

Multilateral Aid Review

Taking Forward the Findings of
the UK Multilateral Aid Review

March 2011

Organisations/Funds included in the Multilateral Aid Review

- The African Development Fund (AfDF)
- The Asian Development Fund (AsDF)
- The Caribbean Development Bank (CDB)
- Central Emergency Response Fund (CERF)
- The Climate Investment Funds (CIFs)
- The Development Programmes of the Commonwealth Secretariat (CommSec)
- European Commission Budget (EC'ion Budget)
- European Development Fund (EDF)
- European Bank for Reconstruction and Development (EBRD)
- Food and Agriculture Organisation (FAO)
- The Education for All - Fast-track Initiative (FTI)
- The Global Alliance for Vaccines and Immunisation (GAVI)
- Global Environment Facility (GEF)
- The Global Fund to Fight AIDS, TB and Malaria (GFATM)
- Global Facility for Disaster Reduction and Recovery (GFDRR)
- European Commission Humanitarian Aid and Civil Protection (ECHO)
- Inter-American Development Bank (IADB)
- International Committee of the Red Cross (ICRC)
- International Development Association (IDA)
- International Fund for Agricultural Development (IFAD)
- International Federation of Red Cross and Red Crescent Societies (IFRC)
- International Finance Corporation (IFC)
- International Labour Organisation (ILO)
- International Organisation for Migration (IOM)
- Office of the High Commissioner for Human Rights (OHCHR)
- United Nations Peacebuilding Fund (PBF)
- The Private Infrastructure Development Group (PIDG)
- United Nations Human Settlements Programme (UN-HABITAT)
- Joint United Nations Programme on HIV/AIDS (UNAIDS)
- United Nations Development Programme (UNDP)
- United Nations Educational, Scientific and Cultural Organisation (UNESCO)
- United Nations Environment Programme (UNEP)
- Expanded Delivering as One Funding Window for the achievement of the MDGs (EFW)
- United Nations Population Fund (UNFPA)
- United Nations High Commission for Refugees (UNHCR)
- United Nations Children's Fund (UNICEF)
- United Nations Industrial Development Organization (UNIDO)
- United Nations Development Fund for Women (UNIFEM)
- The United Nations International Strategy for Disaster Reduction (UNISDR)
- UNITAID
- United Nations Office for the Coordination of Humanitarian Affairs (OCHA)
- World Food Programme (WFP)
- World Health Organisation (WHO)

Summary

This note explains how we will use the Multilateral Aid Review (MAR) in our approach to making funding decisions and in prioritising our areas of reform for multilateral organisations.

Principles for UK aid funding

Where multilateral organisations are already demonstrating very good value for money for UK aid we will provide funding through them at levels that are appropriate to their objectives and our ambitions. Our funding to these organisations will not be without strings attached. There is always room for improvement and we will still require strong commitments to even better performance.

We have already announced funding increases to IDA and UNICEF. We stand ready to boost significantly our funding to GAVI, GFATM, the Private Infrastructure Development Group (the PIDG) and the Asian Development Fund. Exact amounts will be agreed in the following months as we negotiate and agree their commitments to results and reform.

For the sixteen organisations that offer good value for money we will, on the whole, take a more conservative approach reflecting our judgement that we can get better value for money by funding the best performing organisations. In some cases we may promise increased funding linked to evidence of results or significant improvements in performance.

Nine organisations were assessed as adequate and nine as poor. Where these organisations are potentially important to UK development objectives but under performing we will monitor their performance closely and respond to improvements when we are confident that they offer value for money. Equally where multilateral organisations fail to improve we will reconsider our support.

We are placing four organisations in “special measures” and demanding they improve their performance as a matter of absolute urgency. These organisations are UNESCO, FAO, the Commonwealth Secretariat and the International Organisation for Migration. In four other cases the contribution to UK development objectives is so poor that DFID will withdraw our core funding altogether. These four are UN-HABITAT, ILO, UNIDO and UNISDR.

Priorities for improvement

Based on the evidence of weaknesses across the agencies and in order to ensure that all the multilateral organisations are delivering results for poor people and communities as effectively and efficiently as possible, we will place particular stress on strengthening seven key aspects of performance:-

- Accountability for results
- Delivery of efficiency savings and value for money in programming
- Human resource management
- Transparency and accountability
- Delivering for women and girls
- Working in fragile contexts
- Partnership behaviour

We will work with other stakeholders in the multilateral system and the multilateral organisations themselves to build consensus around these reform priorities and agree shared performance targets.

Overview

1. The Multilateral Aid Review (MAR) has given us, for the first time, a comprehensive overview of the strengths and weaknesses of the multilateral system, and the value for money and reform priorities of the individual multilateral organisations. Following the review, we have a unique ability to make systematic evidence-based decisions about how we deliver funding through all of the multilateral organisations to make the greatest possible impact. And an exceptional opportunity to help to shape an international reform agenda based on a rigorous comparison of the strengths and weaknesses of the whole of the multilateral system. The review therefore has important implications both for how the UK should deliver funding through the multilateral organisations, and for how we should work with them and with others to strengthen them.

Principles for UK aid funding through multilateral organisations

2. The multilateral organisations are an essential part of the international system for development and humanitarian aid. They have a global presence and the legitimacy to work even in politically sensitive contexts where national governments are not welcome. They provide specialist technical expertise, and deliver aid on a large scale. They offer a wide range of aid instruments to meet the needs of all countries. They have the legitimacy to lead and co-ordinate development and humanitarian assistance. They broker international agreements and monitor adherence to them. They develop and share knowledge about what works, and why. Some are at the cutting-edge of innovation, leading the development of new initiatives to deliver development and humanitarian assistance more effectively.
3. This is not to say that all multilateral organisations are equally critical to the achievement of international development and humanitarian objectives, or that they are performing equally well. The multilateral system is complex and fragmented, with overlapping mandates and co-ordination problems. While some organisations are praised for delivering exciting programmes, having the capacity to target the very poorest people under difficult circumstances, and for responding quickly to needs on the ground, others are criticised for being slow to act, for failing to deliver for the poor, and for being wasteful of their resources.
4. Our starting point is that all multilateral organisations should be seeking to achieve the best possible results at the lowest possible cost in support of their mandated development or humanitarian objectives. Working with other partners in the international system, and with the multilateral organisations themselves, we will press for progress on the reform areas identified in our assessments.
5. Decisions about funding will be made on the basis of the MAR assessments, but also sometimes taking into account other factors. These include wider UK objectives, the availability of funding from other sources, and the likelihood of

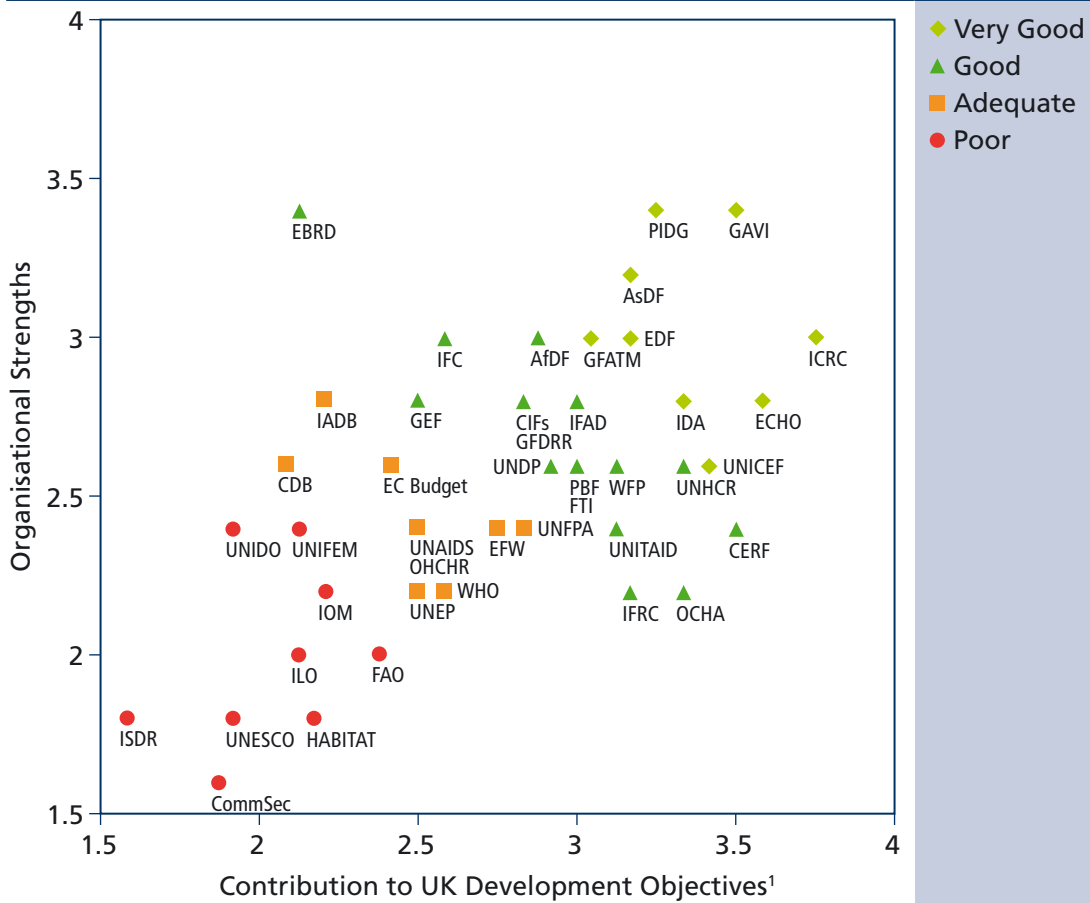
organisations improving, or continuing to improve, their value for money offer for UK aid. In some cases, we have been able to take funding decisions through the MAR process. In others, particularly where organisations operate on a replenishments basis, we are holding back on deciding our funding until we are clear exactly what results and reforms can be secured through the replenishment negotiations. In these instances, we have established the principles that will be used to guide our choices, but have not made the final decisions.

6. Several of the multilateral organisations assessed by the MAR are also subject to review through other processes. The humanitarian organisations are covered by the Humanitarian Emergency Response Review, which is due to report at the end of March 2011. The climate finance institutions are subject to a cross-Government process to agree the UK's approach to international climate finance. In both cases, the MAR findings will be an important factor in decisions about funding, but these decisions have not yet been taken.
7. This note does not, therefore, set out all of our funding decisions, but provides examples of our approach.

Assessing value for money for UK aid funding through multilateral organisations

8. The MAR assessed the performance of the multilateral organisations against a set of criteria ranging from control of costs through to delivery of outcomes, from focus on poor countries to accountability and transparency. The aim was to capture the value for money for UK aid of the whole of each organisation.
9. These performance assessments were brought together into two indices: one for contribution to UK development objectives, including humanitarian objectives, and one for organisational strengths. Value for money for UK aid was assessed on the basis of performance across both indices. Organisations with a generally strong score across both indices were judged to offer very good value for money for UK aid, while those with two weak or unsatisfactory scores were assessed as giving poor value for money for UK aid. In total, the MAR divided the multilateral organisations into four categories, depending on whether they offer very good, good, adequate or poor value for money for UK aid funding. The chart below shows how the 43 multilateral organisations covered by the review fared against our assessments. Organisations close to the dividing lines between the categories in practice offer similar value for money.

Chart 1 Value for money through UK aid funding to multilateral organisations



Note: ¹ includes humanitarian objectives

- It is important to note that the MAR assessments relate to value for money for UK development and humanitarian objectives only, and not for wider UK objectives, or for the objectives of other members of the international community.

11. The following box shows which organisations fell into which category.

Table 1 Value for money for UK development and humanitarian objectives of individual multilateral organisations			
Very good	Good	Adequate	Poor
AsDF ECHO EDF GAVI GFATM ICRC IDA PIDG UNICEF	AfDF CERF CIFs EBRD FTI GEF GFDRR IFAD IFC IFRC OCHA PBF UNDP UNHCR UNITAID WFP	CDB EC'ion Budget EFW IADB OHCHR UNAIDS UNEP UNFPA WHO	CommSec FAO HABITAT ILO IOM ISDR UNESCO UNIDO UNIFEM ¹
9 (21%)	16 (37%)	9 (21%)	9 (21%)
Note: Organisations are listed in alphabetical order			
1 UNIFEM has been merged with a new organisation, UN Women (see box)			

12. We were encouraged to see so many of our partners fall into the very good or good value for money categories, but concerned about the two fifths that offer merely adequate, or even poor, value for money for UK aid funding.

Approach to organisations offering very good value for money for UK aid funding

Table 2 Multilateral organisations offering very good value for money for UK aid
Asian Development Fund (AsDF)
European Commission Humanitarian Aid and Civil Protection (ECHO)
European Development Fund (EDF)
Global Alliance for Vaccines and Immunisation (GAVI)
Global Fund to fight AIDS, TB and Malaria (GFATM)
International Committee of the Red Cross (ICRC)
International Development Association of the World Bank (IDA)
Private Infrastructure Development Group (PIDG)
UN Children's Fund (UNICEF)

13. The very good value for money organisations offer an exciting opportunity for the UK to use our aid funding to make a real difference to poor people's lives. DFID has already announced a 25% increase in funding for IDA and a near doubling of funding for UNICEF. Box 1 shows some of the results that we expect this to deliver.

Box 1. Expected results from UK aid funding through the International Development Association of the World Bank and UNICEF

Over the next few years:

- The World Bank will provide 36 million people with improved water sources. It will build over 37,000 kms of road, vaccinate over 100 million children against preventable diseases, recruit or train over one million teachers and provide access to health and nutrition services to over 15 million people.
- UNICEF will reduce the number of children who are malnourished by providing micronutrients and treating those who suffer from severe acute malnutrition. It will protect more children and their families from malaria by sleeping under insecticide treated mosquito nets and increase access to ante natal care.

14. Funding for other very good value for money organisations will be announced as final decisions are made. But our funding to even these organisations will not be without strings attached. There is always room for improvement, to stretch the UK's money even further, to reach even more poor communities, to target girls and women even more effectively, to secure even better prices for commodities. Indeed, it is these very good organisations which have the strongest management teams, and are most likely to help DFID to push the boundaries of our ambition.

Box 2. Examples of the UK's approach to multilateral organisations offering very good value for money for UK aid

The Private Infrastructure Development Group has a range of facilities targeted at specific problems, such as providing long-term and local currency lending to infrastructure projects, and helping governments to prepare and structure new projects for the private sector. A new facility to catalyse private sector investment in renewable energy in Africa is being planned. We will make separate funding decisions on the basis of the ambitions and needs of each of these specific facilities. We expect to at least double our financing overall in return for clear:-

- Strategies for targeting poorer and fragile states
- Targets for reaching more poor people with services, with an emphasis on girls and women
- Targets for mobilising support from the private sector
- Evidence that prices charged are affordable
- Targets for value for money (eg number of people reached per pound).

The Global Alliance for Vaccines and Immunisation (GAVI) has a target to raise an additional \$3.7bn for its expanded programmes to 2015. The UK is already a major contributor to GAVI and we will contribute to this target. The factors that we will take into account in our decision include:-

- New approaches to expanding immunisation in countries which currently have low immunisation rates such as the DRC and Nigeria
- Strategies and commitments to drive down the price of vaccines – especially pneumococcal and rotavirus – even further

UNICEF

DFID will boost our support to UNICEF. It plays a critical role in supporting children in poor countries, is able to demonstrate results in countries and is highly rated for its results-focussed country programming. The UK has been funding UNICEF at £21m a year and proposes to almost double this to £40m a year. But we also expect to see good progress in several key areas over the next two years. Of greatest importance is:-

- Improving UNICEF's leadership and delivery in humanitarian emergencies
- Better results management and achieving value for money
- Greater leadership in the UN system on issues such as UN reform, Delivering as One, gender and humanitarian assistance.

The International Development Association of the World Bank (IDA)

DFID took account of the findings of the MAR in agreeing our 25% increase in funding for the latest IDA replenishment which we announced in December 2010. DFID worked with other countries to ensure key weaknesses identified in the MAR were agreed as priority areas for action. We will continue to work with the Bank to improve:-

- The effectiveness of its operations by addressing the barriers to delivering to its full potential in fragile states
- Bringing about further effective decentralisation of staff and devolution of decision making
- Giving greater attention to the needs of girls and women.

Approach to organisations offering good value for money for UK aid funding

Table 3 Multilateral organisations offering good value for money for UK aid
African Development Fund (AfDF)
Central Emergency Response Fund (CERF)
Climate Investment Funds (CIFs)
European Bank for Reconstruction and Development (EBRD)
Fast Track Initiative for Education for All (FTI)
Global Environment Facility (GEF)
Global Facility for Disaster Risk Reduction (GFDRR)
International Fund for Agricultural Development (IFAD)
International Finance Corporation (IFC)
International Federation of the Red Cross and Red Crescent Societies (IFRC)
Office for the Co-ordination of Humanitarian Affairs (OCHA)
Peace Building Fund (PBF)
UN Development Programme (UNDP)
UN High Commissioner for Refugees (UNHCR)
UNITAID
World Food Programme (WFP)

15. Many of the good value for money organisations either do not receive regular core funding, or decisions about their funding will be made later. Seven of them are climate finance or humanitarian organisations, and therefore subject to other separate timetables for deciding on funding. Two are development finance institutions to which the UK has contributed capital in the past, but where there are no further funding decisions on the horizon. One, the African Development Fund, was replenished in June 2010. The UK announced a 35% increase in the UK's sterling contribution to the Fund, reflecting our assessment of its value for money and – given the 3 year period of the replenishment – our assessment of the expected improvements in performance over the next 3 years.
16. DFID's approach to funding the other good value for money organisations varies. It is generally quite conservative, reflecting our judgement that we can get better value by funding the best performing organisations. In many cases DFID will be considering small or even no increases in funding. We want to work with member countries and the management of all of these organisations to develop agreed results and reform strategies. In a few cases we will increase funding through these organisations now in return for commitments to specific results. In some cases we will commit to increase funding in the future, but link our commitment specifically to evidence of improved performance. As with all the multilateral organisations we might also reduce our funding if we find that they are not making enough progress in addressing weaknesses.

Box 3. Examples of the UK's approach to multilateral organisations offering good value for money for UK aid

We will continue to fund the Education for All **Fast Track Initiative**. It plays an important role as the only multilateral focused solely on achieving the education MDGs, it concentrates its resources on the poorest countries and on fragile states, and it makes a significant contribution to education policy both in the countries where it works, and at the global level. However the Multilateral Aid Review assessment identified some weaknesses in the FTI – including in the way it sorts problems in implementation and how it tracks results. A new Board is starting to address these. We will take stock of the FTI performance again within two years and will decide whether performance has improved enough to increase funding. We will look for improvements in:-

- The effectiveness with which the FTI resolves delivery and operational problems
- The actual results that are being achieved – including completion rates for primary education.

United Nations Development Programme (UNDP) has a leading role in reaching the MDGs, particularly in fragile and conflict-affected countries. It has a distinct comparative advantage in democratic governance and crisis-prevention and recovery. It has an important role managing the Resident Coordinator system and multi-donor trust funds on behalf of the wider UN development system.

UNDP has many strengths, but we also want to see urgent progress in several important areas over the next two years. Top priority is:

- Improving the consistency of UNDP's delivery at country level, particularly in fragile and conflict-affected countries.
- UNDP to focus more of its efforts on its areas of comparative advantage, especially around crisis prevention and recovery.
- Evidence of how UNDP is controlling costs and achieving greater efficiency in its operations and much better reporting of results.

We will continue to fund UNDP at 2010 levels, closely monitor performance and review progress within two years, when we may increase or decrease our core funding.

International Fund for Agricultural Development (IFAD) helps poor rural women and men in developing countries to achieve higher incomes and improved food security. It has a clear role, is dedicated to improving the lives of some of the poorest and most vulnerable people in developing countries and is focused on delivering results. We will continue to work with IFAD in improving delivery of sustainable results at country level. We stand ready to increase our funding through IFAD but want improvements locked down in the new replenishment agreement this year.

Key issues include:

- greater efficiency through strengthening financial management
- human resource reform to strengthen delivery on the ground
- streamlining of procedures and the flexibility of IFAD's tools in responding to different country needs

Approach to organisations offering adequate value for money for UK aid funding

Table 4 Multilateral organisations offering adequate value for money for UK aid

Caribbean Development Bank (CDB)
European Commission budget instruments
UN Delivering As One Expanded Funding Window (EFW)
Inter-American Development Bank (IADB)
Office of the High Commissioner for Human Rights (OHCHR)
UN Joint Programme on HIV and AIDS (UNAIDS)
UN Environment Programme (UNEP)
UN Population Fund (UNFPA)
World Health Organisation (WHO)

17. The adequate value for money organisations fall into two groups: those whose roles are critical for UK development and humanitarian objectives but which are not performing well, and those which are performing well, but not in regions that are priorities for UK aid.
18. Most of the organisations fall into the first group. They are performing roles which are critical for UK objectives, but with important weaknesses in key performance areas. The general thrust of our approach will therefore be to continue funding them on the back of a commitment to undertake the necessary reforms. We will work with them and other stakeholders to help them to deliver on this reform agenda. We will review progress, and our funding decisions, within two years. We will particularly focus on the impact of reforms on the ground, looking for evidence that they are driving down costs and delivering results that matter. We expect to see evidence of significant improvement at this point.
19. The European Commission budget contribution, which falls into the second group, is a treaty obligation. Negotiations on the next long term funding framework will start later this year; we will use our assessment in these negotiations to help to improve the effectiveness and focus of European Commission aid. DFID's priorities will include: a more results-based approach to aid, more flexible procedures and decentralised financial decision-making, more transparent allocation criteria, an improved ability to recruit and maintain development expertise, and demonstrated progress on investing in girls and women.

Box 4. Examples of the UK's approach to multilateral organisations offering adequate value for money for UK aid

UN Population Fund (UNFPA) has a critical role in advancing MDG 5 (maternal health), a priority for the coalition government, and works well with partners to advance this agenda. However, UNFPA urgently needs to:-

- Improve its delivery at the country level, which is variable
- Strengthen results reporting, transparency and demonstrate the value for money of its interventions
- Improve financial management and address all outstanding audit issues.

UNAIDS fills critical gaps in advocacy, coordination and leadership on HIV/AIDS and works well with partners. However, UNAIDS urgently needs to:-

- Improve its coordination role at the country level
- Scale up its technical leadership on HIV/AIDS and improve co-sponsors' accountability for results
- Strengthen results reporting and cost control.

World Health Organisation (WHO) provides global leadership and convening power on development and humanitarian health issues. It is critical to the delivery of the MDGs, including reproductive, maternal and newborn health and malaria. However, the review found that WHO must urgently:-

- Focus on its comparative advantage, including at the country level
- Improve reporting of results and impact of interventions
- Improve its cost effectiveness and better manage poorly performing projects.

We will continue to fund these three agencies at 2010 levels and closely monitor their performance. We will review progress within two years when we may increase or decrease our core funding.

Approach to organisations offering poor value for money for UK aid funding

20. Nine multilateral organisations offer poor value for money for UK aid. DFID is taking a tough approach with these organisations.

Multilateral Organisations offering poor value for money for UK aid
Commonwealth Secretariat (CommSec)
Food and Agriculture Organisation (FAO)
UN Human Settlements Programme (UN-HABITAT)
International Labour Organisation (ILO)
International Organisation of Migration (IOM)
UN International Strategy for Disaster Risk Reduction (UNISDR)
UN Educational, Social and Cultural Organisation (UNESCO)
UN Industrial Development Organisation (UNIDO)
UN Development Fund for Women (UNIFEM) – now merged into UN Women

21. DFID is stopping extra-budgetary funding to UNISDR and UN-HABITAT, and ending UK membership of UNIDO. These organisations operate on a small scale with limited impact on poverty, and their mandates overlap with more effective organisations. The UK will remain a member of the ILO. The Department for Work and Pensions will continue to pay the UK's assessed contribution so that ILO can continue to play a strong role in setting labour standards and advocating for decent work. However, DFID will not provide further core aid funding, due to the ILO's limited impact on poverty on the ground. Other common weaknesses in this group include poor results reporting, a lack of transparency, and inadequate financial management.
22. The £50m savings that DFID will make by stopping funding through these organisations will be reinvested in the top performing agencies which are having a major impact on eliminating poverty.
23. DFID is putting the other four organisations in "special measures" (UNIFEM has been merged into a new organisation, UN Women, see box 5). These are organisations that currently offer poor value for money for UK aid but potentially have a critical niche development or humanitarian role which is not well covered elsewhere in the international system and/or make an important contribution to wider UK objectives. DFID is demanding an urgent improvement in the performance of these organisations and will monitor progress closely. We will review progress within two years when we may increase or decrease our funding. The UK is building a strong alliance with other countries to press for reform in all these cases.

Box 5. UN Women

The UK is a strong supporter of UN Women and played a leadership role in its establishment. UN Women has the potential to drive a much more effective response to gender inequality across the UN system. We will be working with UN Women's leadership to address the weaknesses the review identified in UNIFEM. While UNIFEM had an important role in meeting UK objectives it was not focused on results. UN Women needs to ensure it is results-orientated from the outset and develops a strong strategic and performance based management system, that demonstrates results at the country level. UN Women also needs to show strong leadership in the UN system, and must build on UNIFEM's partnership work and good track record of working on women's role in peace building.

24. Further details of our approach to all of the organisations in the poor value for money category are shown in Boxes 6 and 7.

Box 6. Multilateral organisations offering poor value for money for UK aid where DFID will stop providing core aid funding**International Labour Organisation (ILO)**

The ILO has a strong role to play in setting labour standards and the UK's funding through DWP will continue to support that. However the review concluded the ILO does not have a significant impact on the MDGs because its operations on the ground in developing countries are limited. The ILO also has a wide range of organisational weaknesses including weak cost control, and results reporting, limited transparency and not taking systemic action on evaluation findings. We will consider, on a case by case basis, funding the ILO in country on specific projects – provided it represents good value for money and is consistent with UK poverty reduction goals.

DFID will continue to support a variety of other programmes that deliver and improve jobs for poor people. In the standards we set for our own interventions in the private sector, we will continue to recognise the importance of good labour practices, transparency and dialogue and continue to work with the Ethical Trading Initiative and the Fair Trade Labelling Organisation on decent work issues. DFID's funding to ILO averaged £6.6m per year between 2006 and 2010. There will be no more additional voluntary contributions from DFID.

Box 6. Multilateral organisations offering poor value for money for UK aid where DFID will stop providing core aid funding *continued***UN-HABITAT**

The MAR did not find evidence that UN-HABITAT is leading the United Nations system to work more coherently to tackle urban challenges faced in developing countries. UN-HABITAT's operations are too small scale, with limited scope, and the issues it works on are covered by more effective organisations (e.g. UNDP, UNICEF) working on a larger scale. The MAR identified a number of organisational weaknesses such as weak cost control, poor results-based management and strategic planning and limited transparency.

Addressing urban poverty remains important to DFID and DFID will take forward this agenda through large scale urban development projects including in Bangladesh, India and Nigeria and through other parts of the UN system (e.g. UNICEF for water and sanitation, UNDP on urban poverty programmes) where UK aid is more effectively spent.

The UK will still be a member of UN-HABITAT as it is part of the UN Secretariat. However, DFID will stop providing additional voluntary funding to UN-HABITAT. This funding averaged £0.8m between 2002 and 2010. DFID will consider, on a case by case basis, funding UN-HABITAT in country on specific projects – provided it represents good value for money and is consistent with UK poverty reduction goals.

United Nations Industrial Development Organization (UNIDO)

The MAR could not find any evidence of UNIDO having a significant impact on global poverty. It is small, lacks a strong country level presence and has a narrowly focused role. There are more effective development actors with a greater impact on the ground. Key elements of UNIDO's work are covered by other UN organisations such as the United Nations Development Programme and the United Nations Environment Programme. UNIDO also has a wide range of organisational weaknesses including limited transparency, weak results reporting and weak financial management.

UK aid is therefore more effectively spent in other parts of the multilateral system. The UK will therefore withdraw from membership of UNIDO. DFID pay the UK's assessed contribution (about £7m) for the next two years to serve out the notice period. DFID will consider, on a case by case basis, funding UNIDO in country on specific projects – provided it represents good value for money and is consistent with UK poverty reduction goals.

The United Nations International Strategy for Disaster Reduction (UNISDR)

UNISDR has not performed its international co-ordination role well. Other more effective institutions such as UNDP and GFDRR are judged to provide better value for money and DFID will increase its funding to them. UNDP is central to the delivery of the MDGs and is at the heart of the UN development system and currently plays an important co-ordination role on disaster risk reduction at the national level. GFDRR is more effective at mainstreaming DRR and climate change adaptation in country development strategies.

The UK will still be a member of UNISDR as it is part of the UN Secretariat, but DFID will no longer provide additional voluntary funding. This funding averaged £0.9m between 2002 and 2010.

Box 7. Multilateral organisations currently offering poor value for money for UK aid which DFID will place in “special measures”

The development programmes of the Commonwealth Secretariat

The Commonwealth Secretariat could play a key role in strengthening democracy and supporting development across the Commonwealth and in making the Commonwealth’s voice heard on global issues. However the Commonwealth Secretariat’s programmes are thinly spread over many interest areas and its potential is not being realised. DFID will increase its engagement with the Commonwealth Secretariat and work closely with other member states to drive reform. Top priorities will be to:-

- Secure greater focus on areas where the Commonwealth Secretariat has a comparative advantage – supporting and representing the interests of small states, global networking, advocacy and offering specialist advisory services to its members;
- Strengthen management and oversight systems within the Secretariat.

DFID will review progress after the Commonwealth Heads of Government Meeting 2011, and again one year later, with progress informing the level of DFID’s funding for the Commonwealth Secretariat’s development activities. DFID will contribute around £10m to the development programmes of the Commonwealth Secretariat in the next two years.

Food and Agriculture Organisation (FAO)

The FAO’s mandate gives it a key role to play in addressing global food security and nutrition that is not covered elsewhere in the international system. Food and nutrition security is a key priority for the Coalition Government’s development efforts. DFID will continue to support the FAO, including by funding the core assessed contribution, which is about £24m spread over the next two years. But DFID will work with FAO and other Member States to promote urgent implementation of FAO’s reform programme. DFID will agree targets with FAO drawn from FAO’s reform action plan to help measure improvements in performance over the next two years. Priority areas for improvement are:-

- More strategic and consistent country level delivery
- Better reporting on results
- Greater transparency
- Improvements in cost efficiency.

If the necessary actions are not implemented satisfactorily and performance does not improve, then we will consider whether the UK should continue to be a member of FAO and whether there are more effective ways of supporting our objectives on nutrition, food security and agriculture.

Box 7. Multilateral organisations currently offering poor value for money for UK aid which DFID will place in “special measures” *continued***International Organisation for Migration (IOM)**

Despite its weaknesses, the IOM plays a unique role filling gaps in humanitarian emergency relief operations which are not well covered elsewhere in the international system, including leading the camp coordination and camp management cluster. It is also an important partner for UK Borders Agency (UKBA) and Foreign and Commonwealth Office (FCO). DFID will contribute less than £1m to IOM in each of the next two years. But the UK will work with IOM to improve:

- The results it achieves through its project activities
- The way it manages camp coordination and management in natural disasters
- And ensure it works more effectively for women and girls.

If performance does not improve satisfactorily, then the UK will consider whether it should continue to be a member of IOM and whether there are more effective ways of supporting our humanitarian objectives in this area.

United Nations Educational, Scientific and Cultural Organization (UNESCO)

UNESCO contributes to a range of UK government objectives, including monitoring progress on Education for All. The UK's membership of UNESCO also brings broader benefits to the UK, in Culture, Heritage, Education and Science. UNESCO's new leadership team is committed to reform. DFID will continue to support UNESCO, including by funding the core assessed contribution, which will be about £16m in each of the next two years. DFID will reassess progress towards improved effectiveness, with other government departments, in autumn 2012. DFID is discussing with UNESCO, and its member states, what measures need to be taken to urgently improve its performance. Priorities include:-

- Greater transparency
- A more focused, evidence based programme
- A focus on controlling transaction, administration and other costs
- A major improvement in results based management.

If these measures are not implemented satisfactorily and performance does not improve, then the UK will consider whether it should continue to be a member of UNESCO, or whether there are more effective ways of supporting our objectives on education, culture and heritage.

Reform

25. The Multilateral Aid Review found many strengths across the multilateral system, but it also highlighted many weaknesses. Reform of the multilateral organisations is therefore a high priority for the UK.
26. The UK is only one of many stakeholders in the multilateral system. We will place a strong emphasis on building consensus for change with others, working with other donors, developing country partners and civil society organisations as well as with the management and leadership of the multilateral organisations.
27. Within the context of an assessment of the strengths and weakness of each individual multilateral organisation, we will place particular stress on the following set of issues.
28. First, most multilaterals need to do more to demonstrate their specific contribution to development and humanitarian results. This is partly an accountability issue: we need them to show us how our funding is making a difference. But it is mainly about setting ambitious targets and giving managers the incentives and information to ensure that they are pursuing them as effectively and efficiently as possible. In many cases, this will require them to strengthen results based management systems, set output and outcome targets, develop methods of aggregating results from country to global level, and align staff incentives with desired results.
29. Second, most multilaterals need to cut unnecessary administrative costs, deliver efficiency savings, and place a greater emphasis on securing value for money in their programming choices. They need to clearly set out how they plan to do this, and how they will monitor and demonstrate progress.
30. Third, in order to strengthen their ability to deliver on the ground, most multilaterals need to improve their human resource management systems. Difficulty in getting staff with the right skills and experience into key posts at the right time is undermining effective delivery in many multilateral organisations, particularly in fragile states.
31. Fourth, most multilateral organisations need to improve their transparency and accountability. Transparency is essential for true accountability to all citizens. All multilateral organisations should make comprehensive information about their policies and projects readily available to outsiders. Developing countries should have a genuine voice in decision-making, and there should be an effective right of redress for complainants.
32. Fifth, most multilateral organisations need to do more to deliver for girls and women. The first step for some organisations is to develop formal policies and frameworks about the treatment of gender in programming. Other organisations already have gender policies in place, but need to do more to ensure that this feeds through into real impact on the ground.
33. Sixth, many multilateral organisations need to improve their performance in fragile contexts. Some are present and actively engaged but need to take a more

systematic approach to developing conflict-sensitive programming. Others do not have a strong enough local presence in fragile states to be fully effective and/or do not have sufficient flexibility to adapt their procedures and instruments to local situations.

34. Seventh, while many multilateral organisations are investing to develop the way they work with partners, there is still considerable room for improvement in how the different parts of the international system work with each other. Many have also made disappointing progress on building country ownership and alignment. Strengthened partnership behaviour is therefore also a priority.