Multilateral Aid 2015: Better Partnerships for a post-2015 world

Over the past fifty years the multilateral system has proven to be resilient and responsive to changing development dynamics and urgent needs, a major source of development expertise and know-how, and a powerful channel for intermediating and allocating resources. As the international community stands on the brink of the post-2015 era, the future role to be played by multilateral organisations could be even more important. Achieving the Sustainable Development Goals (SDGs) transformative vision will call for inclusive partnerships that will provide collective and cross-border solutions. The OECD, through its fifth OECD report on multilateral aid aims to inform these global reflections.

The report *Multilateral Aid 2015: Better Partnerships for a Post-2015 World* has two main purposes: it monitors current global trends in the multilateral landscape and relevant DAC members’ policies and practices, and it contributes to the discussions on the implementation of the SDGs by providing recommendations to improve the workings of the multilateral aid system in a post-2015 world.

**Monitoring trends in the global architecture of multilateral organisations**

**FACT #1:** Funding to multilateral organisations rebounded in 2013, reaching an all-time high of USD 59 billion. This volume represented 41% of DAC member countries’ total gross ODA. Over 60% of these flows went to the European Union, the World Bank Group and United Nations funds and programmes.

Composition of gross ODA disbursements (excluding debt relief), Current USD billion

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount (USD billion)</th>
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</thead>
<tbody>
<tr>
<td>Bilateral ODA (excl. non-core)</td>
<td>85.9 billion</td>
</tr>
<tr>
<td>Earmarked funding/non-core</td>
<td>18.2 billion</td>
</tr>
<tr>
<td>Multilateral ODA</td>
<td>41 billion</td>
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</tbody>
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Total bilateral ODA = 72% of ODA

Total use of multilateral organisations = 41% of ODA

Multilateral ODA = 28% of ODA

2013 Total ODA (excluding debt relief) = 145 billion

FACT #2: The weight of funding to multilateral organisations that is earmarked for specific purposes, countries, or sectors is increasing, representing 31% of total funding to multilateral organisations in 2013. UN funds and programmes rely on earmarked funding the most: they received 76% of all funding as earmarked funds in 2013. Earmarked funding can help meet unexpected and emerging needs. But it can also limit the ability of an organisation to use these funds effectively, as it is more transaction-heavy and unpredictable than funding to multilateral organisations’ core budgets.

FACT #3: The multilateral aid system is expanding and becoming more complex, being populated with new players, new constellations of institutions, and more financing instruments and modalities. Seven large providers of development co-operation (Brazil, China, India, Saudi Arabia, South Africa, Turkey and the United Arab Emirates) significantly increased their funding to multilateral organisations in 2007-13, reaching USD 1.2 billion in 2013. While this amount is small compared to the total provided by DAC members, it represents an important contribution to international efforts to address humanitarian and developmental needs.

A new geopolitical axis is taking shape in the multilateral system with the establishment of the New Development Bank – a new financial institution led by the BRICS countries, and important financing initiatives developed under the leadership of China, such as the Asia Investment Infrastructure Bank. All this means more options and opportunities for developing countries to access and influence the nature and direction of global development finance. But there are associated risks, including duplication of effort, increased transaction costs, inadequate safeguards to harmful externalities, and excessive competition among institutions.

New vertical funds have been established or are being proposed. At the end of 2014, the first pledging conference of the Green Climate Fund exceeded the financing target suggesting that it could become the largest vertical fund ever. This fund has quasi-universal membership, where developed and developing countries have equal voice and decision-making powers.

Multilateral organisations have a fundamental role to play in the post-2015 era

Achieving the Sustainable Development Goals will require inclusive partnerships that will provide collective, cross-border solutions for eradicating absolute poverty and fostering a new era of economic progress, environmental sustainability and peaceful and inclusive societies. The multilateral system is uniquely equipped to support this agenda. Multilateral organisations are politically neutral conveners of global partnerships, vehicles for upstream pooling of resources, facilitators for multi-stakeholder cross-border operations, and setters of global standards and norms.

To be fit for purpose, however, multilateral organisations will need to implement a challenging change agenda to both address the unfinished business of ongoing internal improvements and adapt their skills and toolkits to respond to a fast-changing global environment. Bilateral providers can support by:

- ensuring predictable funding linked to the multi-year strategic plans of multilateral organisations
- providing more core funding and less transaction-heavy earmarked funding
- supporting governance reforms within existing multilateral organisations
- encouraging greater transparency and co-operation among existing and emerging institutions.

World leaders have agreed to embark on a path to sustainable development. Better multilateral partnerships can help us to reach our destination.

More information on the use of the multilateral aid system available at:

http://www.oecd.org/dac/aid-architecture/multilateralaid.htm