

OECD *Multilingual Summaries*

Multilateral Development Finance

Towards a New Pact on Multilateralism to Achieve the 2030 Agenda Together

Summary in English



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The 2030 Agenda for Sustainable Development calls for more and better multilateral development co-operation. Multilateral organisations and contributors – i.e. founders, shareholders and funders – hold the responsibility for achieving it.

The 2030 Agenda for Sustainable Development recognises that the most pressing development challenges the world faces are complex and cross-border, requiring integrated, multi-stakeholder approaches. Official Development Assistance (ODA) continues to play a vital role in supporting the achievement of the 2030 Agenda, and most countries have yet to meet internationally agreed targets on ODA. Multilateral institutions have – and will continue to play – a crucial role in the delivery of ODA and other forms of support to developing countries, as well as helping to address global public goods and “bads”.

This report presents new evidence on how multilateral development co-operation is evolving, including because of a growing number of actors – governments, philanthropists, private sector and others – engaging with the multilateral development system. The report outlines policy recommendations to help all actors support a stronger and more effective multilateral system through evidence-based Principles of Good Multilateral Donorship. These principles can be the basis of a new pact on multilateralism needed to achieve the 2030 Agenda.

Resources for multilateral development co-operation are growing

The funding landscape of multilateral organisations is evolving. Development Assistance Committee (DAC) countries remain the main source of financial support for the multilateral development system, towards which they allocate a stable share of ODA: 41% in 2016, or USD 63 billion. At the same time, financial support is increasing from other sources, such as China and other emerging economies, corporations, philanthropists, and other multilateral institutions. In particular, funding from sovereign states excluding the DAC has been the fastest-growing component of funding to the UN Development System, increasing by 52% between 2011 and 2016. However, collectively, sovereign states excluding the DAC only account for 5% of total funding to the UN Development System, for a total of USD 1.5 billion in 2016.

Both public and private resources are slowly helping to grow the pie of funding available to the multilateral development system, but with significant variations across institutions. Overall, the largest increase of resources is through non-concessional finance from capital markets rather than concessional finance from sovereign states and philanthropists. UN entities and vertical funds that are reliant on sovereign states and philanthropy resources have experienced slow increases in funding. In contrast, the International Development Association (IDA) and the Asian Development Bank (ADB) recorded major, transformational boosts of resources, through the IDA's debut on the capital market and the merger of the ADB's soft fund into the bank's overall balance sheet. Overall, non-DAC resources accounted for between 12% for the Global Fund and 71% for the IDA (for which private finance from market borrowing and internal resources covered most of the remaining share).

Increasing resources for multilateral development co-operation are not enough to improve multilateral development co-operation for the 2030 Agenda

Increasing volumes of funding for multilateral development co-operation is not enough to improve multilateral organisations' development impact and contribution to the 2030 Agenda. Resources from old and new sources should align with the mandates of the multilateral organisations and developing countries' needs, supporting an effective multilateral development system.

When contributors provide funding with many conditions and special reporting requirements attached, this can hamper the performance of multilateral development partners. An increasing trend - both from DAC countries and other sources - of scattered and piece-meal funding promotes project-based interventions and jeopardises multilateral organisation's ability to provide the transformative, holistic and integrated solutions needed to achieve the 2030 Agenda.

Resources for multilateral development co-operation also need to allow for tailoring funds and approaches to country needs and the priorities of the 2030 Agenda. However, while finance from multilateral organisations to developing countries is growing significantly (from USD 109 billion in 2008 to USD 162 billion in 2016, or +49% in real terms) mainly due to an increased funding by multilateral development banks, the overall level of concessionality of resources provided is not. This trend raises the question of finding appropriate levels of concessional resources for 'hard-to-finance' operations, which are critical in the 2030 Agenda era. These include humanitarian and development operations in the most fragile and vulnerable contexts as well as support for global public goods.

Multilateral development partners will need to enhance their ways of working and implement programmes that are co-ordinated and coherent across institutions, in order to avoid overlaps and build on comparative advantages. They are already taking steps to address these issues through intergovernmental processes, institutional reforms and partnership agreements— but efforts are still at early stages and need to demonstrate results. Finally, multilateral development partners need to ensure that the programmes and projects they finance truly provide value across all sustainability dimensions: economic, social and environmental.

Evidence-based principles of good multilateral donorship are needed for multilateral co-operation to achieve the 2030 Agenda

The multi-dimensional metrics on good multilateral funding developed for this report shows that sovereign states and multilateral organisations have a common responsibility to ensure adequate volumes and quality of resources for multilateral development co-operation. Greater quality of funding can be achieved through actions by both sovereign states and multilateral organisations to: better align resources to the mandates of multilateral organisations; increase flexibility in the use of resources; enhance predictability of revenue streams and reduce fragmentation of resources.

Beyond providing funding, sovereign states influence and shape multilateral organisations largely through their policies, decision making processes and monitoring practices. For example, sovereign states play a major role in board discussions of multilateral organisations and can encourage the adoption and use of social and environmental safeguards in multilateral operations.

Therefore, this report presents policy recommendations for principles of good multilateral donorship that address contributors': 1) policies, decision-making processes and monitoring practices, and 2) funding policies and practices. These are summarised below:

- Adopt whole-of-government approaches for defining the expected outcomes of multilateral partnerships and adequate co-ordination mechanisms. This would maximise the benefits of the growing plurality of national actors involved in multilateral co-operation and reduce overlaps and duplications.
- Strengthen collective initiatives to assess multilateral performance, such as multilateral organisations' evaluation units and MOPAN, to reduce the proliferation of bilateral assessments and using board discussions as the key platform for fostering institutional change.

- Promote harmonised working practices of multilaterals and encouraging discussions on systemic gaps and division of labour.
- Fill gaps in underfunded areas by contributing to thematic windows and softly-earmark funds instead of strictly earmarking at the project level.
- Increase predictability of funding by making multi-annual commitments linked to the strategic plans of multilateral organisations.
- Collect and using evidence to make decision on earmarked funding and ensure alignment with the mandate and priorities of multilateral organisations, particularly by centralising the information on the use and impact of earmarked funding and reviewing the multilateral portfolio accordingly.

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