PRESENTATION OF THE 2008 MULTILATERAL AID REPORT

Issues paper

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This document provides the background and issues to be discussed by the SLM on the first DAC report on multilateral aid. It was developed from members’ statistical reporting and exchanges on their multilateral aid strategies and policies, as well as material from other relevant sources. The new version of the report [DCD/DAC(2008)59/REV1] has also benefitted from a round of written consultations with members and multilateral organisations.

The DAC is asked to provide guidance for further work on this topic, and on how the DAC might develop its role in dealing with trends and issues in the management by DAC members of their multilateral aid portfolios.

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1. The attached note is intended to provide a basis for the preparation of the agenda item Special Presentation of the 2008 Multilateral Aid Report [DCD/DAC(2008)58/REV1] of the Senior Level Meeting 9-10 December 2008.

Background

2. In 2006 Multilateral ODA accounted for a quarter (USD 28 billion) of DAC member countries’ total ODA and a further USD 11 billion was channelled through multilateral organisations by grants to trust funds and other earmarked contributions. This scale of usage of the multilateral system reflects bilateral donors’ view of multilateral organisations as knowledgeable, neutral and generally effective development actors. However, the multilateral aid system has been growing in complexity with an increasing number of agencies and instruments and in consequence donors – as major shareholders – are focussing more in their aid allocation processes on multilateral organisations’ performance and their ability to adjust this century’s development challenges. They have thus expressed a need for a better mapping in this field.

3. Mandated by the Development Assistance Committee (DAC), the Secretariat has produced this first report on multilateral aid. The report provides an overall picture of the multilateral aid architecture, covering mainly DAC countries’ provision of funding to multilateral institutions and their multilateral aid strategies and policies. The report also touches upon issues such as fragmentation, multilateral effectiveness, reform processes and partner country views.

Findings and suggestions for further work

4. Among key findings in the report are:

- the total use of multilaterals (core and non-core funding) amounts to 35% of total gross ODA in 2006;
- DAC members prioritise issues such as effectiveness, MDGs, poverty reduction, fragile states, health and climate change in their multilateral engagement;
- DAC members have been addressing the recommendations about their multilateral policies emerging from DAC Peer Reviews, and around half of members have developed an overall multilateral strategy;
- just five of the 242 ODA-eligible multilateral agencies account for 2/3 of all funding received, while over 100 agencies account for only 2% of the total;
- multilateral organisations are contributing to the fragmented picture of donors in many partner countries, and hence they are important players in division of labour processes;
bilateral donors’ multilateral assessment approaches generate duplication of effort. Work is underway for more joint efforts. The report suggests that bilaterals might apply Paris Declaration principles to contributions to multilaterals, including more use of their reporting systems and of mutual accountability for results. DAC members are well placed to advocate in executive boards for better, joint reporting on multilateral effectiveness;

existing surveys underline that partner countries clearly want to be heard and that their views on multilateral organisations should be reflected when assessing multilaterals; and

reforming the multilateral system is a priority on many DAC members’ agendas but growing complexity rather than system streamlining seems to be a growing trend.

5. This first report puts weight on data flows and multilateral strategies. It describes the advantages and disadvantages of the various assessment tools currently in use and efforts to improve them. Subsequent reports could follow up on some of the themes touched upon in this report, including the ongoing work on multilateral aid effectiveness, division of labour, partners’ views, system reform, data improvements on multilateral aid, and system fragmentation. They could also provide more in-depth studies of each major multilateral and other issues, such as non-DAC donors’ use of the multilateral system.

Expectations of the SLM meeting

6. The new multilateral report is an analytical report which will be issued on the Secretariat’s authority after having taken account of comments by members and multilateral organisations. At the SLM the Secretariat will present the report and its main findings. The intention is to limit the SLM discussion on the report to ensure that this and future multilateral reports address members’ needs and will become a useful analytical tool in future decision processes; it is not intended to discuss any consequential actions at the SLM.

Questions for discussion at SLM

- How can future multilateral reports be developed to meet the needs of DAC members and the wider international community?

- How might the DAC contribute to policy discussions regarding multilateral aid?

- How might the DAC more systematically discuss the trends and issues in multilateral aid, particularly from the perspective of the input of decision-making and related processes in their capitals?