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

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

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

Source: OECD Creditor Reporting System

Source: UNCEB Financial Statistics
The growth of multilateral financing came at the cost of:

(ii) Increased fragmentation, lesser effectiveness and accountability
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.

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

Source: OECD Creditor Reporting System
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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