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# Multilateral Aid

Structural Change and Donor Preferences

*Stephan Klingebiel*



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## Abstract<sup>1</sup>

It is rarely possible in practice to draw a clear distinction between bilateral and multilateral aid, as there are overlaps between them and they are often delivered in special forms. Moreover, aid delivered by EU (European Union) institutions differs from multilateral forms of aid.

Essentially, there are two perspectives on multilateral aid as a system. The first says that it represents a functioning 'patchwork' approach to global challenges. The second claims that it is severely fragmented and inefficient. It is against this backdrop that this article analyses the structural changes taking place within multilateral aid and their implications for the quality of aid.

**Keywords:** Development cooperation, multilateral development cooperation, effectiveness, fragmentation, proliferation

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## Abbreviations

CPA	Country Programmable Aid
DAC	Development Assistance Committee
DFID	Department for International Development
EU	European Union
IDA	International Development Association
MOPAN	Multilateral Organisation Performance Assessment Network
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
QuODA	Quality of Official Development Assistance Assessment
UN	United Nations



## 1 Introduction

### 1.1 A topic with fresh relevance?

Research into development and (Official Development Assistance (ODA))<sup>2</sup> typically deals only in passing with multilateral aid, tending to focus instead on overarching issues, such as the contribution made by aid to economic growth, the impact of aid on governance systems in partner countries, and the effectiveness of different aid approaches and instruments (such as programme financing), as well as on individual players such as the World Bank Group and the EU.

Nonetheless, issues relating directly and indirectly to the multilateral system have been receiving more and more attention over the past five years or so. The impetus for the present study has come from both aid practitioners and development researchers. There are two main, partially overlapping debates in this context. The first concerns the interest expressed by donor countries in new, evidence-based analyses of the work carried out by individual multilateral institutions. Given that half of the members of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) regularly review the balance between their bilateral and multilateral aid allocations,<sup>3</sup> donors use these analyses as evidence in deciding how to allocate funding.

The second debate surrounds the longer-term proliferation in the number of aid players (Zimmermann / Smith 2011; Severino / Ray 2009). This trend involves a range of players, such as private actors (primarily foundations) and emerging economies such as China, India and Mexico in their role as new donors, and ultimately the growth in the number of multilateral financing mechanisms. The rising number of players has fostered a perception of the aid system as fragmented and disadvantageous. Among the reasons for this are efficiency losses caused by high transaction costs. Eighty per cent of all low-income countries (LICs) registered an increase in the number of donors between 2004 and 2009, some of them actually recording rises of over 50 per cent (OECD 2012, 122). Some observers (such as Reisen 2009) consider the number of multilateral players to be one of the main reasons for the fragmentation of the aid system.<sup>4</sup> By contrast, other analyses see precisely the opposite situation in terms of structure, with a stronger overall concentration of multilateral aid leading to less fragmentation than with bilateral donors.<sup>5</sup>

### 1.2 Distinctions and overlaps

One of the fundamental distinctions in the provision of aid is that between bilateral and multilateral aid. This suggests that certain aid characteristics differ according to whether the donor is an individual state (i.e. providing bilateral aid) or an international institution (i.e. providing multilateral aid).

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2 The term ‘aid’ is used in this paper as a synonym for ODA.

3 Eleven out of 23 DAC members say that they review the balance between their bilateral and multilateral aid allocations every three to five years (OECD 2012, 30).

4 Consequently, Reisen (2009) refers to a ‘multilateral donor non-system’.

5 See OECD (2012) and the more detailed explanations later on in this paper.

As an aid category, the term ‘multilateral aid’ refers to programmes in which contributions from individual donors are pooled, forming part of the service provided by an international donor institution.<sup>6</sup> In practice, it is rarely possible to draw a clear distinction between bilateral aid and multilateral aid, as there are overlaps between them and special forms (such as multi-bi aid)<sup>7</sup> also exist, alongside EU development cooperation and international agreements that lead to the use of sectoral and regional quotas for bilateral aid (Klingebiel 2012). For example, there is a growing tendency to earmark funding for multilateral institutions for specific purposes, with the result that these institutions and their supervisory bodies are no longer able to decide how the funds should be used. At the same time, international fora are becoming increasingly important in deciding how funding from individual donors should be spent – on certain groups of countries or sectors, for instance. This may be interpreted as a process in which international decisions (many of which are merely of an advisory nature) are intended to influence the allocation decisions taken by bilateral donors.

### 1.3 Scope and relevance<sup>8</sup>

Based on core contributions to multilateral institutions (including the EU), the OECD’s DAC donors provide just under 30 per cent of their ODA in the form of multilateral aid (2011: 27 per cent or USD 37.6bn). This percentage used to be higher in certain years (2001: 33 per cent). The proportion of multilateral aid provided by DAC members varies greatly from country to country. The United States, the world’s largest donor, provides by far the smallest proportion of aid for multilateral institutions (11.5 per cent in 2011), whereas Italy supplies the highest proportion (56.7 per cent). Germany is in the upper middle range, supplying 34.4 per cent of its ODA in the form of multilateral aid (OECD 2013b).<sup>9</sup>

The past few years have seen a marked increase in aid provided via multilateral channels that is earmarked for specific purposes, sectors or countries. This is the approach adopted by some bilateral donors for undertaking specific projects (including small-scale activities). Consequently, this aid is not truly multilateral as, despite being issued via multilateral mechanisms, it is not supplied to the international institutions in the form of core contributions<sup>10</sup> (‘bilateralisation of multilateral aid’). Multi-bi aid currently accounts for 12 per cent of total ODA (USD 16.5bn; 2011) and this figure is increasing rapidly (OECD 2013b). A number of donors, including Australia, Canada and the United States, are providing more multi-bi aid than core contributions. The disadvantages of multi-bi aid are

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6 See the OECD definition of multilateral aid. According to this definition, multilateral aid must fulfil three criteria, one of them being that it ‘pools contributions so that they lose their identity and become an integral part of its financial assets’ (OECD 2011a, p. 23). The other two criteria are as follows: multilateral ODA is a core contribution made to a recipient institution that a) conducts all or part of its activities in favour of development; b) is an international agency, institution, or organisation whose members are governments, or a fund managed autonomously by such an agency.

7 Aid earmarked for specific purposes. More details are given later on in this paper.

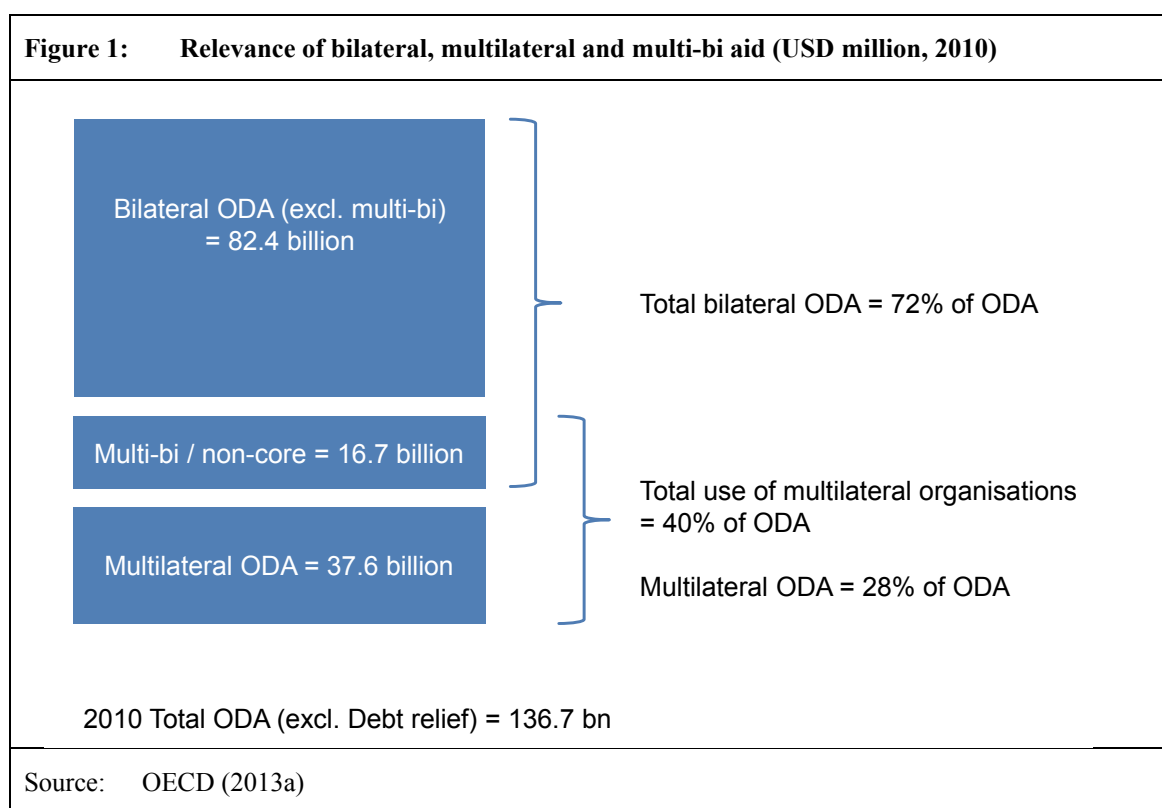
8 Unless otherwise indicated, figures are taken from OECD 2011a.

9 The reasons for this pattern are discussed later on in this paper.

10 That is, aid not earmarked for a specific purpose.

considerable and far outweigh any benefits (e.g. as a means of trialling certain approaches). This is particularly true of non-core contributions from a single donor ('a single trust fund') as opposed to non-core financing from a number of donors ('multi-donor trust funds'). For example, non-core contributions raise transaction costs and undermine the governance structures of multilateral institutions, potentially contributing to the watering down of institutional mandates, as actors are given incentives to take on a wide range of different tasks (OECD 2012, 47–49).

'New donors' have adopted a variety of stances in relation to multilateral aid. Most EU member states who are not DAC members lack their own implementation structures and supply a relatively high proportion of their aid via the EU. Russia and Brazil primarily use regional mechanisms, while China and India favour bilateral approaches (OECD 2011a, p. 34; UNDESA 2010).



#### 1.4 Multilateral aid players

Multilateral aid players differ in terms of their importance, remit and regional or sectoral focus. In terms of the volume of available aid, the EU institutions are the dominant players, along with development banks (such as the International Development Association) and regional banks (such as the African Development Bank). A number of players work at global level, while others focus on specific regions. The Global Fund to Fight AIDS, Tuberculosis and Malaria is a vertical fund and one of the key actors in multilateral aid. There is also a separation of tasks at multilateral level (in important areas at least) into development finance (performed by development banks) on the one hand and technical cooperation (undertaken by UN funds and programmes) on the other.

With around 210 organisations, funds and trust funds active in the field, there clearly are a large number of multilateral aid players.<sup>11</sup> However, most activity is concentrated around five clusters of players who administer 81 per cent (2006–2010 average) of all multilateral aid donated by DAC members (OECD 2013a, 12):

- European Development Fund (EDF) and EU aid budget (36 per cent)
- International Development Association (IDA) (World Bank Group) (22 per cent)
- UN funds and programmes (9 per cent)
- Asian Development Bank and African Development Bank (3-5 per cent)
- Global Fund to Fight AIDS, Tuberculosis and Malaria (7 per cent)

The remaining multilateral institutions account for just 19 per cent of overall multilateral aid.

### 1.5 The specific role of the EU

Aid from EU institutions, financed through the European Development Fund and, to a lesser extent, the EU budget, amounts to around 18 per cent of all aid provided by EU member states who are members of the DAC. The European Commission is the largest donor within the EU (Klingebiel 2012). Aid from EU institutions amounted to USD 13bn in 2010. EU member states who are members of the DAC account for over half (55 per cent in 2010) of the total global aid provided by DAC members (OECD 2011b, 140 and 154–155).

As a supranational donor, the EU is a special case and may be classified only to a very limited extent as a provider of multilateral aid.<sup>12</sup> The EU is the only DAC member to perform three functions:

- (i) it supplies its own aid to developing countries;
- (ii) it acts as a donor to multilateral institutions, passing on funding;
- (iii) it serves as a catalyst between member states and the European Commission, ensuring that they coordinate their dealings with multilateral institutions and partner countries.

All in all, the aid provided by the EU is best understood as a sort of ‘collective bilateralism’, rather than a form of multilateral aid (Klingebiel 1993). This new classification could be relevant to donor countries that have set upper limits for aid contributions to multilateral institutions (OECD 2012, 31).

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11 Cf. [http://www.oecd.org/dac/aid-architecture/12\\_10\\_02\\_per\\_cent20Policy\\_per\\_cent20Briefing\\_per\\_cent20on\\_per\\_cent20Multilateral\\_per\\_cent20Aid\\_draft\\_final\\_draft\\_per\\_cent20\\_per\\_cent282\\_per\\_cent29.pdf](http://www.oecd.org/dac/aid-architecture/12_10_02_per_cent20Policy_per_cent20Briefing_per_cent20on_per_cent20Multilateral_per_cent20Aid_draft_final_draft_per_cent20_per_cent282_per_cent29.pdf), accessed on 14 March 2013.

12 As the 2011 DAC Report states, ‘*Even though it is often presented as a multilateral in DAC publications, the EU is an individual donor with its own development policy and resources.*’ (OECD 2011b, 155).

For the EU, the issue of complementarity in relation to aid arises at multiple levels (Grimm 2010). The primary focus is on complementarity between the Union and its member states. The Maastricht Treaty stipulated that the policies of EU institutions should complement those of EU member states. The Lisbon Treaty underscored the EU's importance as an autonomous donor. The policies of the EU and its member states must now complement one another (this is known as 'shared parallel competences'). Complementarity in aid provision between EU member states is another important dimension that is becoming an increasingly prominent topic of debate.

A range of reforms introduced since the end of the 1990s has significantly improved the effectiveness of aid provided collectively by EU institutions (Grimm 2010). The EU and its member states face other, significant challenges in coordinating European aid. The EU Code of Conduct on Division of Labour (2007) and the Joint Programming initiatives are designed to help deal with these challenges.

## **2 Multilateral aid: strengths and weaknesses**

### **2.1 Traditional views on the strengths and weaknesses of bilateral and multilateral aid**

Bilateral aid has a number of advantages from the perspective of individual donor countries. Donors have far greater direct influence over how the aid is allocated, for example, in terms of topics and countries. This affords them greater visibility, both in their own countries (vis-à-vis their national parliaments and the general public, for example) and in their partner countries. It is also far easier for donor countries to pursue their own interests with bilateral aid, for example, by ensuring either directly or indirectly that companies from their own countries receive preferential treatment or by using aid as a foreign-policy instrument for punishing partner countries. Direct vested interests on the part of donor countries usually diminish the development policy benefits that aid is intended to provide.<sup>13</sup> Bilateral donors also exploit their ability to act more quickly and flexibly and with less red tape than multilateral actors (Klingebiel 2012). Some donors, such as Switzerland and Germany, have set upper limits for the proportion of multilateral aid (OECD 2012, 31–32) in order to promote bilateral aid, thus allowing them to increase their own visibility and influence as donor nations. It is hard to show how this kind of automatic limitation and the use of fixed quotas generate any development-policy gains in the context of the aid effectiveness agenda.

Multilateral aid is seen as having other advantages and disadvantages, some real and some perceived. In certain cases, partner regions have more opportunities to participate in the decision-making processes of multilateral aid providers, as they are represented on the supervisory boards of these institutions (as is the case with UN funds and programmes). This lends greater legitimacy to the corresponding aid programmes in the partner countries (Fues / Klingebiel 2007). Multilateral aid leaves far less scope for individual donor coun-

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13 For example, the lack of international competition means that services tied to donor countries are more expensive on average and may be poorer in quality than those sourced through international tenders. The cost of tied aid is around 15 to 30 per cent higher, and in some cases even 40 per cent higher (as in the case of food aid) than the cost of untied aid (Clay et al. 2009, 1).

tries to pursue their own interests, making it less politicised and interest-based. As a result, multilateral aid can facilitate greater ownership by partner countries. Some studies (Keohane et al. 2009) suggest that multilateral institutions and multilateral aid can also help to support democratisation processes in recipient countries, for example, by promoting the rights of minorities.

Pooling resources also generates returns to scale and allows larger-scale tasks to be taken on than would be possible with individual bilateral donors, thereby reducing the risk of ‘projectitis’. The multilateral approach also allows bigger risks (for example, in fragile countries) to be accepted than with bilateral aid and reduces the risk of partner countries becoming ‘aid orphans’ or ‘aid darlings’, as multilateral mechanisms distribute aid more evenly among recipient countries (OECD 2012, 20). Moreover, multilateral actors perform different tasks from bilateral donors in some cases. For instance, a number of UN institutions function as leading international standard-setters, a role that bilateral donors are unable to fulfil (Fues / Klingebiel 2007). A significant argument in favour of aid provision by EU institutions is that these institutions not only represent another European donor, but to an growing extent also coordinate the European aid system (Orbie 2012).

## 2.2 Newer aspects of (multilateral) aid

In addition to the points raised thus far, some of which were already discussed in the 1960s and 1970s, certain other aspects are becoming increasingly important:

- (i) Aid effectiveness and the perspective of partner countries. It should primarily be the partner countries who identify and evaluate the advantages and disadvantages and, consequently, the effectiveness of bilateral and multilateral aid (Klingebiel 2012). If a fragmented aid system is generally detrimental to partner countries (due to high transaction costs, lack of transparency, high overheads for maintaining the system, etc.), the first question to ask is not whether bilateral and/or multilateral aid is needed (as was often the case in the past), but rather whether the donor’s aid delivery structure is effective. Consequently, focusing on whether aid is bilateral or multilateral is only of limited benefit, as there are other major issues to consider (such as aid modalities and the options for using national systems).

Multilateral aid or further multilateralisation can therefore be interpreted as a contribution to the aid effectiveness agenda (Manning 2012, p. 10). Supplying ODA through multilateral channels generates efficiency gains (as work flows are rationalised, resources pooled and so forth). At the same time, research findings point overwhelmingly to multilateral mechanisms as being an effective means of resource deployment.<sup>14</sup>

- (ii) New visibility. Against the backdrop of new national procedures (greater significance of cross-donor sector dialogue, etc.) and more recent aid approaches to financing programmes in partner countries (pooled contributions, budget support, etc.), the question of whether bilateral aid really provides greater visibility is entering a new dimen-

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14 See Section 3 for further details.



sion. Partner governments and donors represented in partner countries now evaluate aid provision far more in terms of its impact on development policy and its integration into the partner country's national processes (Vollmer 2012), rather than in terms of the degree to which aid can be attributed to a particular donor. Consequently, individual projects linked to specific donors play more of a background role and are even considered detrimental to development policy in some cases (as they can distort accountability structures). In some instances, budget support and other programme-financing contributions are a more effective means of gaining visibility in partner countries than running conventional, prestigious bilateral projects. Involvement in local dialogue processes is becoming a more important means of raising visibility. As a result, the classic argument for bilateral aid (i.e. that it secures greater visibility in partner countries) is becoming increasingly redundant.

- (iii) Division of labour by country and sector. In the context of the debate on aid effectiveness, questions about the way in which labour is divided among donors are highly topical. One of the effects of bilateral donors seeking to focus their activities on specific countries is that the number of bilateral donors and the volume of ODA in a range of partner countries (a disproportionately high number of which are 'difficult partner countries') are both on the decline. By contrast, multilateral players – or at least the main ones – have a mandate to maintain a broad presence (multilateral aid as the donor of last resort).<sup>15</sup> The same applies to the way labour is divided among different sectors in partner countries.
- (iv) Global public goods. Development cooperation takes place in a rapidly changing environment. In the past, development policy challenges were viewed primarily as issues that needed to be dealt with by individual countries. However, this approach is barely relevant any longer, as so many issues (such as security, climate change, migration and food security) cross national borders. More and more development policy tasks are being addressed in connection with the provision of public goods (Kaul et al. 2003; Kaul 2013).

Multilateral actors are at an advantage when it comes to helping to provide global and regional public goods, as they ought to be better placed to address the difficulties caused by collective action than a large number of individual states with many different approaches.

- (v) Standards. The Millennium Development Goals and the aid effectiveness agenda both serves as examples<sup>16</sup> of how only multilateral organisations have the universal legitimacy that is required to set international standards for global, regional and national policies (to be pursued by partner countries, donors and so forth).

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15 DFID, for instance, now works with only 28 countries (DFID 2012, 8), while the EU is active in some 150 countries (UK Parliament 2012).

16 Efforts are consequently being made to involve the UN more in the international debate on aid effectiveness.

### 3 The effectiveness of multilateral aid

There are two main ways of assessing the effectiveness of multilateral aid. The first is to conduct targeted performance analyses of the multilateral system or of individual multilateral institutions. The second is to use indicators introduced by the OECD over the past few years.

#### 3.1 Performance analyses

Over the past five to ten years or so, increasing efforts have been made to evaluate the effectiveness of donors more systematically. In certain cases, these efforts have focused specifically on multilateral institutions. The main analyses include:

- Evaluations based on the Paris Declaration, using relevant aid effectiveness indicators. However, the most comprehensive study conducted on this basis, i.e. that by Wood et al (2011), does not include development aid provided by the EU and the IDA.
- The Multilateral Organisation Performance Assessment Network (MOPAN<sup>17</sup>), set up in 2002 and comprising 17 donor countries with a common interest in assessing the effectiveness of multilateral aid. MOPAN conducts four to six joint analyses each year (OECD 2013a).
- The Quality of Official Development Assistance Assessment (QuODA) (Birdsall and Kharas 2010), comparing 31 bilateral and multilateral donors.
- Donor studies and reports on the multilateral system, such as the Multilateral Aid Review conducted by the UK Department for International Development (DFID), in 2011. Similar studies have been carried out by Australia, the Netherlands and Sweden (OECD 2013a, 22; OECD 2013b). The German Federal Ministry for Economic Cooperation and Development (BMZ 2013) has devised three criteria for systematically evaluating multilateral organisations:
  - (i) the organisation's development-policy relevance or mandate;
  - (ii) organisational performance;
  - (iii) the options available to Germany for exerting influence.
- Unlike the MOPAN network, analyses of individual donors differ from one another, as they are heavily influenced by each donor's preferences (priorities which may not form part of the institution's profile, which do not necessarily correspond with the rationale and focus of the multilateral institution.
- Reports on individual players (such as Bigsten et al. 2011 on the EU).

Despite the studies already available, there is only limited scope for drawing general conclusions on quality distinctions between bilateral and multilateral aid. This is due to the huge diversity in donor groups (bilateral and multilateral) and the wide variety of investigative methods and approaches used.

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17 For more details, see <http://www.mopanonline.org/>.

Nonetheless, multilateral aid fares well on the whole in most of the study findings. For example, QuODA shows that, on average, multilateral organisations outperform bilateral donors in three out of four aspects of quality (Birdsall / Kharas 2010, 24–25). Most other studies confirm these findings (for example, Picciotto 2011).

So far, it has not been possible to adequately assess how and to what extent studies on the performance of multilateral institutions actually influence donor decisions on aid allocation. Surveys of DAC donors suggest that relevant analyses play a key role when donors decide how to allocate aid.<sup>18</sup>

A recent public opinion poll of EU citizens revealed that they perceive partnerships between international organisations as delivering higher quality than bilateral programmes. In 26 of the 27 EU member states, citizens felt that major international organisations delivered better quality than bilateral players (OECD 2012, 30). At the same time, research findings for the United States (Milner / Tingley 2012) show that there is little public support for multilateral aid, despite the evidence of its effectiveness. This lack of support follows from the principal-agent model, with its fundamental conflict of aims between efficient and effective aid allocation on the one hand (in favour of the agent, i.e. the World Bank) and loss of control by the principal (in this case the United States) on the other. In other words, while there may be a degree of confidence in the multilateral system, the limited options for control mean that it enjoys only limited support.

### 3.2 Performance indicators

A large number of indicators, primarily input-related, have been used for data capture and research to date, with a view to evaluating donors. These have included the total volume of ODA, regional, income-related and sectoral allocation indicators, allocation to instruments and tendering processes (proportion of humanitarian aid, tied aid).

These indicators have been complemented by more recent data from the OECD regarding the following quantitative and qualitative aspects of aid provision:

- 1) Country Programmable Aid (CPA) is a response to criticism that partner countries have only limited control over much of the aid designated as ODA. Recipient countries have very little or no scope, for example, to use funding provided by donor countries to pay for university places for their citizens. CPA is a sub-category of ODA that does not include certain ODA-eligible donor expenses (such as administration costs), and thus provides a clearer indication of the potential benefits of ODA from the partner country's perspective (OECD 2013c). The average CPA figures for multilateral institutions and EU institutions are significantly higher than those for bilateral ODA provided by DAC donors. In 2010, CPA accounted for 74.0 per cent of all aid provided by multilateral organisations (excluding the EU), 72.5 per cent of that provided by EU institutions, and 55.1 per cent of the bilateral aid provided by DAC donors.<sup>19</sup>

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18 See the findings of a DAC donor survey on multilateral aid cited by the OECD (OECD 2012, 32).

19 Figures based on OECD data (2013b).

- 2) The OECD has published a number of quantitative analyses over the past few years measuring the ‘significance of an aid relation’, the ‘concentration ratio’<sup>20</sup> and the ‘fragmentation ratio’<sup>21</sup> (see OECD 2011c and 2012). These analyses make it difficult to evaluate the performance of donors for a number of reasons.<sup>22</sup> Nonetheless, the available data suggest that, relatively speaking, fragmentation phenomena are more common in relation to bilateral aid than in relation to multilateral aid: there is a donor aid concentration ratio of 65 per cent<sup>23</sup> for multilateral aid including the EU (62 per cent excluding the EU), but just 54 per cent for bilateral aid supplied by DAC countries (OECD 2013a, 22)

**Table 1: Profile and aid provision of multilateral institutions (core contributions, 2010)**

	CPA+* (USD million)	Share of global CPA+* (as %)	No. of relation- ships	No. of significant relation- ships	Concen- tration ratio (as %)
Total multilaterals	34 360	35.7	1 594	1 030	65
Total multilaterals excl. EU	24 485	25.5	1 445	902	62
EU institutions**	9 875	10.3	149	128	86
Global Fund	2 997	3.1	113	73	65
International Development Association (IDA)	10 074	10.5	78	70	90
International Monetary Fund (IMF) (concessional trust fund)	1 346	1.4	37	29	78
Regional development bank funds:	4 174	4.3	104	94	90
African Development Fund (AfDF)	1 515	1.6	38	31	82
Asian Development Fund (AsDF)	1 927	2.0	27	25	93
Caribbean Development Bank (CarDB)	69	0.1	14	14	100
Inter-American Development Bank (IDB)	662	0.7	25	24	96

- 20 Significant relationships with partner countries from a donor’s perspective as a proportion of the total number of relationships.
- 21 Significant relationships with donor countries from a partner country’s perspective as a proportion of the total number of relationships.
- 22 The decision as to whether a partner country would benefit most from a financially significant or a non-financially significant aid relationship also depends on a range of other factors, which may even be more significant (for example, potentially low transaction costs in the case of smaller financial contributions made to highly harmonised programmes). The question of whether multilateral institutions have a universal or regional mandate (compare the universal approach of UN funds and programmes to the work of regional banks) is vital when it comes to the number of partner countries they work with.
- 23 The aid concentration ratio measures the number of a donor’s significant aid relationships relative to the total number of its aid relationships.

<b>Table 1 (cont.): Profile and aid provision of multilateral institutions (core contributions, 2010)</b>					
	<b>CPA+* (USD million)</b>	<b>Share of global CPA+* (as %)</b>	<b>No. of relation- ships</b>	<b>No. of significant relation- ships</b>	<b>Concen- tration ratio (as %)</b>
UN funds and programmes:	2 438	2.5	534	288	54
United Nations Development Programme (UNDP)	515	0.5	136	75	55
United Nations Population Fund (UNFPA)	282	0.3	117	75	64
United Nations High Commissioner for Refugees (UNHCR)	187	0.2	86	43	50
United Nations International Children's Emergency Fund (UNICEF)	768	0.8	120	51	43
United Nations Relief and Works Agency (UNRWA)	452	0.5	4	4	100
World Food Programme (WFP)	235	0.2	71	40	56
Other UN:	615	0.6	298	201	67
International Atomic Energy Agency (IAEA)	51	0.05	98	67	68
International Fund for Agricultural Development (IFAD)	462	0.48	79	53	67
Joint United Nations Programme on HIV/AIDS (UNAIDS)	51	0.05	103	65	63
UN Peacebuilding Fund	51	0.05	18	16	89
<b>Total DAC countries</b>	<b>61 764</b>	<b>64.3</b>	<b>1 719</b>	<b>933</b>	<b>54</b>
<b>Total DAC members incl. EU</b>	<b>71 639</b>	<b>74.5</b>	<b>1 868</b>	<b>1 061</b>	<b>57</b>
* Note that this analysis also includes humanitarian and food aid, but excludes regional allocations from CPA.					
** The EU is a member of the DAC and has its own development policy. It is presented in this table as a multilateral agency since contributions to the EU are considered as constituting multilateral ODA.					
Source: OECD 2013a					

## 4 Conclusion

In the past, there were essentially two implicit views of the multilateral aid system. One perspective regarded the system as a functioning patchwork approach to tackling global challenges. The wealth of examples of a lack of coherence in the multilateral system do not necessarily imply that it does not generate potential synergies among the various multilateral players enabling them to tackle the many different global, regional and national challenges. Rather, the multitude of tasks and problems requires the involvement of different players, leading to a lack of uniformity in implementing solutions.

The other perspective viewed the multilateral system as plagued by a loss of effectiveness and by fragmentation. According to this view, the system is characterised by a wide range of players who often take on overlapping tasks with very little coordination and who frequently lack sufficient resources. This leads to a loss of efficiency and effectiveness (transaction costs, diminished impact, etc.) in the provision of aid to partner countries.

The aid system as a whole is indeed characterised by a proliferation of players. Multilateral mechanisms are part of the system and contribute to losses of efficiency and effectiveness, even though bilateral donors are responsible for greater losses. Consequently, it is helpful to view multilateral institutions in relation to all other types of donors, rather than in isolation.

A range of studies carried out in the past few years<sup>24</sup> have helped to create a better understanding of the multilateral system and the players involved in it. These analyses have made clear that multilateral aid has a positive overall impact, despite the existence of a big performance gap between certain institutions. The findings do not support the assertion that the quality of multilateral aid is inadequate.

Building on these findings, future research should examine the impact these studies have had on donors' aid allocation decisions. Do they affect donor preferences and the decisions taken by donor governments and parliaments? Or do other criteria have a greater bearing on allocation decisions?

A clear trend towards the use of the multilateral system for pursuing specific donor interests has emerged over the past few years. This is reflected by the way in which financing behaviour has changed, with goals first being set by individual donors and then implemented by multilateral institutions as part of multi-bi aid. The trend is reinforced by donor countries who commission performance analyses that relate to their own individual goal system, rather than to the goal system of the multilateral institution through which they are working. This serves to reduce the advantages associated with multilateral donors, thereby decreasing the overall benefits. As such, this trend underscores the difficulty of transferring the current aid system to a more comprehensive system of global public policies (Severino 2013).

The issue of how best to distribute EU aid is an important aspect of the allocation debate (on bilateral and multilateral priorities) among European donors. Overall, it is clear that there is a wide gap between the aid activities performed by European institutions and the work of multilateral players. The EU is a political alliance that functions as an autonomous player in dealings with multilateral institutions (such as the United Nations). Its member states have far greater influence than individual donors working through multilateral institutions, which have different governance structures. This difference in approach between multilateral organisations and the EU should be taken into account in aid practice (for example, in the presentation of bilateral and multilateral aid).

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24 See Section 3.

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