



An Agenda for Improving the Effectiveness of Multilateral Development Agencies

UKAN Policy Paper 5 – January 2010

SUMMARY RECOMMENDATIONS

Informed by its longstanding engagement on the policies and practices of multilateral development agencies UKAN recommends the following be priorities for UK engagement with these institutions in the coming years:

- ❖ **Continue to scale up the level of aid going through multilateral development agencies, recognising their important role in coordinating global development efforts and in delivering aid predictably to support country-led programs**
- ❖ **Focus the UK's scaling-up of support to multilateral development agencies on those agencies that display the most progressive approaches to aid effectiveness and promoting ownership, accountability and poverty reduction**
- ❖ **Use its influence within the multilateral development agencies to ensure they urgently implement their Paris and Accra commitments,**
- ❖ **Use its influence within the multilateral development agencies to ensure their governance becomes more democratic and their policies and practices better support ownership, accountability and poverty reduction, building on progressive approaches shown by agencies such as the EC and UN**

1. Importance of multilateral aid

With 38 developing countries currently receiving aid from 25 or more donors (OECD 2009), creating coordination problems and straining country capacity to deliver (World Bank 2004), multi-lateral aid agencies – which pool resources from bilateral donors - have a critical role to play in making the aid system more coordinated, efficient and effective.

Multilateral agencies also play an important role in helping the international community respond collectively to humanitarian crises (especially the UN) and emerging international challenges (e.g. the World Bank's work on the food crisis).

Additionally it is important to note that assessments of developing country views on multilateral development agencies suggest that they are better at providing aid for country-owned development programs, supporting central government institutions and delivering support predictably (DFI 2004). Multilateral aid is also untied (from being spent on donor country goods and services) and is also thought to be more insulated from political agendas of donor countries.

How much aid do the multilateral development agencies deliver?

AGENCY	Total Spending(2007)	% of global aid (2007)	% of UK aid (2008)
Regional Dev' Banks	\$3.1 billion	3.0	2.8 (£0.17bn)
European Commission	\$11.7 billion	11.3	17.8 (£1.12bn)
Global Fund	\$0.7 billion	0.7	1.0 (£0.06bn)
United Nations	\$5.8 billion	5.6	4.1 (£0.23bn)
World Bank Group	\$6.1 billion	5.9	8.2 (£0.53bn)

Sources: OECD CRS database; DFID Statistics on International Development, 09; Global Fund Annual Report 08

Given that multilateral agencies deliver significant and increasing volumes of global and UK aid (see table above) concerns about their effectiveness are even more critical. This paper briefly explores some of the questions around multilateral aid effectiveness and presents UKAN's views on the elements that should be at the heart of this agenda in the future.

2. How should multilaterals improve their aid effectiveness?

Paris process and aid effectiveness - The 2005 Paris Declaration on aid Effectiveness commits donors to reforms to make aid more country owned, coordinated and accountable.

Although the last survey of the implementation of the Paris Declaration showed that multilateral agencies have made progress on the Paris reform agenda, it also highlighted that these agencies need to make significant progress on these reforms ahead of the 2010 deadline for implementing them. In particular the OECD has called upon donors to make progress in **delivering aid through developing country institutions and government systems, helping developing countries incorporate aid flows into their budgets and developing spaces for accountability between donors and recipients** (OECD 2008).

A WIDER MULTILATERAL DEVELOPMENT AGENCY REFORM AGENDA

A wide range of assessments point towards the need for multilateral development agencies to **improve their transparency, their evaluation of programs** and become **more open to civil society consultation and engagement**. In addition, the following reform priorities are regularly highlighted in relation to the main multilaterals:

- **World Bank's governance is dominated by donors and needs to be democratised; it also continues to utilise economic conditions**
- **United Nations needs to reform its internal coordination and coherence**
- **European Commission needs to make its wider aid program more focussed on the poorest countries**

The other multilaterals besides the World Bank generally have **more democratic governance structures** (especially the UN) and display some more progressive practices in relation to **promoting ownership and accountability**, which could act as a model for other multilaterals, as below:

- **European Commission introducing MDG Contracts which provide 6-year funding commitments and utilise outcome (mainly health and education) conditions**
- **United Nation's strong support to civil society and recipient governments and its delegated decision-making, allowing more responsive policy to emerge**
- **Global Fund for Aids TB and Malaria working through multi-stakeholder management and implementation units and transparent performance assessment approaches**

Promoting country ownership, accountability and poverty reduction - Whilst the issues addressed in the Paris Declaration are of major significance to the effectiveness of aid (see UKAN Policy Paper 4), its agenda for donors does not focus on the full range of policies and practices that are relevant to ensuring that their aid most effectively promotes country ownership, accountability and poverty reduction.

A more comprehensive effectiveness agenda that addresses these vital objectives would also include a focus on issues such as conditionality; transparency; openness to civil society engagement; focussing development efforts on the poorest and most marginalised groups; and monitoring and evaluation of impact. It is therefore vital that

any reform agenda for the multilateral development agencies also focus on these wider effectiveness issues that are so critical to them achieving their core mandates.

Formal assessments of multilateral development agencies (e.g. the Paris Survey and the Multilateral Organisation Performance Assessment Framework) do not always focus on these wider effectiveness issues, and it is therefore important that future assessments focus on them in more depth.

Despite the lack of comprehensive assessments of the effectiveness of multilateral development agencies, existing evidence from a wide range of sources points to a number of key reform priorities for these institutions, as well as some progressive existing approaches that should be built upon (see table above).

4. Recommendations

Informed by its longstanding engagement on the policies and practices of multilateral development agencies UKAN recommends the following be priorities for UK engagement with these institutions in the coming years:

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- ❖ **Focus the UK's scaling-up of support to multilateral development agencies on those agencies that display the most progressive approaches to aid effectiveness and promoting ownership, accountability and poverty reduction**
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This paper was produced by the UK Aid Network (UKAN), the network of UK development NGOs working on aid quantity and quality issues.

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