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Development Insights: DAC peer learning brief on effective support for the multilateral system

This Development Insights brief on assessing effective support for the multilateral system draws together learning from recent peer reviews and builds on discussions during the Peer Learning event held in Paris on 11 December 2019 [DCD/DAC(2020)19]. Development Insights are short briefs prepared by the Development Co-operation Directorate to support learning and knowledge sharing within the Development Assistance Committee.

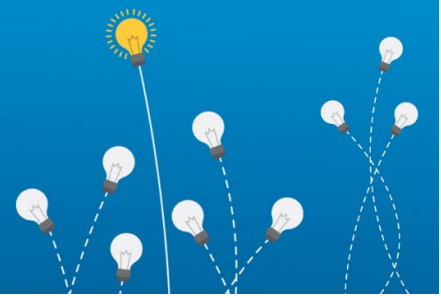
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Partnering, funding and influencing the multilateral development system: Re-thinking how to assess good practice

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Members of the Development Assistance Committee (DAC) take a range of approaches to enabling, funding and influencing the multilateral system. To better reflect this diversity, and that within the multilateral system itself, this *Development Insight* takes stock and proposes a new approach to assessing multilateral support.

Identifying and promoting effective multilateral engagement and support have become ever more important, as the share of official development assistance (ODA) delivered through multilateral institutions continues to rise. In 2018, 38% of gross ODA, or USD 69 billion, was delivered through these institutions, an increase of 2.4% in real terms over 2017.¹ OECD DAC members are the biggest group of shareholders and important members of the multilateral development system, and how they engage with multilateral institutions plays a critical role in their effectiveness. Assessments of multilateral engagement such as the OECD DAC peer reviews combine a set of soft principles, such as predictability and alignment, with analysis of funding flows and performance against international commitments. These are applied to all DAC members, considering each member's context. Over the course of recent reviews, DAC members have signalled the need to reconsider good practice – to develop a more tailored or modular definition that takes into account the diversity of multilateral institutions and the different systems, rationale and capacities of each DAC member.

Key messages

- Ensuring that DAC members fund and influence multilateral organisations effectively has become increasingly important in recent years, given the rising share of ODA going through and to multilateral organisations and the ever more complex development co-operation landscape.
- Effective multilateral engagement plays an important role in supporting the global role and mandate of multilateral organisations, partner country ambitions, and longer-term change and impact.
- Common ground has not yet been found in efforts to agree standards for assessing multilateral engagement and funding.
- A flexible matrix of good practice, rather than a single common set of standards, may provide a more tailored means to describe and assess effective multilateral support.

Working with and through the multilateral system: Why and how?

The why

DAC members work through the multilateral development system for a variety of reasons. Some do so to support the independent mandate and ability of multilateral institutions to carry out normative, sensitive or technical work. For others, the multilateral system is a platform to amplify national priorities. Most if not all members agree that the multilateral system can achieve greater scale and coverage than individual bilateral efforts and can do things that bilateral agencies cannot easily do, in particular in fragile contexts and on global public challenges and goods. There is less consensus on the role of multilateral organisations at country level. Some providers use their own bilateral channels for country-level work. Others use the multilateral system as their implementing partner, particularly where they do not have a country presence, where working with partner governments is more challenging or when they cannot achieve the desired scale through other channels. Ultimately, effective multilateral engagement supports the global role or mandate of multilateral organisations, partner country ambitions, and longer-term change and impact.

The how

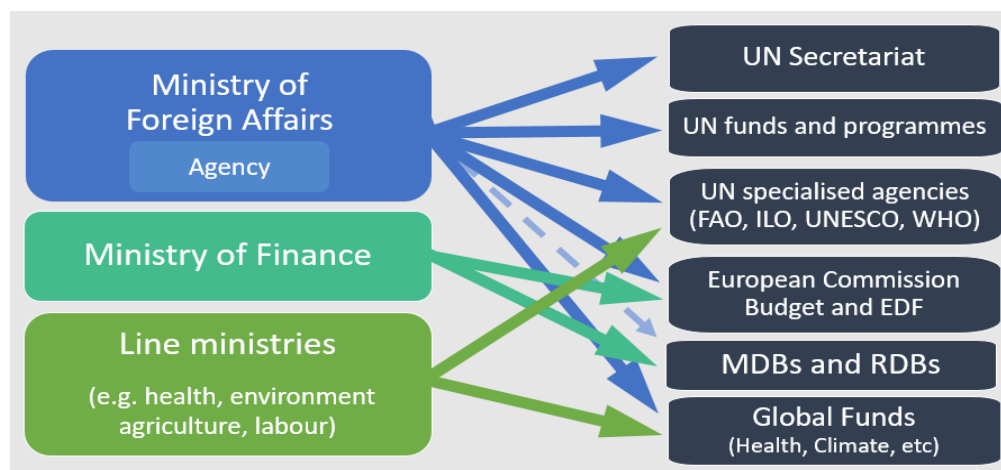
To pursue these goals, all DAC members engage with a range of multilateral institutions and use a mix of enabling and influencing approaches. These include:

- upholding the multilateral institution's governance framework and facilitating its mission through individual and collective diplomacy in operating countries
- engagement in formal governance structures, individually and through constituencies and alliances such as the European Union (EU)
- regular bilateral meetings, often combined with strategic partnership documents or memoranda of understanding
- senior appointments and secondments
- using funding as leverage to accelerate specific reforms or directing increased resources to the DAC member's priorities.

In seeking to influence the multilateral system, DAC members face various decisions: which organisations to support and why, which type of funding, how to engage in governance mechanisms at headquarters and in partner countries, how to assess and improve the performance of organisations, and how various parts of government will partner with multilateral organisations. Several factors shape these decisions. Among these are the type of institution (e.g. norm-setting, development bank, vertical fund) and how the member views its role. Another factor is the political economy of the provider. Within the DAC, smaller members tend to take different approaches than larger members, as do EU members and non-EU members. Members with a strong voice, individually or as part of a constituency, may choose to pursue priorities through formal governance structures, while others may seek alternative avenues for influence and visibility such as forming like-minded groups.

How providers engage may also depend on which part of their administration is involved. While voluntary, core contributions – for instance to the United Nations (UN) – tend to be decided by ministries of foreign affairs (MFAs) and/or the substantive line ministry. Decisions on development bank replenishments, on the other hand, are usually taken by ministries of finance (MoFs) in consultation with the MFA and/or the development agency. For climate, environment and health funding, relevant line ministries often lead or co-lead with the MFA and MoF (Figure 1). Some combination of line ministries, the MFA, permanent missions, and agency, embassy or field offices can decide non-core or earmarked funding. The extent to which engagement is co-ordinated and coherent depends on the member's systems and incentives for making it so.

Figure 1. Influencing the multilateral system: How DAC member governments engage



Note: This is an illustration of a best-fit model. It is not intended to reflect all realities.²

Source: Author's compilation based on learning from OECD DAC peer reviews, www.oecd.org/dac/peer-reviews/.

DAC members also tend to fund institutions in varying ways. Types of funding include regular assessed contributions as a condition of membership (e.g. to the UN and parts of the UN system); paid-in capital to development banks; cyclical replenishments for concessional funds of development banks such as the European Development Fund (EDF) and global and thematic funds; voluntary contributions to UN funds and programmes; country-based or multi-donor pooled funds; and funding for a particular activity or programme. Many members use multilateral channels to absorb large budgets or to disburse unspent funds at the end of their financial year. While most members indicate that they use institutional reviews undertaken jointly through the Multilateral Organisation Performance Assessment Network (MOPAN)³ to guide funding decisions, past levels of funding and disbursement levels at year end can be an important determinant of allocations, particularly for humanitarian pooled funds.

Working with and through the multilateral system: Building blocks for success

OECD DAC peer reviews have brought to light a range of good practices that reflect the diversity of members' rationale, logic and objectives for engaging with the multilateral development system.⁴



1. Develop clear strategies on why and how to engage

Some members have developed a **transparent multilateral strategy** to articulate their objectives in engaging with multilateral organisations. For example, Sweden's multilateral strategy guides the work of all government actors with multilateral organisations. It covers the UN system, international financial institutions and other large multilateral actors in development and humanitarian assistance. Effective strategies take into account, among other things, the agreed mandate of each multilateral organisation and the division of labour, and are linked to development results related to partner country needs.⁵ Comprehensive partner country strategies that include funding to and through the multilateral system also can help members capture and manage all of their engagement in a given country.⁶

Prioritisation and focus. Identifying and focusing on specific multilateral organisations helps ensure that member efforts are impactful. Italy offers an example, providing reliable, long-term support to select priority organisations that is backed by special legislation. Prioritisation and focus can also reduce fragmentation of the multilateral system by discouraging proliferation of new funds or multilateral entities.



2. Build multilateral solutions

Providers often use the multilateral system to **put development issues on the international agenda**, build coalitions, and help create and adjust multilateral frameworks. An example is the Least Developed Countries Fund, which is operated by the Global Environment Facility and was established under the UN Framework Convention on Climate Change to address the special needs of least developed countries that are especially vulnerable to the adverse impacts of climate change.



3. Agree common practices

The UN Funding Compact and the Grand Bargain are examples of members coming together to **jointly agree common practices to improve the behaviour of both providers and recipient organisations**. Through the Compact, for example, UN member states commit to predictable and multi-year funding and UN entities commit to implement the UN Secretary-General's goals on operational consolidation for efficiency gains.



4. Employ a mix of modalities

Some members employ a **mix of funding and engagement strategies** to help maximise achievements. For example, Canada has found that complementing core funding with earmarked funding enables it to move the agenda on its priorities. Other members may use earmarking to advance reform efforts such as support to the UN Resident Coordinator (UNRC) system.

Flexible funding. Effective funding tends to be multi-annual, flexible, provided in response to clear needs and aligned to the organisation's strategic plan. This means using evidence to make decisions on funding and ensuring funding is as programmatic as possible. Multi-donor trust funds and country-based pooled

funds offer flexibility and are one means to avoid proliferating single-donor initiatives. Another of their advantages is as a platform for dialogue that usually involves all stakeholders.



5. Engage in constructive dialogue

Constructive dialogue at governing board level is an important contributing factor to success in working with the multilateral system, regardless of whether a member provides core, thematic or country funding or supports programme funds. **Effective board engagement** means reinforcing mandates, supporting agreed system reforms and where possible advocating for joint approaches.

Engagement at country level. Through their country presence, DAC members also engage with and influence the multilateral system on the ground, including through co-ordinating and engaging in both formal and informal dialogue to ensure synergies and complementarities in country processes and programming.

Whole-of-government approaches. To ensure coherence and connect board engagement with country-level experience, feedback between different parts of their system is key. Members take different approaches to ensure this. Centralised approaches include making the MFA responsible for co-ordinating all multilateral work, though this tends to work best where the ODA budget is relatively small. Some members have created dedicated units or mechanisms led jointly by the MoF and MFA. Coherence is often easier to ensure where members have a presence in partner countries. An example of a decentralised approach is Japan's ODA Task Force in partner countries. Another is to require that diplomatic staff provide feedback on how a particular multilateral mission is performing, which requires that embassies have the necessary mandate and resources.



6. Undertake oversight and reporting to legislative bodies

Effective oversight can support transparency and accountability and uphold good standards. For example, the governments of the United Kingdom and the Netherlands regularly report to their countries' parliaments on the overall rationale of their multilateral engagement, funding levels and achievements, drawing on joint analysis and noting where challenges arise. Joint initiatives such as MOPAN are helpful to gather information from multilateral partners and reduce the burden of such accountability mechanisms on multilateral organisations.

Different approaches, common standards

Table 1 presents some guiding principles that are drawn from these building blocks and can apply to different funding approaches. As noted, members apply these in different ways. In terms of funding, providing multi-annual commitments, ensuring predictable disbursements, and minimising additional reporting and due diligence give multilateral agencies the flexibility to respond to the needs of members and partner countries.

Similarly, partnering with multilateral organisations to strengthen partner governments' systems and encourage broad country ownership (recognising some areas may not be a partner government priority) are solid effectiveness principles. To help ensure a minimum level of coherence, it is important to align funding for and strategic engagement with the UN system to the UN Sustainable Development Co-operation Framework (UNSDCF). Linking discussions at country level to engagement in governing boards will enhance coherence.

Table 1. Could a matrix approach better define common standards for effective multilateral support?

This table outlines a matrix approach to assessing good practice for engaging, funding and influencing the multilateral development system, taking into account the diversity of both multilateral institutions and providers.

	Core (un-earmarked) funding	Softly earmarked thematic or country funding	Project-type funding
General principles for all funding	Start with an assessment of the context and agreed results. Use evidence to make decisions on funding. Ensure funding is flexible, multi-annual, predictable and transparent and disbursed early in the year. It minimises additional reporting and due diligence, including by using joint initiatives, and prioritises use of existing channels.		
General principles for engaging with country teams and funding	Encourage strengthening of partner governments' systems as well as broad country ownership and strengthening of local partners, while recognising some sensitive areas may not be a partner government priority, accept standard narrative and financial reporting templates, ensure that any funding through the UN aligns to the UNSDCF. Link discussions at country level to engagement in governing boards.		
Governance mechanisms	<p>Does engagement reinforce the mandate, agreed systems reforms and joint approaches of the organisation?</p> <p>Does engagement reflect a whole-of-government approach?</p> <p>Does engagement link country-level learning and experience to governing board discussions?</p> <p>Are overall allocations based on an assessment of evidence?</p>	<p>Does engagement reflect an effort to identify underfunded areas at governing board level, ensure that steering committees for earmarked funds include relevant stakeholders, encourage inter-agency collaboration where appropriate, and resist further earmarking of funds with implementing partners?</p>	<p>Does engagement aim for multi-donor projects?</p> <p>Do you ensure project funding is based on partner-identified need and is in sync with the organisation's strategic plans?</p> <p>Do you ensure that steering committees for earmarked funds include relevant stakeholders and encourage inter-agency collaboration where appropriate?</p> <p>Do you fund as programmatically as possible?</p> <p>Is earmarked funding systemic, for example does it support the UNRC and/or core functions such as evaluation and results management?</p>
Bilateral consultations and memoranda of understanding	<p>Do you adopt whole-of-government approaches?</p> <p>Do you align to the multilateral results and strategy?</p> <p>Do you offer predictable, multi-year partnerships?</p> <p>At country or regional level, do you follow up regularly through your country or regional offices to ensure smooth implementation?</p>		
Engaging with thematic and/or geographical teams	<p>Do you focus on agreed results and encourage generation and dissemination of evidence?</p> <p>Are your multilateral and bilateral efforts complementary and/or do they reinforce each other?</p>		
	<p>Do you work with geographic and thematic teams where you have specific expertise?</p>	<p>Do you engage effectively on geographic and thematic priorities?</p> <p>Is your messaging to thematic teams and country offices consistent with your government's messaging at board level?</p>	

Source: Authors' articulation based on evidence gathered through OECD development co-operation peer reviews.

Notes

¹ These figures are based on data from the OECD 2019 Creditor Reporting System, available at <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>. In 2018, DAC countries provided USD 69.2 billion of gross ODA to the multilateral system, of which USD 45.2 billion was core multilateral ODA and the rest was earmarked contributions for a specific country, region, theme or purpose). This represents an increase of 2.4% in real terms over 2017. Other official providers provided USD 2.7 billion, USD 1.2 billion as core multilateral ODA and the rest as earmarked contributions, which was an increase of 20.1% in real terms from 2017.

² The full titles of the UN specialised agencies are Food and Agriculture Organization (FAO), International Labour Organization (ILO), United Nations Educational, Scientific and Cultural Organization (UNESCO), and World Health Organization (WHO). An MDB is a multilateral development bank and an RDB is a regional development bank.

³ For more information, see www.mopanonline.org/.

⁴ This particular *Insight* is one in a series of products relating to multilateral engagement. The background paper, “Ensuring effective and quality support for the multilateral system”, was submitted for discussion at the 15 October 2019 DAC meeting ([https://one.oecd.org/document/DAC/DAC\(2019\)50/en](https://one.oecd.org/document/DAC/DAC(2019)50/en)). Other ongoing Secretariat work includes the *Multilateral Development Finance Report* and a series of Policy Briefs, including on earmarked funding and on the role of multilateral organisations in supporting global public goods.

⁵ Effective strategies also identify synergies between bilateral and multilateral support and incorporate evidence of effectiveness and impact, ambition to make the multilateral system more effective, and international development commitments including the 2030 Agenda.

⁶ For example, Japan includes earmarked funding through multilateral organisations in the three-year rolling plans for partner countries.

Contact

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This *Development Insight* brief is part of a series of briefs that build on discussions within the Development Assistance Committee (DAC), learning from OECD DAC peer reviews and peer learning exercises, and feed into standard setting at the DAC. Supporting an effective multilateral system was also a discussion topic at the December 2019 OECD DAC Peer Learning Event. See background papers at [https://one.oecd.org/document/DAC/DAC\(2020\)19/en](https://one.oecd.org/document/DAC/DAC(2020)19/en).

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