



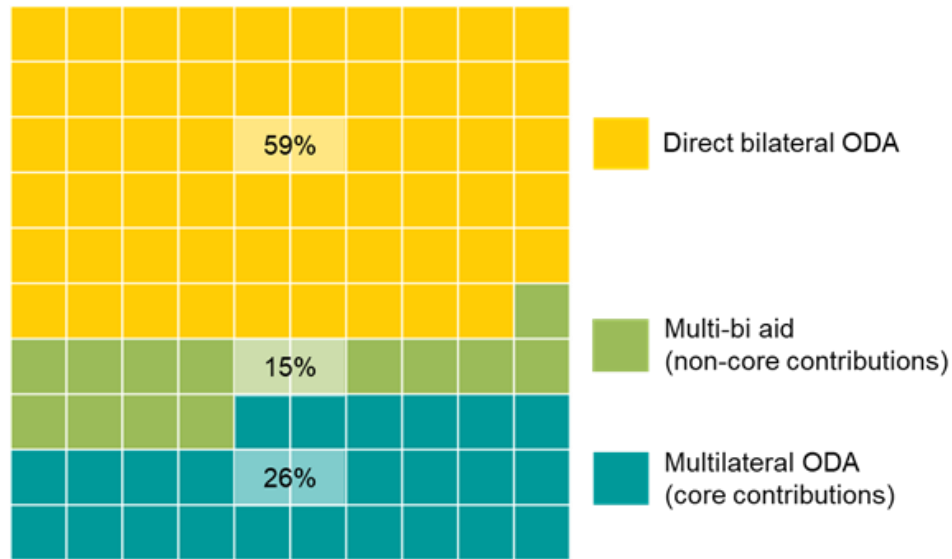
Multilateral Development Finance 2022

Multilateral Development Finance: Supporting an Inclusive and Sustainable Recovery in South Asia

December 1st, 2022

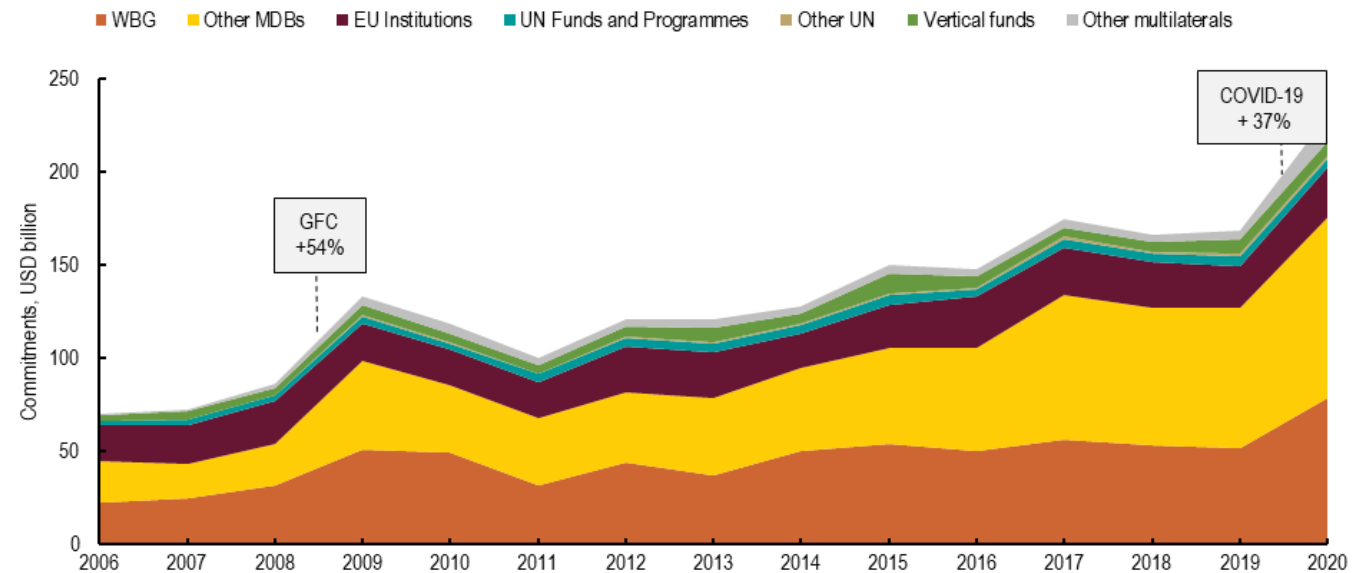
The multilateral development system continues to grow in importance as a channel of ODA and crisis response

Fig 1. A large and growing share of ODA is channelled through multilateral organisations



Source: OECD Creditor Reporting System

Fig 2. The multilateral response to the pandemic was larger in absolute terms than during the Global Financial Crisis, but smaller in relative terms

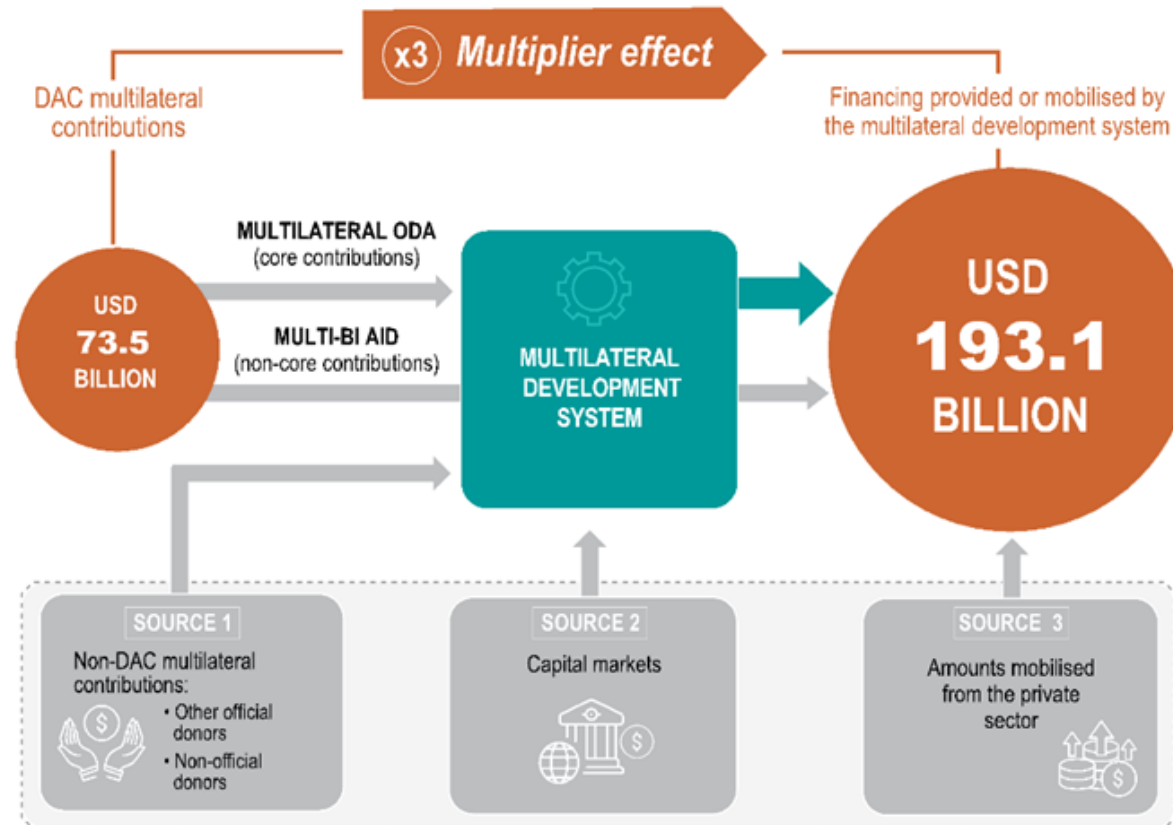


Source: OECD Creditor Reporting System

The multilateral development system offers a significant multiplier effect on DAC members' multilateral contributions

Fig 3. For each dollar invested by DAC members through the system, multilateral development organisations provide almost 3 dollars for sustainable development

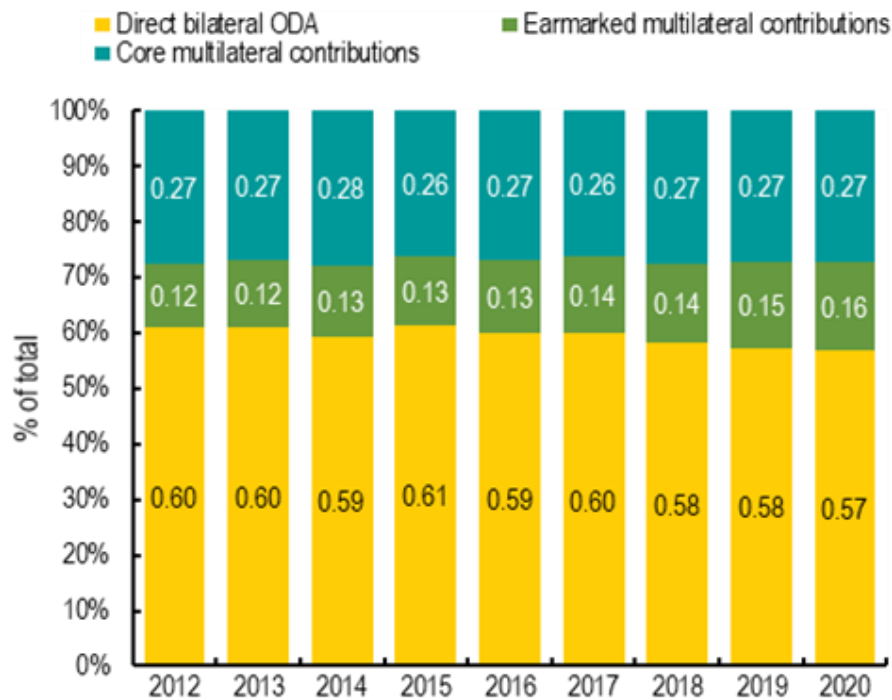
Amounts in USD billion, 2019-20 yearly average



The growth of multilateral financing came at the cost of:

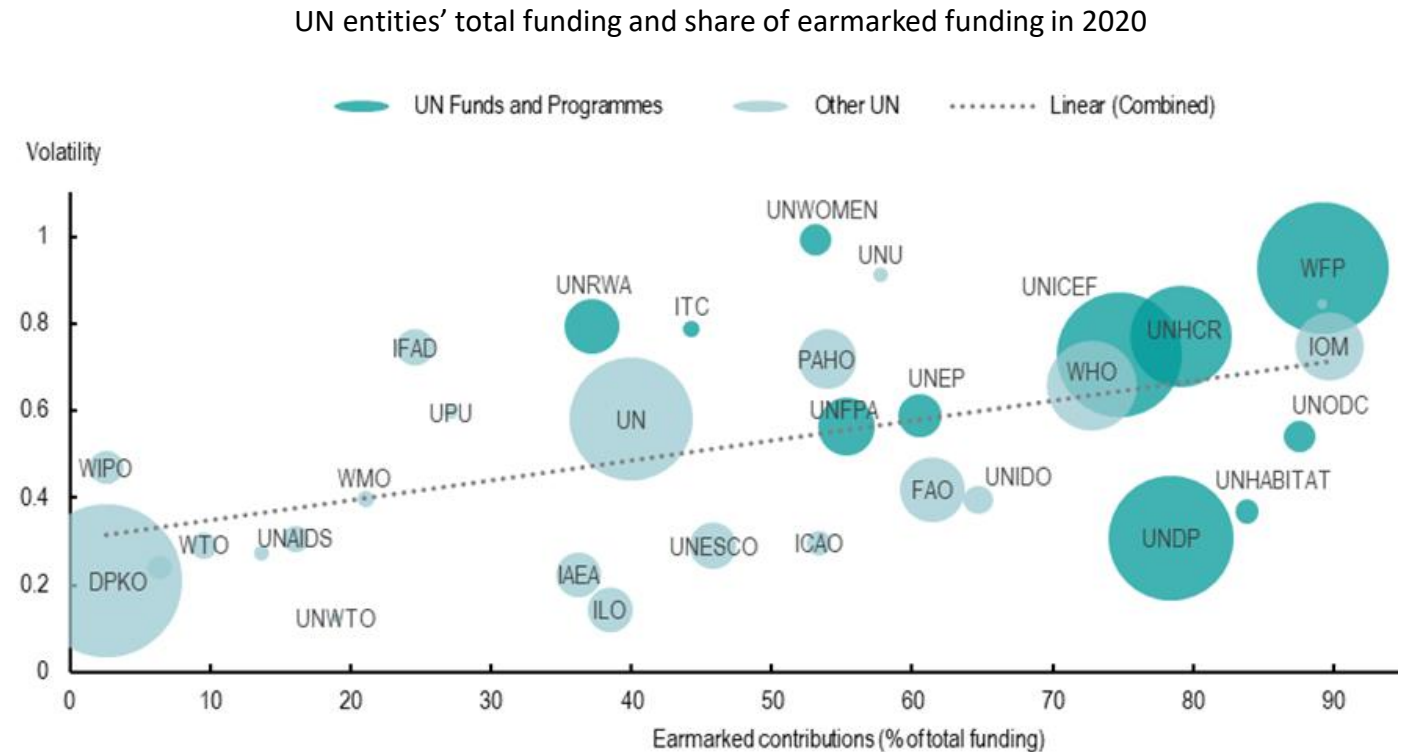
(i) An increase in the share of earmarked contribution

Fig 4. The growth of multilateral contributions is driven by earmarking



Source: OECD Creditor Reporting System

Fig 5. The share of earmarked contributions received by UN entities explains large part of their funding volatility

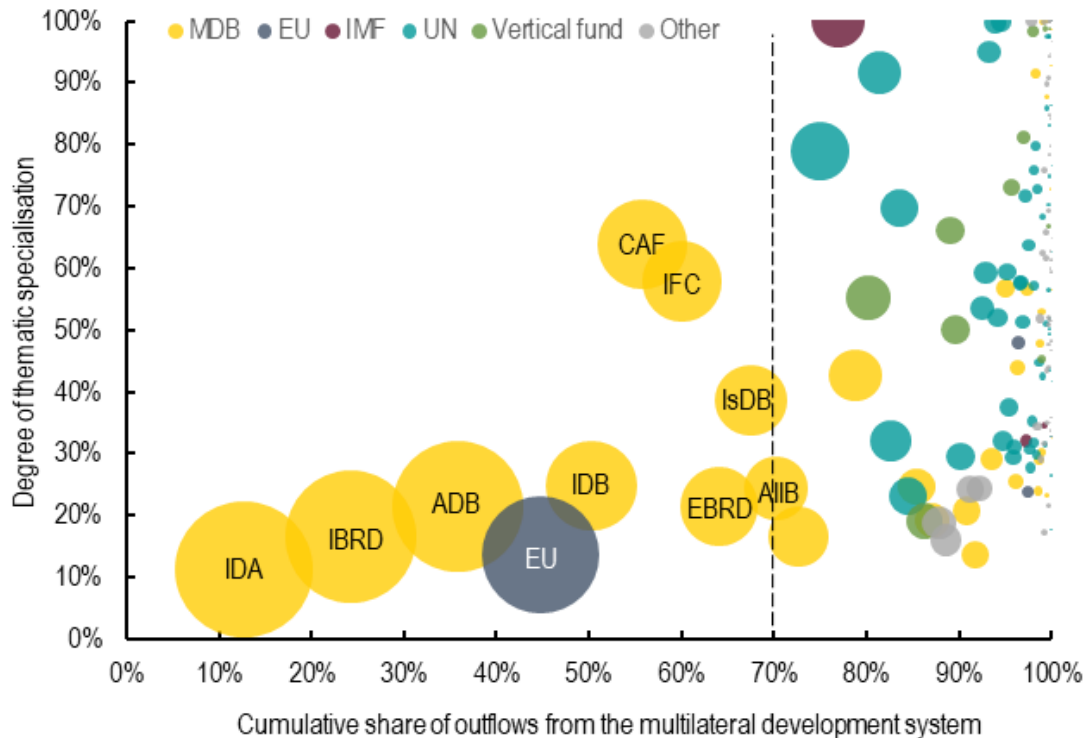


Source: UNCEB Financial Statistics

The growth of multilateral financing came at the cost of:

(ii) Increased fragmentation, lesser effectiveness and accountability

Fig 6. Ten organisation (out of 200+) account for 70% of total outflows from the multilateral development system



Source: OECD Creditor Reporting System

Fig 7. ... but the system is increasingly crowded, complex and fragmented

Number of active multilateral entities by thematic sector (2015-20)

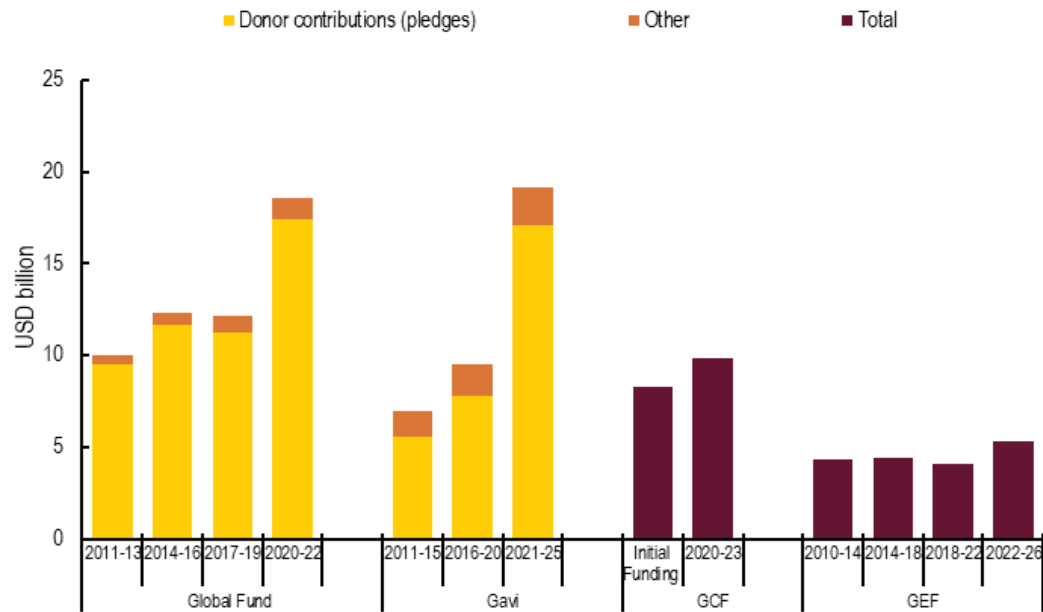
Sector	MDBs	Vertical funds	UN	Other	Total
Action Relating to Debt	7	0	1	4	12
Agriculture, Forestry, Fishing	19	5	13	5	42
Banking & Financial Services	20	5	10	6	41
Business & Other Services	15	2	11	5	33
Communications	17	2	9	5	33
Development Food Assistance	7	1	12	2	22
Disaster Prevention & Preparedness	14	5	13	3	35
Education	17	3	15	5	40
Emergency Response	13	1	15	4	33
Energy	19	6	12	6	43
General Budget Support	6	1	5	3	15
General Environment Protection	15	5	15	6	41
Government & Civil Society	17	5	17	8	47
Health	18	3	18	6	45
Industry, Mining, Construction	20	5	14	6	45
Other Social Infrastructure & Services	17	5	15	6	43
Population Policies/Programmes & Reproductive He	11	3	15	3	32
Reconstruction Relief & Rehabilitation	13	2	12	2	29
Trade Policies & Regulations	15	1	8	4	28
Transport & Storage	19	4	7	5	35
Water Supply & Sanitation	17	5	14	5	41

Source: OECD Creditor Reporting System

The growth of multilateral financing came at the cost of:

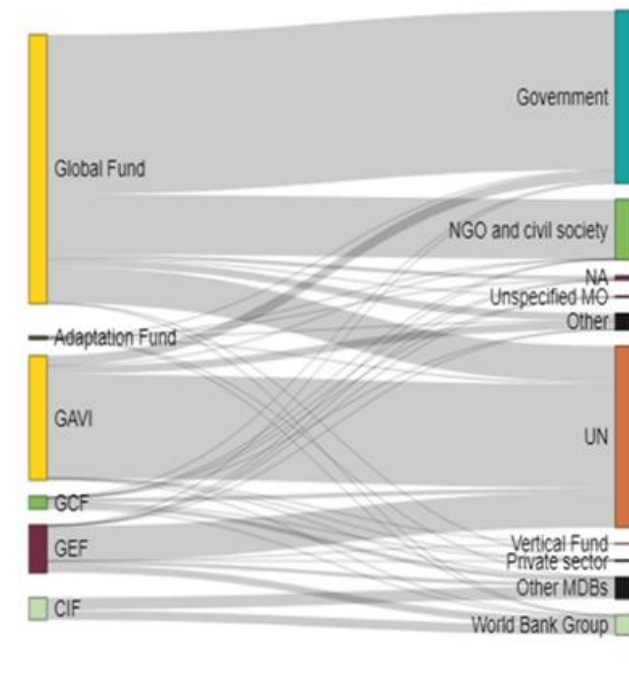
(iii) Increased pressure on the traditional multilateral development system

Fig 8. Increased funding to vertical funds helps scale up multilateral development finance but risks exacerbating the pressures on the system



Source: Global Fund, Gavi, GCF and GEF replenishment data

Fig 9. Most vertical funds rely on the implementing capacity of other multilateral organisations

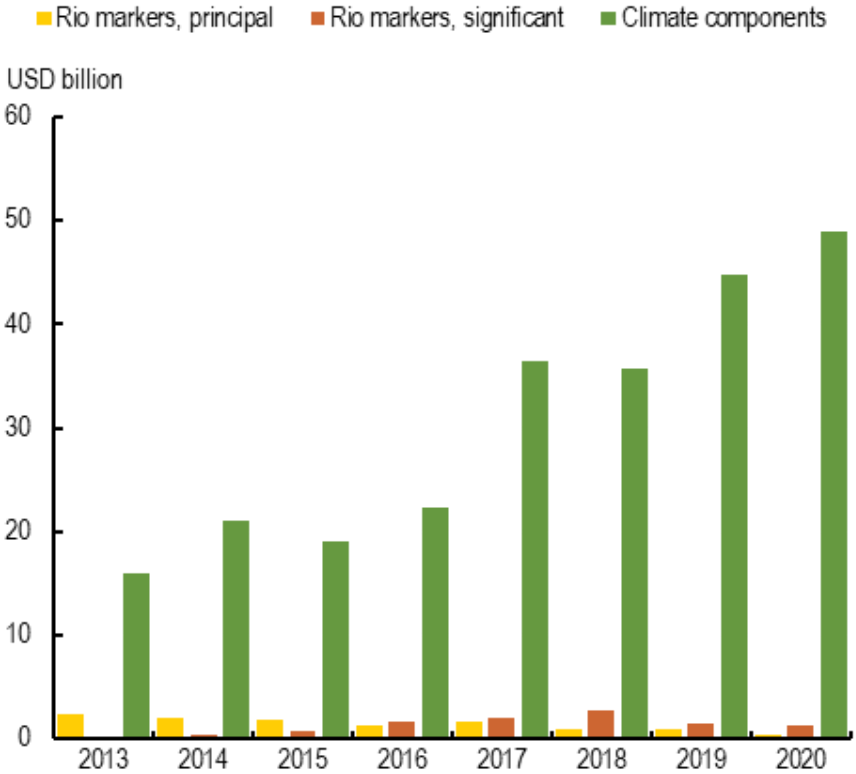


Source: OECD Creditor Reporting System

Focus on climate finance and the role of MDBs

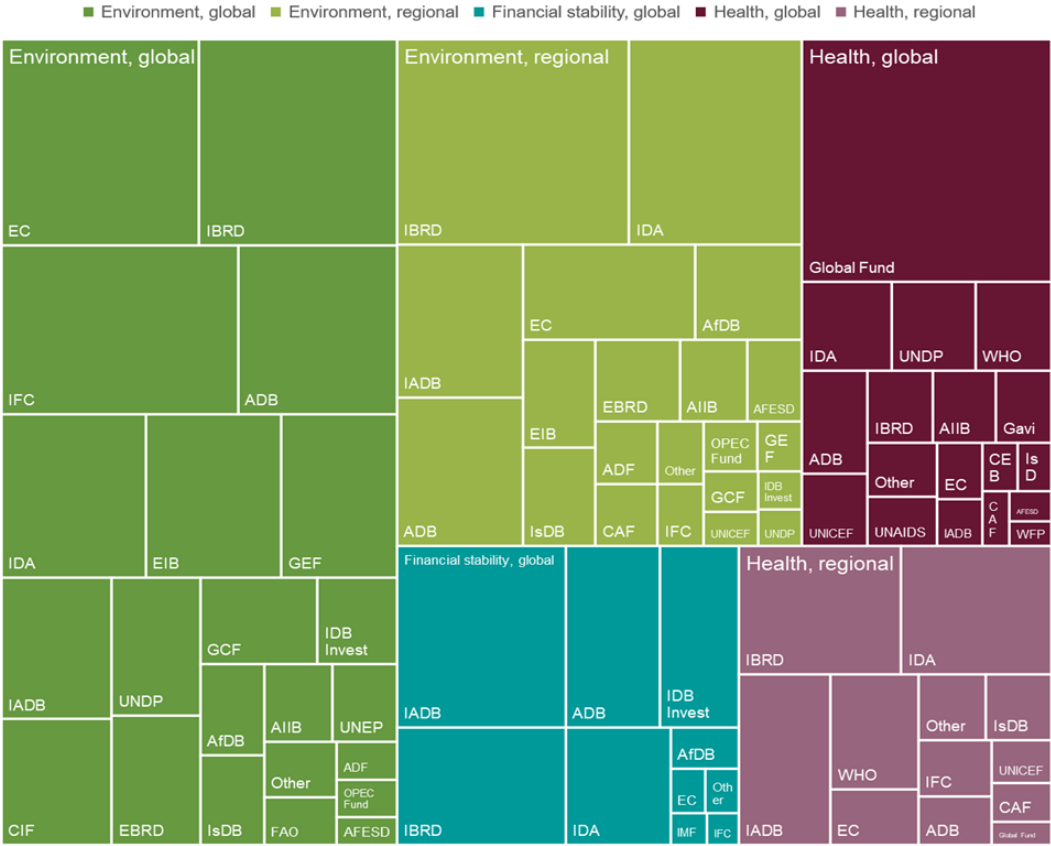
The multilateral development system is a major and growing actor in the area of climate finance

Fig 10. Climate-related multilateral outflows have grown at a rapid pace since 2016



Source: OECD Creditor Reporting System

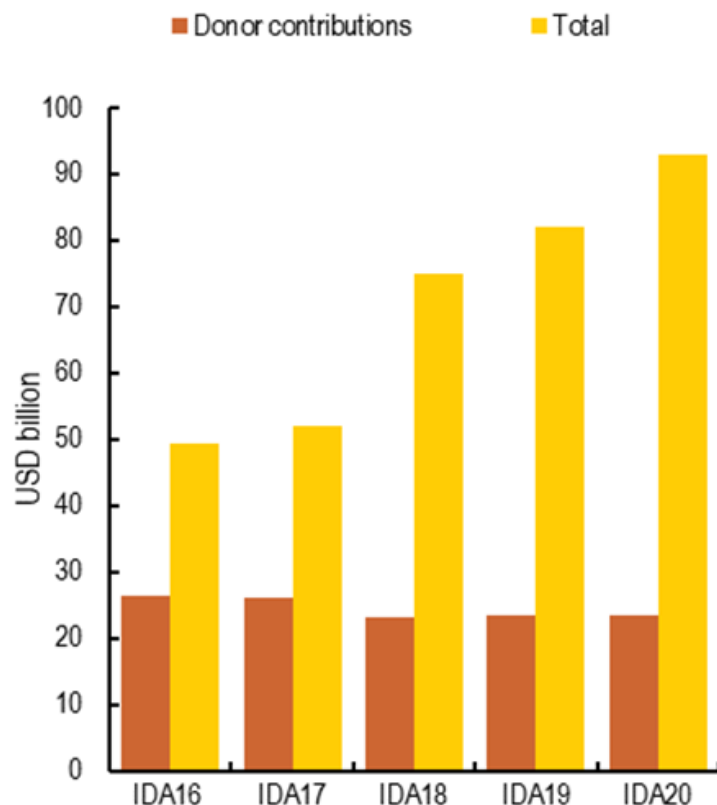
Fig 11. MDBs channel the majority of green multilateral finance



Source: OECD Creditor Reporting System

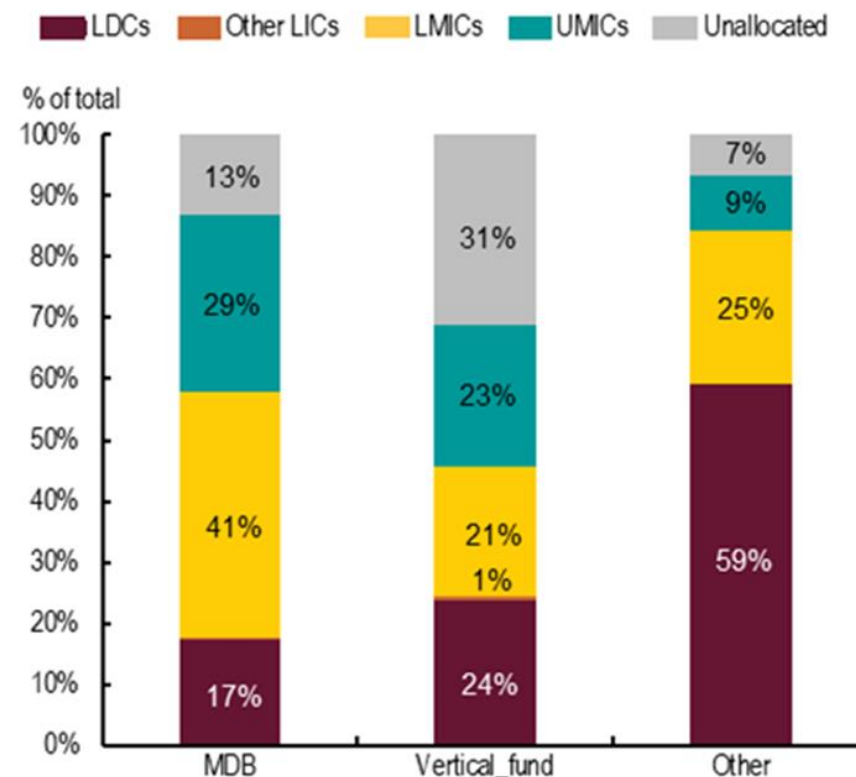
Growing expectations on MDBs to help fill the increasing needs in climate finance may ultimately influence its allocation and priorities

Fig 12. MDBs are asked to increasingly capitalise on their ability to access financial markets



Source: OECD Creditor Reporting System

Fig 13. MDBs' growing role in climate finance may exacerbate its focus on middle-income countries



Source: OECD Creditor Reporting System

Conclusion

Addressing the twin vicious cycle of multilateral development finance is imperative to safeguard multilateral effectiveness

Reduced trust, shortage of resources and need for reform

Less efficiency in preparing for and preventing future crises

Increased fragmentation and complexity of the multilateral architecture

Short-term/
long-term
trade-off

Lack of
system-wide
accountability

Fewer long-term investments in a resilient multilateral system

Focus on short-term emergency response

Less effective in responding to global challenges

Lack of system-wide accountability

Making multilateral (climate) finance more effective requires to:

- **Ensure reforms address the growing complexity and fragmentation** of the multilateral development system:
 - ⇒ Fragmented multilateral architecture / complex application process to access climate finance
 - ⇒ Lack of technical capacity among vulnerable countries
- **Consider the long-term implications of new funding sources**, such as:
 - ⇒ Earmarked contributions
 - ⇒ Private finance
- **Use multilateral resources more strategically**, in particular for the balance and allocation of:
 - ⇒ Concessional and non-concessional instruments
 - ⇒ Low and middle-income partner countries

Thank you

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