The bilateral and multilateral aid reviews

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Author: Gavin Thompson
Section: Economic Policy and Statistics

The purpose of the bilateral and multilateral aid reviews was to establish priorities for the Department for International Development's (DFID's) aid expenditure over the Spending Review period. The intention was to concentrate the UK's aid spending in fewer countries and institutions.

In the bilateral review, countries were assessed according to their development need, the likely effectiveness of future assistance and their strategic fit with the UK's development policy priorities. Direct bilateral expenditure by DFID is planned to cease in fifteen countries. In three others – Sudan, Ghana and India – it will remain largely unchanged. Other countries, especially fragile states such as Yemen and the Democratic Republic of Congo, will see significant increases in bilateral aid over the next four years. The countries expected to receive an increase in bilateral aid are on the whole poorer and less developed than those where aid will decrease or cease entirely. However, their greater fragility raises questions about how effective aid delivered to these countries can be.

The multilateral review assessed 43 institutions according to the value for money they represented for the UK's financial contributions. Qualitative and quantitative evidence was collected in an attempt to assess this diverse range of organisations according to a common framework. Nine institutions were judged to offer very good value for money. On the whole, UN organisations not directly involved in humanitarian work emerged poorly from the review: 13 out of 17 were assessed as poor or adequate value for money. Detailed funding allocations for the multilaterals have not yet been announced, although funding to four organisations (all UN) is set to cease. Based on contributions in 2009/10, this would save £12m, or 0.5% of total multilateral expenditure.

Contents

1 Introduction

The purpose of the bilateral and multilateral aid reviews was to establish priorities for the Department for International Development's (DFID's) aid expenditure over the Spending Review period. They were conducted on the principle that funds should flow to those organisations and countries where aid expenditure would have the greatest demonstrable impact, taking into account needs, costs and UK policy priorities. Most of the work of the reviews thus involved assessing the relative effectiveness of aid given to different countries and organisations.

Since the election, Government statements on international development and the UK's aid expenditure have stressed themes of 'value for money', 'transparency', 'results', 'outcomes' and 'effectiveness'.[1] The aid reviews, which were announced in mid-2010 and reported in March 2011, are no exception:-[2]

> The 'Bilateral Aid Review' will analyse the Department for International Development's programme in each country to look at results, delivery and value for money.
>
> [As part of the Multilateral Aid Review] each organisation will be tested to ensure the UK is getting maximum value from its aid money... Organisations that demonstrate value for money and the greatest impact on poverty could receive a cash boost.

From the outset, the intention was to concentrate the UK's aid spending in fewer countries and institutions. With a rising aid budget secured in the Spending Review, this process inevitably created 'winners', which will benefit from an increased share of a larger pie, and 'losers', which will see aid programmes closed or scaled back.

The reviews were shaped by DFID's five development 'pillars' (i.e. policy priorities), announced in its 2011-15 Business Plan,[3] and the commitment in the Strategic Defence and Security Review to increase the proportion of development assistance spent in fragile and conflict-affected states from 20% in 2010 to 30% by 2014.[4] In the bilateral review, DFID country teams were expected to demonstrate how they would achieve results with respect to these priorities, and credibly establish how much these results would cost. Multilateral organisations, meanwhile, were assessed and scored according to predetermined criteria using a range of qualitative and quantitative evidence, the scores across various categories of performance being combined to form a single measure of value for money.[5]

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[1] See, for instance *DFID Business Plan 2011-15*

[2] DFID press releases on bilateral and multilateral aid reviews (16 Jun and 9 June 2010)

[3] DFID Business Plan 2011-15, p.3

[4] HMG Strategic Defence and Security Review, p.44

[5] The sources for almost all remaining material in this note are the documents published on the completion of the two reviews. For a list and links to these, see Section 4.

2 The bilateral aid review (BAR)

2.1 Process

Stage 1: targetting

The first stage of the BAR identified country programmes which were to be closed. Programmes were considered across the following criteria:-

- Development need. For instance, countries with higher levels of poverty, or which are furthest away from meeting the Millennium Development Goals might be described as having high development need.

- Likely effectiveness of future assistance. For instance, poor governance may reduce the effectiveness of aid to a country; alternatively, DFID may not have a particular comparative advantage in delivering aid in particular parts of the world.

- Strategic fit with UK Government priorities. For instance, the Government has announced in the Strategic Defence and Security Review that the proportion of aid to fragile and conflict-affected states is to increase from 20% in 2010 to 30% by 2014.

Unlike in the Multilateral Aid Review, there was no common framework used to identify countries where bilateral programmes would cease; the decisions were a matter of Ministerial judgement.

After Stage 1 the 43 countries in which DFID currently has significant bilateral programmes were reduced to 27 'focus countries'. Bilateral programmes in the remaining countries are all set to close by 2016.

Stage 2: results offers

The DFID teams in the remaining focus countries and regions were asked to complete a 'results offer' template, detailing possible achievements and associated costs from April 2011 to March 2015. The results were to be categorised according to five 'pillars', reflecting priorities set out in the DFID Business Plan 2010-15. These were:-

- Wealth creation
- Delivery of Millennium Development Goals – specifically those relating to health; education; water and sanitation; and poverty, hunger and vulnerability
- Governance and security
- Climate change
- Humanitarian assistance

Not all pillars had to feature in every programme's results offer, but 'teams were encouraged to explain their rationale for not developing an offer in particular sectors'. Offers were also expected to contain 'a strong focus on girls and women'.

Stage 3: scrutiny of results offers

The offers were reviewed by a team of over 100 DFID technical advisers, and their assessment was placed before a panel of independent experts. The panel used these assessments and evidence from face-to-face discussions with the country/region teams to gauge the realism and risks of the proposed results. This judgement was then passed to Ministers, who then indicated which results they wished to take up.

Stage 4: allocation of resources

Ministers' decisions from Stage 3 then generated provisional budgets for each country and regional programme. These are considered in more detail in the following Section 2.2.

Stage 5: operational plans and future projects

Country and regional teams will now provide detail on how the results identified by Ministers will be delivered between April 2011 and March 2015. These operational plans are to be published in Spring 2011.

In addition, £1.5bn has been retained for allocation to future projects and to respond to new priorities over the Spending Review period (to March 2015). In particular, the DFID Technical Report states that such money may be required to achieve the target of spending 30% of aid on fragile and conflict-affected states, and to meet priotities on climate change.

2.2 Results

Spending plans for each country

These are set out in the table below. DFID bilateral spending will more than double in seven countries, five of which are in Africa, and overall spending will increase significantly in 21 countries. By contrast, 15 countries will see their bilateral programmes closed, and a further three will see significant reductions in spending. Three of DFID's largest bilateral partners – India, Sudan, Ghana – are to have spending held at similar levels.

DFID bilateral spending on overseas development

		Past spending (£m)				Proposed spending (£m)				Change[a]	
		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	£m	%
Country programmes											
	Yemen	12	19	30	50	65	70	80	90	194	175%
	Pakistan	87	120	140	215	267	267	412	446	830	148%
	Nigeria	85	110	114	141	180	210	305	305	550	122%
	Somalia	26	33	44	26	44	46	80	80	120	93%
	DRC	83	94	109	133	147	165	220	258	371	89%
	Bangladesh	129	133	149	157	200	210	290	300	432	76%
	Ethiopia	140	166	214	241	290	300	345	390	565	74%
	Kenya	44	102	64	86	100	110	150	150	213	72%
	British Overseas Territories	37	54	50	59	43	93	92	92	120	60%
	Occupied Palestinian Territories	45	41	58	74	85	85	85	88	125	57%
Winners[c]	Zimbabwe	43	56	67	70	80	84	94	95	117	50%
	Burma	9	57	28	32	36	36	55	58	59	47%
	Uganda	39	71	68	90	100	105	95	90	122	46%
	Nepal	55	58	67	57	60	60	100	103	86	37%
	Sierra Leone	54	48	45	54	58	58	77	77	70	35%
	Rwanda	53	70	53	70	75	80	85	90	85	34%
	Malawi	69	77	74	72	90	90	95	98	81	28%
	Afghanistan	109	147	133	178	178	178	178	178	144	25%
	Zambia	41	47	49	53	55	55	62	63	45	24%
	Tanzania	122	132	144	150	150	160	165	168	95	17%
	Mozambique	68	65	68	88	80	80	85	85	41	14%
	Sudan	135	106	146	132	140	140	140	140	42	8%
Unchanged[c]	Ghana	92	99	90	85	85	90	100	100	8	2%
	India	275	297	295	274	280	280	280	280	-22	-2%
	South Africa	27	41	21	17	19	19	19	19	-30	-28%
	Liberia[b]	8	17	12	10	8	8	8	0	-22	-48%
	Cambodia	13	18	16	16	10	9	4	0	-39	-63%
	Vietnam[d]	51	55	54	50	28	21	14	7	-140	-67%
	Indonesia	32	37	25	9	10	20	15	5	-53	-51%
	Burundi	5	10	13	12	10	0	0	0	-31	-75%
	Iraq	40	33	20	10	5	0	0	0	-98	-95%
	China	39	40	35		0	0	0	0		
Losers[c]	Russia[e]	0	0	2		0	0	0	0		
	Modlova	2	5	5		0	0	0	0		
	Bosnia	5	4	2		0	0	0	0		
	Cameroon[e]	2	7	0			0	0	0		
	Lesotho	4	6	5			0	0	0		
	Niger[e]	2	8	5			0	0	0		
	Kosovo	3	3	3				0	0		
	Angola[e]	4	3	4		0	0	0	0		
	Gambia[e]	2	2	2			0	0	0		
	Serbia	3	3	2		0	0	0	0		
Regional programmes											
	Africa	131	89	186	150	180	195	218	220	257	46%
	Asia	17	5	4	8	15	15	15	15	26	76%
	Caribbean	6	10	11	20	19	19	19	19	29	61%
	Central Asia[f]	9	14	9	15	14	14	14	14	8	17%
	Europe	5	3	4							

Notes:

[a] Based on comparison of spending in 4-year period 2007/08 to 2010/11 with proposed spending in 4-year period 2011/12 to 2013/14

[b] Liberia's programme will be suject to a further review in 2012/13

[c] Countries seeing an increase (decrease) of more than 10% in their allocations over the four-year aid review period, relative to the previous four-year period are defined as winners (losers). An increase of more than 10% would likely constitute a real-terms rise over the period, based on current (Nov 2010) OBR forecasts

[d] The Vietnam bilateral programme is set to close in 2016

[e] The decision to close DFID's Russia bilateral programme was made in 2007; the decision to close Angola's, Niger's, Cameroon's and Gambia's was originally proposed in 2008

[f] The Central Asia programme covers projects only in Tajikistan and Kyrgyzstan

Shading indicates programme set to close; zeroes in shading indicate first full year of closure

Shading indicates programmes where spending trajectory has not been announced. All these programmes are set to be closed.

Areas of focus

In the table on the below, the expected priorities for each country and region over the aid review period (to 2015) are categorised according to the five 'pillars' (i.e. policy priorities) of the DFID Business Plan.[6] Among the country programmes, climate change is the priority that features least, with only nine countries expecting to achieve results in this area. This is acknowledged to an extent in the technical report on the review, which states that £1.5bn has been retained at least partly to fund future climate change-related projects.[7] Wealth creation, and governance and security, are covered most thoroughly by the proposals, with all but one country and all regions expecting results in these areas.

Expected country priorities[a] emerging from bilateral aid review

	Country Programmes																									*Regional programmes*			
	Afghanistan	Bangladesh	Burma	DRC	Ethiopia	Ghana	India	Kenya	Liberia	Malawi	Mozambique	Nepal	Nigeria	OPTs	Pakistan	Rwanda	Sierra Leone	Somalia	South Africa	Sudan	Tanzania	Uganda	Yemen	Zambia	Zimbabwe	Africa	Asia	Caribbean	Central Asia
Wealth creation	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X
Governance and security	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Climate change		X			X		X	X				X				X			X		X	X				X	X	X	
Humanitarian assistance	X		X	X	X			X							X			X		X		X				X			
MDG - health		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X		X
MDG - education	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X			X	X			X	X				
MDG - poverty, hunger, vulnerability		X	X	X	X	X	X	X		X	X		X	X	X	X				X	X	X	X	X	X		X		
MDG - water and sanitation		X		X	X		X		X	X	X	X	X				X			X	X			X	X				X

[a] the categorisation of priorities reflects those in the DFID Business Plan 2010-15

Source: DFID Bilateral Aid Review - Technical Report (adapted)

Specific country outcomes

In line with the review process, and other Government statements on the future of UK aid, the final review documents contain detail about the specific results expected to be achieved with aid allocations to 2015. These outcomes are expressed in quantitative terms – number of extra children in school; number jobs created, etc. – and can be categorised under the five 'pillars' (policy priorities) of the DFID Business Plan. Examples of proposed results under each pillar are given below.[8]

There is not yet any detail on the process by which these results will be achieved: this is likely to be set out in the operational frameworks (see Section 1.5), due to be published in Spring 2011. The reason for the specificity of some of the figures also remains an enigma.[9]

MDGs – water and sanitation

- Bring clean water to more than six million people by 2015 (DRC)
- Ensure 800,000 people have access to clean water and improved sanitation, by 2015, more than half of whom will be women (Liberia)

MDGs – education

- Ensure 200,000 children get a basic education (Zimbabwe)

[6] These priorities are determined by the proposals selected by Ministers from the DFID teams' results offers (see Section Stage 3).

[7] The report also states that DFID 'will work with other Government departments to identify the top priorities for Britain's response to climate change. Through the Joint International Climate Fund we will make sure we focus our aid to effectively tackle climate change' (Bilateral Technical Report, p.32, footnote)

[8] These are taken from the Bilateral Aid Review *Country Summaries*

[9] For instance, in Pakistan it is proposed 897,000 (59.8%) of the 1.5m individuals to be provided with access to microfinance will be women, rather than 900,000 (60%).

- Get 1.5m children through primary school (Bangladesh)

MDGs – health

- Make sure that more than 127,000 mothers give birth more safely and prevent over 150,000 unintended pregnancies (Burma)
- Ensure 209,000 children under five years of age are sleeping under an insecticide-treated bednet

MDGs – poverty, hunger, vulnerability

- Help raise the income of 563,000 rural men and women so they can improve their lives and take better care of their families (Tanzania)
- Build peace and progress in 1,500 communities (DRC)

Wealth creation

- Help create 144,000 jobs (Ghana)
- Provide 1.5m additional people, 897,000 of them women, with access to microfinance (Pakistan)

Governance and security

- Help 1.6m people to increase and improve access to basic public services (Kyrgyzstan)
- Help the government allocate and spend funds well so it can deliver services to its people (Afghanistan)

Humanitarian assistance

- Stop one million people in South Sudan going hungry so that they can lead healthy lives and look after themselves
- Ensure at least 500,000 people a year get humanitarian assistance (Somalia)

Climate change

Ensure 300,000 households have access to improved low carbon energy (South Africa)

2.3 Evaluation and analysis of results

In the table on the right, the group of countries benefitting from the aid review (the 'winners') is compared with the group losing out (the 'losers') across selected indicators. It shows, for instance, that on average, the losers have a lower poverty rate (33%) than the winners (54%) and higher average incomes, as measured by GDP per capita ($2,637 compared with $1,049).

The indicators have been chosen in order to determine the extent to which DFID's stated priorities in determining which bilateral programmes were to be closed or scaled back are borne out by statistical evidence. In particular, DFID's decisions were made according to countries' development need, the likely effectiveness of any assistance, and the Department's five development policy priorities:-

Comparison of aid review winners and losers across selected indicators[a]

	Average[b]	
	Losers	*Winners*
Population (m)	15	29.3
Poverty rate (%)	33%	54%
GDP per capita ($, purchasing power parity)	2,681	1,049
Average annual GDP growth 2004-09 (%)	4.2%	6.1%
Human development index score	0.52	0.38
Size of existing DFID programme (£m in 2009)	35	90
Size of existing DFID programme (£ per capita in 2009)	0.93	2.65
Child mortality per 1,000	62	109
Maternal mortality per 100,000 births	290	530
Primary school enrollment (%)	89%	85%
Clean water source (% of population with access)	85%	60%
CPIA score[c]	3.3	3.3
Fragility score[d]	10	17
Impact of climate-related disasters 2000-09 (numbers affected per 100,000)	97	195

[a] The 'winners' are those countries seeing an increase of over 15% in bilateral support from DFID over 2011/12 to 2014/15, relative to the period 2006/07 to 2009/10; the 'losers' are those countries seeing a decrease of over 15%.

[b] Mean or median is has been used, depending on distribution. Some countries are missing data for certain indicators and have been ignored in the calcuation of the average

[c] World Bank Country Policy and Institutional Assessment Score. Range 1-6; higher scores indicate stronger governance

[d] Polity IV Project State Fragility Index. Range 1-20; higher scores indicate greater fragility

Sources: World Bank *World Development Indicators 2010*; DFID *Statistics on International Development 2010;* UN *Human Development Report 2010*; Polity IV Project *State Fragility Index 2009*

Development need

On the whole, it would appear that the countries losing out from the review do indeed have lower development need. On average, poverty is lower in the losing group of countries, and incomes and levels of human development are higher. Exceptions among the losing group include Burundi, Liberia and Niger, all of which have very high (over 65%) rates of poverty, and low levels of human development. On the other hand, in the winning group, Yemen, Pakistan and Kenya have relatively low poverty rates (under 25%), although incomes and human development are still below the average for the loser group.

Effectiveness of assistance

Countries in which DFID is well-established and has comparative advantage over other organisations, and countries with strong governance, will, it is argued in the review, tend to benefit more from a given level of aid. The table shows that, on average, the losers are indeed countries in which DFID has smaller existing programmes, and is therefore arguably not so well-placed to have a significant impact. Exceptions include Vietnam and Liberia where, relative to the size of the country, DFID has relatively substantial programmes. In the winning group, all bilateral programmes exceeded £20m in 2009, with Yemen having the smallest existing programme.

However, the losers also tend to be more stable on average, and have similar strength of governance to the winning group. There thus is a trade-off between the policy priority to deliver more aid to fragile states, and that of ensuring aid is delivered to those countries where it will be most effective.

Development policy priorities

- MDGs (water, education, health and poverty) – the countries in the winning group have on average poorer access to sanitation and education, and higher child and maternal mortality. However, countries such as Liberia, Cambodia, Burundi, Camerood, Niger, Angola and The Gambia, all in the losing group, perform poorly on these indicators.

- Wealth creation – measuring the scope for wealth creation is more difficult, although it is worth noting that countries in the losing group have experienced lower GDP growth over the past 5 years than those in the winning group. Growth rates were particularly low in Cameroon (3%) and Burundi (3.5%).

- Governance and security – based on their fragility scores, countries in the losing group are more stable than those in the winning group. Notable exceptions in the losing group include Iraq, Burundi, Niger and Liberia.

- Humanitarian assistance – based on the health and poverty indicators, it would appear that countries in the winning group have a higher level of humanitarian need. However, the Office for the Co-ordination of Humanitarian Affairs recently issued humanitarian appeals for Liberia (2006,2007,2008) and Iraq (2008 and 2009) and Burundi (2006 and 2007).

- Climate change – vulnerability to climate change has been assessed by considering the number of individuals affected by climate-related disasters over the period 2000-09. Individuals in the winners' group appear more vulnerable to climate change on average; however, among the losers, Cambodia, Vietnam, Burundi and Lesotho have also been heavily-affected by such disasters in the past.

2.4 Reaction

Reaction to the results of the bilateral review was broadly positive. Most NGOs agreed with the importance of focussing on aid to fragile states, for the reason that many of these places contained the world's poorest people:-

> The Government's focus on fragile states is welcome - they are among the poorest places on earth (Barbara Stocking, Oxfam Chief Executive)

> We welcome the focus on the most fragile countries where many of the world's most vulnerable children live. (Justin Byworth, World Vision UK)

Others stressed the fact that fragility and low income status were not the only indicators of need:-

> It's right to balance the needs of people living in fragile states with others living in extreme poverty … A middle-income country such as India, has more people living in extreme poverty than the whole of sub-Saharan Africa (Paul Cook, director of advocacy, Tearfund)

> The focus on fragile states, while important, should not jeopardise money allocated to poor but stable countries, particularly in Africa. (Richard Miller, executive director, ActionAid UK)

The World Development Movement expressed concern that the fragile states focus represented a 'securitisation of aid':-

> What we are concerned about is the focus on a smaller number of countries, which actually takes money away from some of the world's poorest countries, like Niger, Angola and Cambodia, and channels it into countries where there is deemed to be a higher security risk to the UK (Julian Oram, head of policy, World Development Movement)

Others did not share this assessment:-

> A key concern prior to the Reviews has been ensuring that aid allocations were not biased by Britain's security and foreign policy interests. From CAFOD's initial analysis of the figures, it would appear that we can be reassured on this issue. (CAFOD)

> ...the percent of the bilateral spend going to MDG priorities such as health, education, water and sanitation and poverty and undernutrition increased significantly and totals 65%. Is a large increase in spending on girls' schooling in Pakistan a "securitisation of aid" or simply a large increase in spending on girls' education? (Laurence Haddad, director, Institute of Development Studies)

The results and value for money agenda also received general support:-

> The UK's results focus is not surprising and has been a mantra for some time now, and for any donor looking to improve value for money, DFID is a good case study to consider."(Matthew Morris, deputy director, Development Policy Centre)

> The two aid reviews are laid out to demonstrate DFID's accountability and transparency to British taxpayers ('value for money' is heavily emphasized), efforts we very much welcome (Nancy Birdsall, president, Center for Global Development)

Although ActionAid expressed concern about the possible exclusion of areas where results were harder to measure:-

> ...it's great to focus on results, as long as support for the intangible things like building a country's tax system or anti-corruption institutions continues alongside schools and bednets

Jonathan Glennie of the ODI noted that the focus on results in the review was in part an attempt to mollify the public, among whom the support for increased aid expenditure is weak, but objected that the review did...

> ...nothing to quell concerns over the tension between enhancing development effectiveness and gaining public trust

And pointed out that despite the stated importance of results and impact, the review made no mention of the international initiative to improve aid effectiveness, the Paris agenda:-

> Even taking into account the fact that this document is written for the British public, it is hard not to conclude that the failure to mention the Paris agenda is a deliberate omission

In the Commons debate following the statement on the review results,[10] the shadow Secretary of State for International Development, Harriet Harman asked that Andrew Mitchell (Secretary of State) confirm that poverty reduction, as opposed to security, would remain the focus of DFID money. She expressed approval of the results focus, but raised the Paris agenda,[11] which attempts to give aid recipient countries more control over their development outcomes, and asked whether aid policy would 'continue in that spirit'. She also questioned the decision to end aid to Burundi. On the latter point, Andrew Mitchell responded:-

> We had a very small programme there, but we judged that it was right to close it. These are tough and difficult decisions, but we thought that we could spend the money better elsewhere.

Malcolm George, chair of the Select Committee on International Development, welcomed the focus on a narrower range of countries, but also raised the issue of Burundi, asking why DFID's programme there was ending, but was aid was set to rise in South Africa. Andrew Mitchell responded by describing South Africa as a "regional hub – an engine of economic development throughout the region".

In the Lords, Baroness Kinnock asked why aid to Sudan was not rising, especially in the context of the secession of the South, and whether aid could be better channelled to Burma to reach areas where the dictatorship has previously refused access.

Government spokesperson Baroness Verma responded to the former point:-

> On the Sudanese question, we agree that there are enormous needs there… we shall be delivering in very difficult environments, but we shall continue to be responsive on the ground and see where we can deliver better and more.

[10] The bilateral and multilateral results were announced together; see HC Deb 1 March 2011 c167-184; HL Deb 1 March 2011 c978-985

[11] For more details see the relevant section of the OECD website: *Paris Declaration and Accra Agenda for Action*

3 The multilateral aid review (MAR)

The MAR assessed 43 organisations to which DFID contributes.[12] Value for money was the guiding principle of the review, measured according to a common framework that assessed the organisational strengths of each institution and their contribution to the UK's development objectives. Unlike the bilateral review, where teams were encouraged to promote the results they could achieve to an evaluation team, the MAR review took an 'outside looking in' approach: evidence was collected from other performance assessment exercises, and from consultation with NGOs and developing country governments, with the multilateral institutions themselves contributing relatively little information.

The MAR, in contrast with the bilateral review, did not directly determine funding allocations to institutions; rather, it provides an evidence base for future decisions. These decisions are likely to take place as and when the multilaterals concerned launch their next funding rounds.

3.1 Process

Stage 1: devising assessment framework

The common assessment framework was based on work conducted by other organisations assessing multilaterals' effectiveness, on internationally-agreed principles of aid effectiveness, on organisational theory, and on the Government's particular priorities with respect to development and value for money (see Section 2). The final framework contained ten components, listed in the diagram on the following page, and 41 associated criteria.

Stage 2: evidence-gathering

A range of quantitative and qualitative information was collected so that multilaterals could be assessed against each of the ten components:-

- quantitative data from surveys of aid transparency and effectiveness
- visits to ten developing countries in which multilaterals work. Discussions were held with multilateral country teams, government and NGO officials to determine importance and effectiveness of multilaterals' work there
- workshops with 24 representatives of African country Governments, to determine their opinion on how aid funding should be prioritised and performance of multilaterals
- interviews with officials in 14 developing country governments to determine their opinion on how aid funding should be prioritised and performance of multilaterals
- Submissions from stakeholders including multilaterals themselves and non-government organisations

The focus on qualitative information reflected the diversity of institutions being assessed (for instance, there is no single data set covering the work of all 43 institutions), and the elusive nature of some of the assessment criteria (e.g. 'challenges and supports partners to think about value for money').

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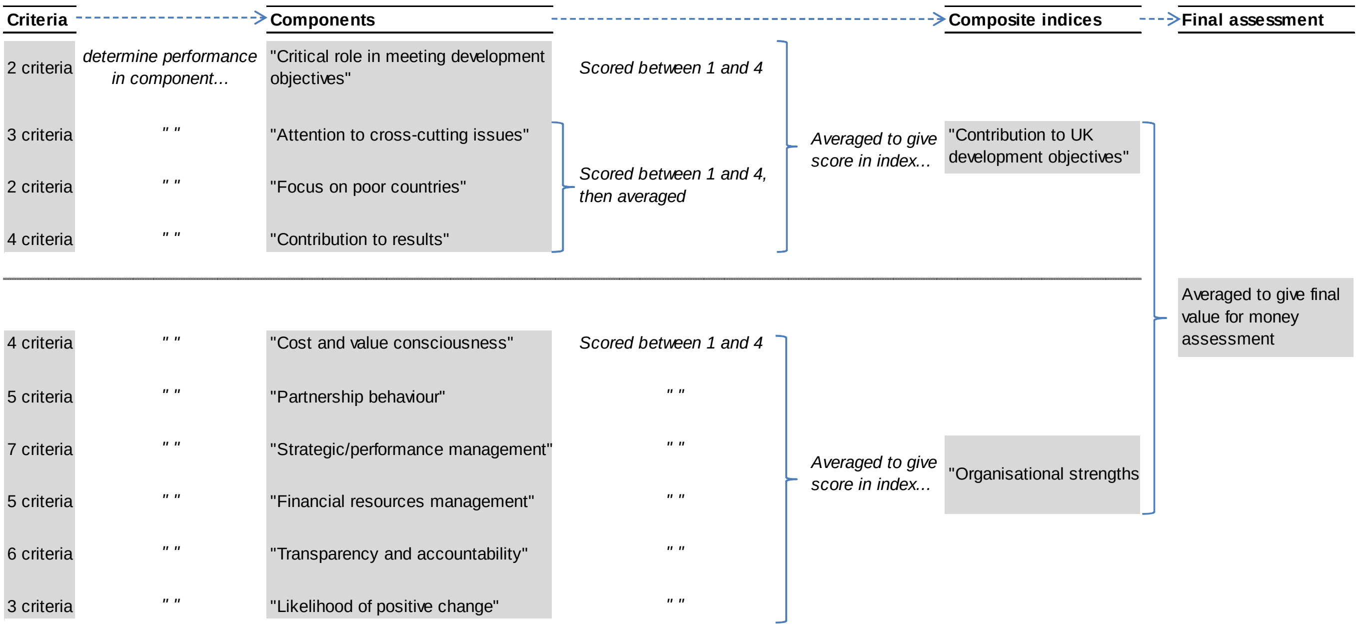
[12] 35 of the institutions receive regular 'core' funding from DFID; four received fully flexible funding; three were financial institutions to which DFID provides capital and one was an organisation which DFID does not currently fund

Stage 3: performance assessment

Using the evidence gathered, each institution was given a rating against each of the ten components. All components were scored on a scale of 1 to 4, where 1 was unsatisfactory, 2 was weak, 3 was satisfactory and 4 was strong. The two components were then split into two sets, one relating to contribution to UK development objectives, and one to organisational strengths. The scores of the components in each set were averaged to produce two 'composite indices', which in turn were averaged again to produce a single value-for-money assessment, ranging from 1 to 4. The process is illustrated in the diagram below:-

Multilateral aid review assessment process



To give a final value for money rating, the score was translated into a rating according to the table on the right:

Score	Rating
Over 3	Very good
2.5 - 2.99	Good
2 - 2.49	Adequate
Under 2	Poor

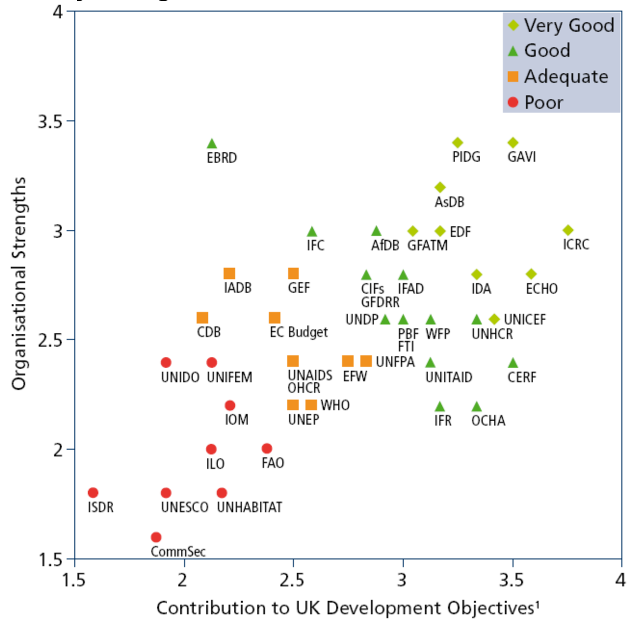
There is a trade-off between the simplicity of a single overall score, and the detail masked by the repeated averaging required to obtain it. For this reason, the review document stated that 'we were reluctant to construct a single index of value for money'.[13] Nonetheless, this single index was used as the headline performance indicator, but was supplemented with detailed performance information across all components contained in the 232-page report.

[13] *Multilateral Aid Review Report*, p.15

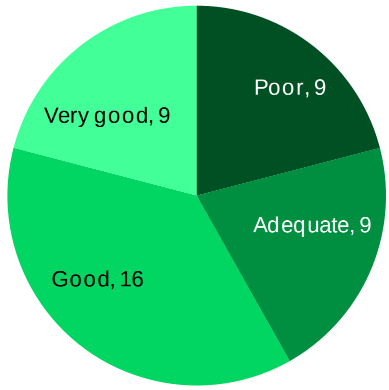
3.2 Results

Detailed results can be found in the appendix table at the end of this note. The charts below summarise how each organisation performed in the MAR. The left-hand chart shows each organisations' ratings on the composite indices (organisation strengths and contribution to UK development objectives). The two indices were to some extent complementary; that is, those organisations performing well on one typically performed well on the other. The right-hand chart simply shows the breakdown of institutions by their overall value for money ratings.

Final results of the multilateral assessment – scores on component indices and value for money ratings[14]



Value for money ratings of the 43 multilaterals reviewed in the MAR



Development banks, global funds and humanitarian organisations generally performed best in the assessment, with UN organisations coming out worst: six of the eight multilaterals judged to be poor value for money were UN organisations.

3.3 Analysis and prospects

Unlike the bilateral review, little detail was given about future contributions to organisations, particularly those in the middle, assessed as good or adequate value for money. As they stand, planned cuts in multilateral expenditure are set to be relatively small: DFID contributed just £12m in 2009/10 to the four organisations it plans to stop funding, 0.5% of total multilateral expenditure. The 25% increase in funding to the International Development Association, originally announced in 2010, will cost £130m per year alone, suggesting there will be an increase in net funding to multilateral organisations as a whole.

[14] Taken directly from *Multilateral Aid Review Report*, p.vii

Many of the institutions in the ‘good’ and ‘fair’ categories will be reviewed again in two years, at which point the DFID budget is set to rise by 28%; some of the more important decisions concerning these institutions will thus occur when the resources available to DFID are greater than they are currently.

Finally, it is worth noting that most multilateral expenditure is committed a number of years in advance, and is thus less flexible than bilateral aid; moreover, contributions to the single largest multilateral recipient (the European Commission, which received £789m from DFID in 2009/10) are not discretionary.

3.4 Reaction

Multilateral institutions

The official responses of the multilateral institutions that formed the subject of the review have been collated on the DFID website.[15] Predictably, those that were assessed poorly were critical of the review’s methodology and felt they were judged unfairly, whilst those that received better ratings praised its balanced and constructive approach. Focussing specifically on those organisations which DFID is due to stop funding:-

UN HABITAT acknowledged the weaknesses in its governance, but its new Executive Director asserted that it was his ‘stated intention [to undertake] managerial reform’, adding ‘I would have hoped to have had the UK’s traditionally influential role in helping to achieve reform’

In a detailed response, the **UN Industrial Development Organisation (UNIDO)** stated that the review process had failed to acknowledge its contribution to climate change mitigation, and its humanitarian work in fragile states. It also felt that the focus on performance in ‘volume delivery terms only’ understated the true impact of its work: “a more thorough, better-informed, and less a priori review would have led to a [value for money] score closer to 4.”

In its response, The **UN International Strategy for Disaster Reduction (UNISDR)** took ‘the opportunity to clarify a number of issues which may not have been properly captured by the innovative methodology developed by the MAR’. It felt its misclassification as a humanitarian organisation and its absence of country-based presence both led to an inaccurate impact assessment of its work. Its role as a co-ordinator and developer of partnerships had also, it argued, been underestimated.

The **International Labour Organisation (ILO)** pointed out that the review’s assessment differed from a DFID evaluation issued less than 12 months ago which judged the organisation’s role and core mandate as ‘increasingly important’. It also noted that the review examined only a small fraction of the ILO’s work in four countries out of the 100 it works in; a potentially unrepresentative sample.

Others

The Overseas Development Institute welcomed the attempt to systematically review the performance of such a diverse range of organisations:-

> Evaluating the relevance, efficiency and effectiveness of 43 very different external organisations is a complex task and DFID appears to have done a respectable job.

[15] DFID *Multilateral organisations’ responses to the Multilateral Aid Review*

And despite the Food and Agriculture Organisation's poor performance (it was rated as poor value for money in the review), the ODI stressed the importance of continued funding at a time of high food prices. Oxfam agreed with this, stating:-

> "[The UK] should do all it can to encourage the FAO to up its game and be ready to reward any improvements."

VSO and other NGOs made the point that UK funding for UN Women, the new United Nations women's agency, had not been finalised in the review, adding:-

> It is absurd to think that UN Women with its current staffing of just over 200 people and total resources of less than $200million can really make the change we need for more than half the world's population – UK funding is needed to help it bring in the right expertise and enable it to begin scaling up operations around the world

In the Commons debate following the statement on the review results, the shadow Secretary of State Harriet Harman asked that the decision to end ILO funding be reconsidered. She also questioned why funding decisions for UN Women had not been made. In response to the latter point, the Secretary of State said:-

> We have offered [Michelle Bachelet, head of UN Women] staff in order to assist in her tasks, and when she comes forward with a strategic plan in July, I have no doubt that we will be able to fund it. We will urge other countries to share the burden appropriately, but we will be very strong supporters of what she is doing.

The FAO was brought up by Mark Durkan in the debate, who asked whether the decision to place the organisation in 'special measures' would affect farmers in developing countries. Mitchell responded:-

> We would probably have pulled out of the FAO but it is about to recruit a new director and we want to work with that new director to ensure that the FAO becomes a much more effective organisation.

4 Timeline and links to key documents

- 9 June 2010 – multilateral aid review announced [press release]
- 16 June 2010 – bilateral aid review announced [press release - Written Ministerial Statement]
- 14 July 2010 – humanitarian aid review announced [press release]
- 1 March 2011 – bilateral and multilateral review results published [press release - Ministerial Statement and debate - Summary Report of Both Aid Reivews - Bilatereal Review Country Summaries - Bilateral Review Technical Report - Multilateral Review full report - Multilateral Assessment by Institution - Government Response to Multilateral Review – Multilateral organisations' responses to Multilateral Review]

Appendix table: results of the multilateral aid review

Value for money	Institution	Abbreviation	Type of institution	DFID Contribution 2009/10, £m[a]	Announcements on future funding?
Very Good	Asian Development Fund	AsDF	Development bank with a focus on concessional funds	14.7	No
Very Good	European Commission Humanitarian Aid and Civil Protection	ECHO	Humanitarian organisation	*	No
Very Good	European Development Fund	EDF	European Commission (excl humanitarian)	397.5	No
Very Good	Global Alliance for Vaccines and Immunisation	GAVI	Global fund for health, education or climate change	0 (30 in 2007 and 25.1 to the international finance facility for immunisation in 2009)	No
Very Good	Global fund to fight AIDS, TB and Malaria	GFATM	Global fund for health, education or climate change	163.4	No
Very Good	International Committee of the Red Cross	ICRC	Humanitarian organisation	61.3	No
Very Good	International Development Association of the World Bank	IDA	Development bank with a focus on concessional funds	520.1	25% increase (Dec 2010)
Very Good	Private Infrastructure Development Group	PIDG	Development finance institution or fund supporting private sector	125 (capital)	At least 100% increase expected
Very Good	UN Children's Fund	UNICEF	UN organisation (excl humanitarian)	21	Expected to increase to over £40m per year
Good	African Development Fund	AfDF	Development bank with a focus on concessional funds	27.5	35% increase agreed in June 2010
Good	Central Emergency Response Fund	CERF	Humanitarian organisation	40.2	No
Good	Climate Investment Funds	CIFs	Global fund for health, education or climate change	735[a]	No
Good	European Bank for Reconstruction and Development	EBRD	Development finance institution or fund supporting private sector	50 (paid-up capital as at end 2009)	No
Good	Fast Track Inititiative for Education for All	FTI	Global fund for health, education or climate change	n/k	Funding will continue and may increase
Good	Global Environment Facility	GEF	Global fund for health, education or climate change	35	No
Good	Global Facility for Disaster Risk Reduction	GFDRR	Humanitarian organisation	0.8	No
Good	International Fund for Agricultural Development	IFAD	UN organisation (excl humanitarian)	0 (30 in 2008/09)	Funding will continue and may increase
Good	International Finance Corporation	IFC	Development finance institution or fund supporting private sector	121 (paid-up capital as at end 2009)	No
Good	International Federation of the Red Cross and Red Crescent Societies	IFRC	Humanitarian organisation	9.8 (excl disaster response)	No
Good	Office for the Co-ordination of Humanitarian Affairs	OCHA	Humanitarian organisation	7	No
Good	Peace Building Fund	PBF	UN organisation (excl humanitarian)	30 (since 2006)	No
Good	UN Development Programme	UNDP	UN organisation (excl humanitarian)	57.8	Funding will continue at 2010 levels and may increase after
Good	UN High Commissioner for Refugees	UNHCR	Humanitarian organisation	19	No
Good	UNITAID	UNITAID	Global fund for health, education or climate change	n/k	No
Good	World Food Programme	WFP	Humanitarian organisation	0 (2.5 in 2008/09)	No
Fair	Caribbean Development Bank	CDB	Development bank with a focus on concessional funds	14.7	No
Fair	European Commission budget instruments		European Commission (excl humanitarian)	788.9	EU treaty obligation; non-discretionary
Fair	UN Delivering As One Expanded Funding Window	EFW	UN organisation (excl humanitarian)	2.1	No
Fair	Inter-American Development Bank	IADB	Other		No
Fair	Office of the High Commissioner for Human Rights	OHCHR	UN organisation (excl humanitarian)	2.5	No
Fair	UN Joint Porgramme on HIV and AIDS	UNAIDS	UN organisation (excl humanitarian)	11	Funding will continue at 2010 levels
Fair	UN Environment Programme	UNEP	UN organisation (excl humanitarian)	1.5	No
Fair	UN Population Fund	UNFPA	UN organisation (excl humanitarian)	22.1	Funding will continue at 2010 levels
Fair	World Health Organisation	WHO	UN organisation (excl humanitarian)	14.6	Funding will continue at 2010 levels
Poor	Commonwealth Secretariat	CommSec	Other	9.6	'Special measures' - funding may decrease after 2 years
Poor	Food and Agriculture Organisation	FAO	UN organisation (excl humanitarian)	10	'Special measures' - funding may decrease after 2 years
Poor	UN Human Settlements Programme	UN-HABITAT	UN organisation (excl humanitarian)	2	DFID funding to cease
Poor	International Labour Organisation	ILO	UN organisation (excl humanitarian)	4.1	DFID funding to cease
Poor	International Organisation of Migration	IOM	Humanitarian organisation	4.8	'Special measures' - funding may decrease after 2 years
Poor	UN International Strategy for Disaster Risk Reduction	UNISDR	UN organisation (excl humanitarian)	0.9	DFID funding to cease
Poor	UN Educational, Social and Cultural Organisation	UNESCO	UN organisation (excl humanitarian)	10	'Special measures' - funding may decrease after 2 years
Poor	UN Industrual Development Organisation	UNIDO	UN organisation (excl humanitarian)	4.9	Funding to cease
Poor	UN Development Fund for Women (now merged with UN Women)	UNIFEM	UN organisation (excl humanitarian)	3	'Special measures' - funding may decrease after 2 years

[a] Where available, figures taken from DFID *Statistics on International Development 2009/10* or the Multilateral Aid Review report; otherwise, the annual reports of the relevant institution have been used, and converted to pounds where necessary at an exchange rate of 1.6 USD:GBP, 1.4 CHF:GBP and 1.2 EUR:GBP
* Funded through contributions to European Commission budget instruments