developed guidelines (Institutional Strategy Papers) that include detailed objectives and priorities for cooperation with major multilateral partners such as the World Bank, UNDP and the regional development banks (see above). Switzerland is in the process of developing a monitoring instrument for measuring results and effectiveness of its strategic multilateral partners.

Switzerland underscores that although the multilateral strategy is new, it was helpful in deciding recent allocations to IDA, the AfDB, the AsDB, and key UN funds and programmes to which Switzerland is a contributor. In 2009, Switzerland will work to further prioritise its support to multilateral institutions. They also stress that, while implementation of the strategy is in principal straight forward, difficulties may occur as prioritisation depends on a number of judgemental decisions and developing an instrument to monitor implementation of the strategy is more complex than initially anticipated.

#### **4. Management of multilateral aid**

Within the federal administration, it is the task of the Swiss Agency for Development and Cooperation (SDC) and the State Secretariat of Economic Affairs (SECO) to promote Swiss concerns and interests in multilateral development cooperation. However, this necessitates close cooperation and coordination with other federal departments such as the Federal Department of Finance and other departments concerned. The SDC, SECO and the Federal Finance Administration are jointly formulating the general policy on Switzerland's contributions to international development work. SDC is responsible for coordination of overall development cooperation. Multilateral financial aid is a shared task between SDC and SECO, the latter being responsible for coordination.

#### **5. Multilateral recommendations set in DAC Peer Review**

In the latest Peer Review of Switzerland (2005), the DAC suggested that Switzerland's new multilateral strategy should give consideration to support institutions on the basis of criteria linked to performance and impact on poverty reduction.

As recommended, Switzerland intends to give greater weight to supporting multilateral institutions on the basis of criteria linked to performance and impact on poverty reduction and human security. The bills regarding the continuation of technical cooperation and financial assistance for developing countries (SDC) will be presented to parliament, as well as the financing of economic and trade policy measures for developing countries (SECO) (2009-12). Through its membership in key multilateral organisations and programmes and their respective executive boards, Switzerland contributes to the solution of problems of global concern.

#### **6. Allocation and scaling up of multilateral aid**

The bills regarding the continued financing of Switzerland's development cooperation over the period 2009-12 was submitted to Parliament. During the ongoing debate, proposals have been made to cap multilateral aid as a proportion of total aid. It is currently unclear what final decision will be made. Earlier decisions by the Federal Council (2005) limited multilateral disbursements to 43% of the SDC budget.

Over the past few years, the proportion of multilateral contributions in total ODA has steadily grown. This is mainly due to significant increases in the replenishment of the concessional funds, such as IDA and the AfDF. Currently it is uncertain whether growth of multilateral aid will continue at the same pace. Multilateral institutions will be further prioritised in accordance with their contribution to development effectiveness.

## Notes

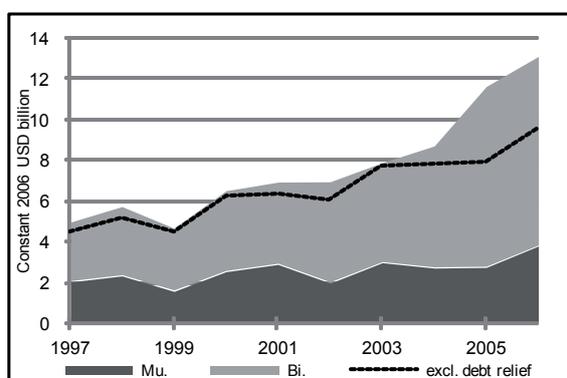
1. According to Switzerland, the reason for the decrease in multilateral aid over the last decade is twofold: (a) irregular contributions to IDA and regional banks have affected the share of multilateral contributions (exceptionally high in 1997 and very low in 2002 due to the postponing of IDA contribution); and (b) from 2004 on, Switzerland has reported the costs of asylum-seekers from developing countries, which has increased the bilateral share.
2. Agency for Development and Cooperation – SDC – and the State Secretariat of Economic Affairs – SECO (2005), *Switzerland's Multilateral Development Cooperation Strategy*, Berne, [http://www.deza.admin.ch/ressources/resource\\_en\\_96785.pdf](http://www.deza.admin.ch/ressources/resource_en_96785.pdf).

## United Kingdom

### 1. Multilateral aid at a glance

In 2006, the UK contributed 29% of its gross ODA in core contributions to multilateral organisations, placing it above the 2004-06 DAC average of 24%. Net of debt relief, the multilateral share of UK's ODA was 39%, compared to the three-year DAC average of 29% (excluding contributions to the EC, the multilateral share was 23% compared to the three-year DAC average of 19%). Although the UK's multilateral share of ODA increased in absolute terms over the past ten years (from USD 2 billion to USD 3.8 billion) bilateral aid has increased more rapidly, causing the multilateral share to decrease, even when excluding debt relief. This trend began to reverse in 2006 and will evolve further in the coming years since the UK has made major contributions to the IDA15 and AfDF XI replenishments, making it the largest single donor to both.

Figure 1. The UK's gross ODA 1997-2006



Source: DAC Aggregate Statistics

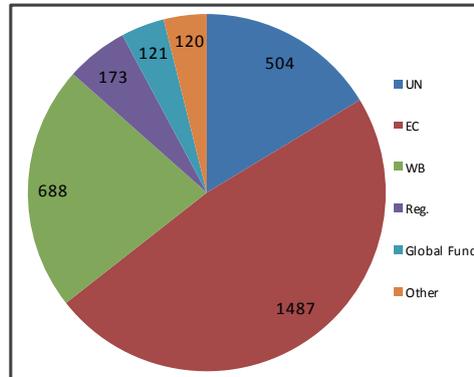
Table 1. Multilateral share of total ODA

Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	42	45
1998	41	46
1999	34	35
2000	39	41
2001	42	46
2002	29	33
2003	38	39
2004	31	35
2005	24	35
2006	29	39

In 2004-06, the EC was by far the UK's largest recipient of multilateral aid, accounting for 48% of multilateral ODA (13% of total ODA), of which more than two-thirds was allocated through the EC budget. The World Bank accounted for 22% of multilateral ODA (6% of total ODA) in 2004-06. The UK's contributions to core funds of UN agencies accounted for 16% of multilateral ODA (5% of total ODA) in 2004-06. Within the UN-system, UNDP, UNICEF and UNHCR were its largest UN recipients, accounting for 21%, 8% and 8% in terms of core UN-contributions. Funds to the regional development banks accounted for 6% of multilateral aid, of which most than two thirds were allocated to the AfDF.

Figure 2. Major recipients of UK's multilateral ODA (core contributions)

(ODA three-year average 2004-2006, constant 2006 USD million)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

At present the UK does not report on the channel of delivery. However, the UK Department for International Development (DFID) is about to adapt its information systems to report on the channel of delivery. For this report, the UK has contributed provisional estimates of DFID's total programme delivered through multilateral organisations in 2006/07. According to DFID's provisional estimates, a total of USD 1.4 billion was channelled through the multilateral organisations for specific programmes and activities in 2006/07. Non-core funding to the UN-agencies amounted to USD 665 million, and thus the UK makes more use of the UN system than Figure 2 suggests. The UK also channels large amounts through the World Bank for specific initiatives, and to target country or policy specific issues. In total, the UK's core contributions accounted for 73% of its total use of the multilaterals. In terms of both core and non-core funding, the UK channelled some 54% of its aid to and through the multilateral system in 2006.

Table 2. UK's core contributions to multilateral agencies and aid channelled through multilaterals

Commitments (excluding debt relief) in 2006, millions of USD

	Core Contributions	Bilateral aid channelled via agency	Total Use of Multilaterals	Core as share of total use of Multilaterals (%)
<b>United Nations</b>	<b>540</b>	<b>665</b>	<b>1,205</b>	<b>45</b>
<i>of which:</i>				
UNDP	150	326	476	32
UNICEF	76	121	197	38
WHO	86	80	167	52
<b>EC</b>	<b>1,565</b>	<b>4</b>	<b>1,569</b>	<b>100</b>
<b>World Bank Group</b>	<b>979</b>	<b>594</b>	<b>1,574</b>	<b>62</b>
<b>Reg. Dev. Banks</b>	<b>354</b>	<b>35</b>	<b>389</b>	<b>91</b>
<b>Other Multilaterals</b>	<b>328</b>	<b>76</b>	<b>404</b>	<b>81</b>
<b>Total</b>	<b>3,766</b>	<b>1,374</b>	<b>5,141</b>	<b>73</b>

Source: DAC Statistics for calendar year 2006 supplemented by figures on "channel via agency" from DFID for the financial year 2006-07. Figures on non-core were given in pounds and the Secretariat has converted these to USD.

### 3. Multilateral Strategy

The UK has no single strategy document of its overall policy and engagement with multilaterals. However, for the main multilateral organisations DFID has developed individual Institutional Strategies and Performance Frameworks, which set out how DFID aims to contribute to achieving its White Paper<sup>1</sup> objectives with each organisation. The strategies serve as a framework for engagement with the agency, including its role within DFID's overall vision taking mandate and effectiveness into account, the objectives for partnership, a strategy for financial support, and an action plan to assess progress against identified objectives. Institutional Strategies (ISs) aim for a partnership approach, emphasising joint objective setting and mutual benefit, and serve as a tool through which partnerships are justified, negotiated, implemented and monitored. The strategies are produced every 3-4 years in consultation with the institution itself and a range of civil society and other contacts. DFID holds joint ISs with other members of their constituencies for the Asian and African Development Banks and with other donors for a number of UN agencies.<sup>2</sup>

Performance Frameworks fulfil a similar role, and are being agreed with UNAIDS, UNFPA, UNDP and WHO. Frameworks identify key targets, outcomes and indicators agreed between DFID and the agency concerned. The Performance Frameworks are contained in the ISs, and do not stand alone. Some of these frameworks and other ISs are held jointly with other donors.

DFID decides its multilateral allocation based on three priorities, within its broader strategic and political priorities:

- To allocate funds in order to maximise impact on the MDGs;
- To use UK influence to promote improved effectiveness of the multilateral system as a whole and system wide coherence; and
- To reward effective performance and promote further reform.

These allocation criteria are consistent with, and informed by the 2006 White Paper objectives and IS targets and outcomes.

### 4. Management of multilateral aid

The administrative setup for multilateral aid is conceptually simple in the UK. The locus of leadership for all aspects of UK government development co-operation, both bilateral and multilateral, is centralised in DFID.<sup>3</sup> The international division of DFID manages DFID's central relationships with multilaterals, while other divisions, including country offices, engage with the multilaterals at various levels. DFID provides the majority of UK multilateral ODA, but other UK official sources also contribute to multilateral ODA. Therefore, while DFID is the main institution responsible for multilateral aid, it co-ordinates policies and works closely with other government departments who interact with multilaterals. For example, the UK government's IS with WHO is held jointly with the Department of Health; the ICRC IS is held in consultation with Foreign and Commonwealth Office (FCO) and the UNHCR IS is held in consultation with Home Office.

## 5. Multilateral recommendations in DAC Peer Review and by the National Audit Office

In the latest Peer Review of the UK (2006), the DAC raised some specific recommendations on the multilateral aid channel. These included: (a) a need for a greater focus and concentration among multilaterals; and (b) the suggestion that DFID should continue to develop a strategic vision for funding of core or non-core multilateral budgets and take care to avoid the risk of “*bilateralising*” the multilaterals.

The National Audit Office presented several comments and recommendations for DFID’s engagement with multilateral institutions in its report of 2005.<sup>4</sup> Among these were: (a) lack of *one* single multilateral strategy; (b) need for a review of the multilateral portfolios and the breadth of organisations; and (c) public availability of the total amount of funding to each multilateral institution, including both core and non-core figures.

By developing a narrative to guide its multilateral strategic work and by introducing the instrument on performance funding (Box 3.6 in Chapter 3) DFID is addressing some of the recommendations by DAC and the National Audit Office.

## 6. Allocation and scaling up of multilateral aid

DFID’s overall resource allocation process matches resources with DFID’s policy priorities and takes into account spending targets and allocative efficiency targets (see Section 3). DFID does not follow a specific formula in determining the bilateral/multilateral allocation split.

The White Paper emphasises a strong determination to deliver on the commitments made in Gleneagles in 2005. The UK plans to increase its development budget to reach the UN target of 0.7% of GNI by 2013. The UK stresses that international organisations play a major role in delivering aid and that donors will need to rely more on the multilateral channels to distribute increased allocations. DFID publishes planned forward spending in the DFID Annual Report, which also includes details of DFID’s projected core funding to multilaterals and headline projections for non-core funding. However, these figures are indicative and are subject to change.

## Notes

1. DFID (2006), *Eliminating World Poverty: making governance work for the poor*, London, <http://www.dfid.gov.uk/wp2006/default.asp>.
2. <http://www.dfid.gov.uk/aboutdfid/dfidwork/multilateral.asp>.
3. OECD (2006), *United Kingdom – DAC Peer Review*, Paris, [http://www.oecd.org/document/43/0,3343,en\\_2649\\_34603\\_36881515\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/43/0,3343,en_2649_34603_36881515_1_1_1_1,00.html).
4. National Audit Office (2005), *Engaging with Multilaterals*, London, [http://www.nao.org.uk/publications/DFID\\_multilaterals.pdf](http://www.nao.org.uk/publications/DFID_multilaterals.pdf).

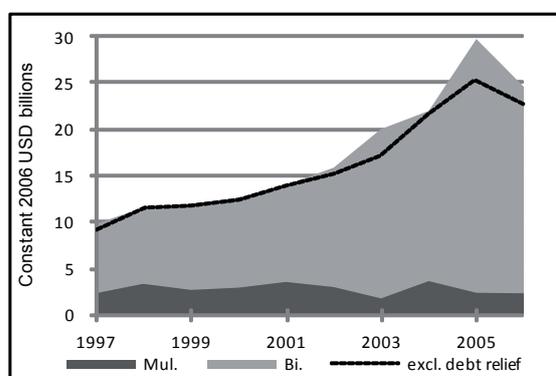
## United States

### 1. Multilateral aid at a glance

Two changes in the reporting of US ODA have significant impacts on the presentation of US multilateral aid. From 2002 onward, food aid through the World Food Programme (WFP) is correctly attributed to partner countries and not presented as a single multilateral contribution. From 2004 onward, US assistance through UNHCR and other international organisations from the Bureau of Population, Refugees, and Migration (PRM) of the US Department of State is reported as bilateral flows since the purposes and recipients of this assistance are identified in US records (this treatment is in compliance with reporting guidelines adopted by the DAC Working Party on Statistics in June 2005).

In 2006, the United States contributed 10% of its gross ODA and ODA net of debt relief in core contributions to multilateral organisations, placing it below the 2004-06 DAC average of 29% net of debt relief (three-year DAC average of 19% excluding the EC) and making it the DAC donor with the lowest multilateral share. It was, nonetheless, the fifth largest donor of core multilateral funding in absolute terms, in contrast to its position as the largest bilateral donor. Multilateral aid has fallen slightly in absolute terms over the past ten years. In 2006, multilateral contributions amounted to USD 2.4 billion, or USD 9 million below its 1997-level. In contrast, bilateral assistance has grown significantly, therefore causing the multilateral share of total ODA to decrease 14 percentage points over the last decade. Within this period there have been relatively large fluctuations in the multilateral share with a low of 8% in 2005 and a peak of 29% in 1998.

Figure 1. US's gross ODA 1997-2006



Source: DAC Aggregate Statistics

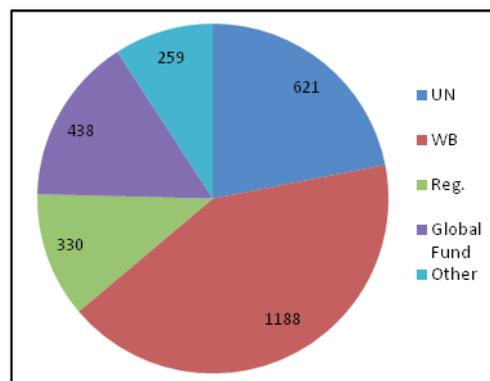
Table 1. Multilateral share of total ODA

Year	Multilateral as share of gross ODA (%)	Multilateral as share of gross ODA excl. debt relief (%)
1997	24	26
1998	29	30
1999	23	23
2000	24	24
2001	26	26
2002	19	20
2003	9	11
2004	17	17
2005	8	10
2006	10	10

In addition to the two changes in US ODA reporting, the decline in multilateral ODA shares in 2002-06 were attributed primarily to three other factors: large outlays of Economic Support Funds directly to partner countries; utilisation of US, foreign, and indigenous entities to meet infrastructure needs in Iraq, Afghanistan, and other partner countries that lie outside of the capabilities of the UN system and other international organisations; and the timing of calendar year subscriptions to MDBs between 2003 and 2004. The multilateral share of US total ODA increased significantly in 2007.

In 2004-06, the World Bank was the largest recipient of US multilateral aid, accounting for 42% of multilateral ODA (5% of total ODA), of which nearly all was channelled through IDA. The UN-system made up 22% of multilateral ODA (2% of ODA). Within the UN-system, UNICEF, UNDP, and FAO were the largest recipients in terms of core contributions, accounting for 20%, 18% and 11% of the total UN core funds respectively. In absolute terms, the US was the largest contributor to the UN system in 2006. In 2004-06, contributions to The Global Fund accounted for a relatively large share of multilateral ODA (15%) compared to other DAC members in 2004-06.

Figure 2. **Major recipients of US multilateral ODA (core contributions)**  
(ODA three-year average 2004-2006, constant 2006 USD millions)



Source: DAC Aggregate Statistics

## 2. Total use of the multilateral system

US core contributions (commitments) to the UN amounted to USD 630 million in 2006, but these represented only 25% of its total aid to and through the UN that year. Another USD 1.9 billion was allocated through the UN for specific projects and programmes, of which more than half was channelled through the WFP. US core contributions accounted for only 54% of its total use of the multilaterals. In terms of both core and non-core funding, US channelled some 18% of its aid to and through the multilateral system in 2006, which gives a better representation of the overall American engagement with multilateral organisations.

**Table 2. US core contributions to multilateral agencies and aid channelled through multilaterals**

Commitments (excluding debt relief) in 2006, millions of USD

	<b>Core Contributions</b>	<b>Bilateral aid channelled via agency</b>	<b>Total Use of Multilaterals</b>	<b>Core as share of total use of Multilaterals (%)</b>
<b>United Nations</b>	<b>630</b>	<b>1,855</b>	<b>2,485</b>	<b>25</b>
<i>of which:</i> UNICEF	126	125	250	50
UNHCR	-	317	317	-
UNRWA	-	86	86	-
WFP	-	1,050	1,050	-
WHO	67	130	197	34
<b>World Bank Group</b>	<b>828</b>	<b>24</b>	<b>853</b>	<b>97</b>
<b>Reg. Dev. Banks</b>	<b>240</b>	<b>-</b>	<b>240</b>	<b>100</b>
<b>Other Multilaterals</b>	<b>687</b>	<b>157</b>	<b>843</b>	<b>81</b>
<b>Total</b>	<b>2,385</b>	<b>2,035</b>	<b>4,421</b>	<b>54</b>

Source: DAC Aggregate Statistics and Creditor Reporting System

### 3. Multilateral Strategy

Reducing poverty by stimulating economic growth remains the fundamental objective of American development assistance.<sup>1</sup> Although the US has no single strategy document for its overall policy and engagement with multilaterals, its approach to dealing with multilateral organisations such as the MDBs and the UN-system is outlined in legislation, documents and speeches. The US participates in multilateral organisations to advance its national security and foreign policy interest and to promote its values.<sup>2</sup> Other key reasons for its engagement with the multilaterals are: (a) global solutions for global threats and crises; (b) to advance American values of freedom, democracy, and prosperity; (c) to set international standards; and (d) to leverage US resources for the greatest good.<sup>3</sup>

Encouraging the UN to live up to the vision of its founders, making multilateral co-operation more effective, and promoting good stewardship of UN resources are the three objectives guiding American engagement with the UN. These principles reflect US foreign policy priorities, including promoting peace and protecting the innocent, putting multilateralism at the service of democracy, freedom, and good governance, helping those in desperate need, advancing results-oriented development, and urging UN reform and budget discipline.<sup>4</sup>

The United States emphasises that MDBs play a central role in promoting growth and poverty reduction in developing countries, and are often the most effective means for deploying development resources. The US has a critical interest in ensuring that these institutions operate effectively and efficiently and have the necessary resources to fulfil their core missions. The MDBs are also increasingly engaged in programmes of vital interest to the US, including support for fragile and post-conflict states and programmes designed to fight corruption and improve good governance. The US has committed itself to encouraging the MDBs to adjust to a changing global environment by exploiting their unique advantages to address the challenges faced by developing countries while ensuring they provide maximum value for taxpayers' resources.<sup>5</sup>

#### 4. Management of multilateral aid

Several US agencies manage multilateral aid but the Departments of the Treasury and State are primarily responsible for multilateral policy and strategy. The Department of the Treasury is responsible for the multilateral development institutions. The Treasury's International Development Finance and Debt department, within the Office of International Affairs, oversees the day-to-day responsibility of development cooperation with the MDBs primarily through the Office of Multilateral Development Banks, the Office of Development Policy, and the Office of Financing Operations.<sup>6</sup> The Department of Treasury chairs the Working Group on Multilateral Assistance as the main forum for coordinating agency views. Based on these interagency discussions, instructions are drafted by the Treasury and sent to the US Executive Directors specifying the points they should raise and the way they should vote on each MDB loan or policy proposal. Participants include representatives from the Treasury, State, Agriculture, and Commerce Departments, USAID, the Federal Reserve Board, and the Export-Import Bank. The US Congress also has a role in the formation of US policy by controlling the levels of appropriated funds for MDBs and by passing legislation specifying US “*voice and vote*” within the MDBs.<sup>7</sup>

The Department of State has the overall responsibility of US engagement with the UN-system and other multilateral organisations. The Bureau of International Organisation Affairs (State/IO) develops and implements US policy in the UN, the UN specialised agencies, and other international organisations (such as the Organisation of American States, Pan American Health Organisation, Inter-American Institute for Cooperation on Agriculture, and the Montreal Protocol Multilateral Fund) and works to advance US interests through multilateral diplomacy.<sup>8</sup> While implemented by State/IO, funds for voluntary contributions to UNICEF and other international organisations are reviewed and budgeted by the Office of the Director of US Foreign Assistance at the Department of State.

Under the Migration and Refugee Assistance Act of 1962, the Department of State's Bureau of Population, Refugees, and Migration (PRM) provide funds to UNHCR, ICRC and IOM and other relevant international organisations. While most PRM staff in Washington and in US Embassies are responsible for maintaining relationships with multilateral organisations to some degree, there are also several dedicated liaison positions with UNHCR, ICRC, IOM and UNRWA.

USAID is the channel of delivery of US contributions to the Global Fund and UNAIDS which is coordinated through State's Office of the Global AIDS Coordinator under the President's Emergency Plan for AIDS Relief (PEPFAR) initiative. USAID also engages directly with several multilateral organisations in the delivery of bilateral US aid around the world. Through its External Liaison Officer, USAID's Office of Foreign Disaster Assistance provides macro or consolidated grants to multilateral organisations in the delivery of humanitarian assistance. In some cases, awards may be made by US Embassies or US Missions and managed by either a Disaster Assistance Response Team or a Regional Advisor. The Office of Food for Peace relies heavily on WFP to distribute food to refugees and during emergencies to meet USAID's famine mitigation objectives.

Under the US Department of Health and Human Services, the Centre for Disease Control and the National Institutes of Health provide funds and resources to WHO and international organisations.

## 5. Multilateral recommendations in the DAC Peer Review

In the latest Peer Review of the US (2006), the DAC made a recommendation regarding American multilateral aid policies, including encouraging the government to play a stronger financing role in the multilateral system and establishing a more consistent performance framework to handle multilateral allocations.<sup>9</sup>

*Response from US authorities on the follow up on these recommendations:* “The United States did not agree with the recommendations. The United States continues to be the largest contributor to the MDBs and the UN System. US support of, and engagement with, multilateral organisations has continued to be strong even though other channels of delivery have increased faster in recent years. The US policy framework for multilateral aid allocations remains consistent.

The Senate Foreign Relations Committee did cite the 2006 DAC Peer Review that showed the decline in the share of multilateral funding within US development assistance and asked the State Department to explain this shift and the apparent preference for bilateral initiatives over of multilateral cooperation. The Department of State responded with the same data and explanations conveyed to the Peer Review team in October 2006 and the Committee was satisfied with the explanations.”

They also stress that there are systematic assessments of US engagement with multilateral organisations under the Program Assessment Rating Tool (PART) of the Office of Management and Budget (OMB).<sup>10</sup> A PART review helps identify a programme’s strengths and weaknesses to inform funding and management decisions aimed at making the programme more effective. Because the PART includes a consistent series of analytical questions, it allows programmes to show improvements over time, and allows comparisons between similar programmes.

The Congressional Research Service and the General Accounting Office investigate and summarise various aspects of US engagements with multilateral organisations for Congress and the general public to facilitate policy discussions and funding considerations.

## 6. Allocation and scaling up of multilateral aid

The United States does not divide its overall aid specifically into bilateral and multilateral allocation targets, and it does not have an overall plan for scaling up aid to and through multilateral organisations. US contributions to multilateral organisations will continue to be strong and the multilateral share of US aid is expected to return to historical levels.

US financial support of MDBs is based upon internationally-agreed commitments to replenish the concessional resources or increase the capital stock of the institutions. Authorisation requests for US participation in the replenishment, including the total amount of the pledge over the three or four year period, are submitted to Congress for approval, and each instalment is subject to annual appropriations. The scheduled instalments are included in the Administration’s budget requests each year, and any shortfalls in appropriated amounts result in US arrears. Current MDB funding proposals before Congress request USD 1.5 billion for FY2008 and USD 2.1 billion for FY2009 which includes USD 400 million for the International Clean Technology Fund at the World Bank and USD 42 million to pay arrears.

Even with static or decreased funding through 2009, the U.S will continue to be the principal contributor to the UN system. The United States cannot support the current proposal for a 25% increase in the UN budget since it would be not sustainable and it is not

politically feasible.<sup>11</sup> The recent reauthorisation of PEPFAR up to USD 48 billion, however, will substantially increase the US contributions to The Global Fund, UNAIDS, and other international partners.<sup>12</sup> The US will continue its leadership as the largest contributor to WFP, UNHCR, IOM, UNRWA, and other international organisations to address humanitarian needs and natural disasters.

## Notes

1. USAID (2002). *Foreign aid in the national interest: Promoting freedom, security, and opportunity*, [http://www.usaid.gov/fani/Full\\_Report--Foreign\\_Aid\\_in\\_the\\_National\\_Interest.pdf](http://www.usaid.gov/fani/Full_Report--Foreign_Aid_in_the_National_Interest.pdf).
2. <http://www.state.gov/p/io/c9703.htm>.
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5. US Department of the Treasury (2008), *Treasury International Programs, Justification for Appropriations*, FY 2009 Budget Request, Washington DC, <http://www.state.gov/documents/organization/101368.pdf>.
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9. OECD (2006), *DAC Peer Review of United States*, Paris, [http://www.oecd.org/document/27/0,3343,en\\_2649\\_34603\\_37829787\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/27/0,3343,en_2649_34603_37829787_1_1_1_1,00.html).
10. <http://www.whitehouse.gov/omb/expectmore/index.html> – Index of performance reviews.
11. <http://www.state.gov/p/io/rls/rm/97960.htm>.
12. <http://www.pepfar.gov/press/107735.htm>.

## **2008 DAC Report on Multilateral Aid**

Multilateral aid accounts for over a third of total ODA. The scale at which the multilateral system is used reflects donors' views of it as an important aid channel. However, a clearer picture of the multilateral system is needed to analyse this channel, and the first ever OECD Development Assistance Committee (DAC) report on multilateral aid aims to address this gap. The report provides a snapshot of the multilateral aid architecture, from the funding of multilateral organisations by DAC members to their own multilateral aid strategies and policies. The report also highlights issues such as fragmentation, multilateral effectiveness, reform processes and partner country views.