Recommendation 1: DFID is right to base its funding decisions on regular, systematic reviews of multilateral organisations. For the organisations under review, the knowledge that funding arrangements will be reviewed on a regular basis rather than an ad-hoc basis will undoubtedly be helpful. As well as assessing the performance of the multilateral organisations to which it is currently providing funding, DFID should also assess the performance of those from which it has withdrawn funding, considering both alignment with UK development objectives and organisational effectiveness. We recommend that this be included in the next full-scale MAR in 2015. If these organisations can be shown to have improved, DFID should restore funding.

Partially agree. The Government recognises the importance of predictable funding, particularly for smaller organisations that rely on this funding to make longer term investments. The Government also remains committed to ensuring that regular, systematic reviews of multilateral organisations continue to play an important role in our funding decisions.

We have considered carefully whether we should include in the next MAR in 2015 the four organisations from which we withdrew core funding following MAR 2011. We recognise that the issues that led to the previous decision might have been addressed. However, a MAR is a significant assessment and we would not wish to involve agencies in such an exercise if it was unlikely that a new assessment would be significantly different, or if there were other reasons which would argue against a resumption of core funding. In advance of the next MAR we will therefore conduct a light touch review to determine whether or not to include those agencies in the full MAR exercise.

Update: Our current focus has been on reviewing the MAR assessment framework and considering how it can be strengthened in light of feedback received from multilaterals, DFID staff and external scrutiny bodies. This work, once completed, will inform the development of our light touch exercise.

Recommendation 2: To improve the efficiency of the multilateral system, it is important for DFID to put pressure on multilaterals to reduce their administration costs where possible. We recognise that in many cases there are valid reasons why multilaterals’ administration costs are relatively high, and to restrict them arbitrarily would undermine the effectiveness of the organisations concerned. However, we are concerned that the Government-imposed restriction on DFID’s administration costs may create a perverse incentive for DFID to allocate more of its money to multilaterals, many of whose administration costs are far higher for the wrong reasons. DFID’s allocation of funding to multilaterals should not be guided by the desire to ‘export’ its own administration costs. ‘Exporting’ administration costs in this way is illogical, particularly since many multilaterals have far higher administration costs than DFID.

Agree. Decisions to fund multilateral organisations should not, and are not, taken with the aim of “exporting” administration costs from DFID, but on the basis of their overall value for money and their contribution to UK development objectives. The MAR assessments provide evidence for these decisions.

The Government welcomes the Committee’s recognition that there are valid reasons for multilaterals’ administration costs to vary and that that may mean some have higher costs than others. We particularly welcome the recognition that “to restrict them arbitrarily would undermine the effectiveness of the organisations concerned.” We agree it remains important to continue to encourage multilaterals to reduce their administration costs to the minimum possible. This is why cost and value consciousness (which includes administration costs) was a component in the MAR. This focus in the MAR has resulted in a number of significant improvements — the Global Fund to fight AIDS, TB and Malaria (GFATM)’s budget for 2013 is 15% lower than the 2012 budget despite increased workload; and support expenditure for the European Development Fund (EDF) has been frozen at 3.25% instead of
rising to 5% as originally proposed. DFID is also working with 17 other donors, through the Senior Level Donors Meeting (SLDM), to address this issue. In April, the SLDM welcomed proposals put forward by DFID that multilaterals should report administration costs against standard cost categories (such as staff salaries and travel), and that we should argue for this in forthcoming multilateral organisation board meetings. Clear cost reporting would enable donors and agencies themselves to better understand and analyse differences.

**Update:** DFID continues to call on multilaterals to reduce their administration costs as far as possible and to improve their overall value for money. DFID has been working with other donors to develop cost classifications that will enhance transparency around the information contained with multilaterals’ annual accounts. UNAIDS completed a pilot of these classifications earlier this year.

**Recommendation 3:** A number of multilaterals told us that DFID’s communication with them had been much better during the MAR update than during the original MAR: we welcome this improvement. Before the next full-scale MAR in 2015, DFID should consider if it can make further improvements to its communication with multilaterals, for example by making the process more transparent or by setting out more clearly the weights given to different criteria.

**Agree.** The Government welcomes this positive response. We recognise that open communication is central to successfully driving reform. We listened carefully to what the multilateral organisations had to say following the MAR about the process and the way we worked with them. This is why we increased our engagement with multilaterals throughout the MAR Update process. Specifically, we gave multilaterals more time to provide relevant evidence at the start of the process, provided draft assessments to multilaterals so that they could be fact checked, and gave advance sight of the final assessment so that the multilateral could provide a response for publication alongside the MAR Update.

We are at the early stages of developing the MAR 2015 process. We will consult with multilaterals to identify what more we can do to improve communications and to develop the MAR process further.

We wish to clarify one point: in the MAR and the MAR Update each component has equal weight. We will work to ensure that the basis of assessment remains clear and is well understood by all those involved.

**Update:** Following publication of the MAR Update we held four roundtables in London, Geneva, Rome and New York where we challenged multilaterals to give their own suggestions on how the process can be improved for 2015. This will be considered as we develop our MAR 2015 approach.

**Recommendation 4:** It would be impossible to assess the performance of multilaterals without imposing some burden on them, but DFID has successfully kept this to a manageable level. In future, DFID must ensure that the burden of its assessments remains proportionate for the organisation under review.

**Agree.** The Government welcomes the Committee’s recognition that some burden of assessment is inevitable, but that we have kept this at a manageable level. We will continue to ensure that minimising the burden of assessment remains a guiding principle as we develop MAR 2015. We welcome the significant positive comment on the MAR and recognise that the success of this Review relies on ongoing multilateral organisation participation and commitment. This in turn depends on us continuing to keep the burden of assessment proportionate.

In preparation for the MAR 2015 we will consult with multilaterals to determine what more we can do to keep burdens proportionate. We will also continue to work with other donors, as discussed under recommendation 7, to minimise the burden through collective action.

However we do want to emphasise that we must be able to scrutinise the value for money to the UK taxpayer of our significant spend on multilaterals. If we need additional information from multilaterals so that we are able to assess this, we will ask for it.
Update: We continue to review our assessment process and identify ways to minimise the burden on multilaterals whilst protecting the robustness of the exercise. We will continue to consult with multilaterals on a voluntary basis, as we develop this further.

**Recommendation 5:** The existence of MOPAN does not lessen the importance of, or the need for, MARs: DFID should continue conducting MARs at regular intervals, as this is the best way to assess multilaterals’ level of alignment with UK development objectives. However, with a view to lessening the burden on multilaterals DFID should consider how it can work with other donors where possible, including by placing more reliance on MOPAN. To this end, DFID should support the strengthening of MOPAN, and should encourage MOPAN to increase the number of organisations it assesses in any given year.

**Partially Agree.** The Government welcomes the Committee’s recognition that the work of MOPAN complements the MAR rather than replaces it. The Government also agrees and recognises the need to work with other donors to reduce the overall burden on multilateral organisations. To this end we have already worked particularly closely with Australia and Canada, sharing evidence of multilateral performance in developing countries. We are working with other donors to ensure that MOPAN is a strong and effective network. However, we are not persuaded that MOPAN should increase the number of organisations it assesses each year. This would incur significant cost and impose burden on multilaterals and, as the Committee recognises, individual donors are still likely to carry out their own assessments to ensure alignment with their national development objectives. Our priority is therefore to ensure that MOPAN generates and holds an adequate evidence base to support multilateral assessment processes, thereby reducing the need for donors to ask multilaterals repeatedly for the same information. DFID is an active member of the MOPAN Strategic and Technical Working Groups and expect that in the longer term, through our participation and the efforts of other donor Governments, MOPAN will become a reliable source of evidence for all those interested to draw upon.

**Update:** We have been working closely with MOPAN to develop its new approach. This offers the potential for more agencies to be assessed over a two year assessment cycle, and increased evidence from developing countries. An evidence repository will be developed alongside this, to ensure that this information can be easily accessed to support other donor assessments and to reduce burden on multilaterals. MOPAN proposals are currently out for tender and the process is expected to start in mid-2015. Over time this should provide a valuable information source for DFID and the MAR.

**Recommendation 6:** A key challenge for DFID is monitoring the performance of multilaterals in countries where DFID has no bilateral programme. While we accept that country visits are not the only way of obtaining evidence, we nevertheless recommend that for the next full-scale MAR in 2015, DFID undertake more visits to countries in which it has no bilateral programmes. These visits should be of a longer duration than the visits conducted for the original MAR. In between MARs, DFID should also consider more regular monitoring of multilaterals’ performance in countries where it has no bilateral programme.

**Partially Agree.** The Government agrees that monitoring the performance of multilaterals in countries where DFID is not present is challenging. However, it is a challenge that we are addressing and will continue to do so as we develop the approach for MAR 2015. In the MAR Update, we sought evidence from other donors, non-governmental organisations (NGOs) and MOPAN adding to the evidence and input we get from DFID country offices.

The Government recognises that there is still room for improvement in gathering this country level evidence. In response, we will work more effectively with other donors and NGOs who have insight into countries where DFID is not present, as well as ensure that we are learning all that we can from DFID country offices.

Country visits help us to access evidence but our experience shows they can be expensive and the quantity and quality of the evidence can be patchy. Working with or through others should help to
address this. Our decisions on country visits will therefore be guided by the same value for money principles that we use to inform all of our expenditure decisions.

**Update:** International departments within DFID have increased their engagement with country offices to strengthen their ongoing monitoring of multilateral performance. In addition, we are reviewing our existing approaches and lessons learned from the MAR Update to determine how we can strengthen our evidence gathering.

**Recommendation 7:** DFID has made gender equality a key priority, and in this respect it has our full support. It would be impossible to make a meaningful assessment of multilaterals’ performance without considering gender. For the next full-scale MAR in 2015, it will be crucial to maintain the focus on gender, with particular attention paid to results on the ground. The 2015 MAR should also especially assess multilaterals’ commitment to tackling violence against women and girls, as recommended in our recent report on the subject.

**Agree.** The Government welcomes the Committee’s support for our focus on gender in the MAR and agrees absolutely that no assessment of multilateral performance would be complete if this were not considered. We have also been asked that weak performance on gender is actively addressed. Following the MAR in 2011, 13 multilateral organisations were asked to improve their performance on gender. Progress on this is now being assessed through the MAR Update process. We have already welcomed the Committee’s recent report on the issue of Violence against Women and Girls. As we said in our response to that report, we are taking a number of actions to ensure that multilaterals address this issue. DFID plans to incorporate requirements on this into some of our core funding agreements with multilateral agencies.

**DFID’s humanitarian response funding guidelines for NGOs ask partners to assess**

whether the risks of violence against women and girls have been identified and addressed. We are in the process of reviewing our methodology for MAR 2015. We will explore how best to include violence against women and girls in the gender component, so that we can properly assess the extent to which multilaterals are addressing this issue.

**Update:** Gender remains a key priority for the Government as demonstrated by the introduction of the International Development (Gender Equality) Act in May 2014. This Act requires that the impact on gender equality is considered before any development or humanitarian assistance is provided. In addition, the MAR assessment framework is being reviewed and we are considering how to strengthen the gender component as part of this.

**Recommendation 8:** We accept the Minister of State’s assertion that DFID did not intend its original MAR to be a simple comparison of multilaterals on a ‘one-size-fits-all’ basis. However, despite DFID’s intentions, the MAR was perceived as such in some quarters. DFID’s attempt to address this is in the ongoing MAR update is a step in the right direction. For the next full-scale MAR in 2015, DFID should make a much clearer distinction between different organisations’ mandates.

**Agree.** As the Committee recognises, the Government has already addressed one of the major criticisms of the original MAR process — that the Assessment Framework could not be easily applied to agencies which develop policies and set standards (known as normative agencies). We developed an enriched assessment framework for these agencies, working closely with the relevant multilateral organisations, such as the Food and Agriculture Organization and the World Health Organisation. This amended framework is being used in the MAR Update.

For the MAR in 2015, we will learn from the experience of using this framework in the MAR Update and consider whether further distinctions between organisations need to be made.

**Update:** The MAR assessment framework is under review and options to distinguish between organisations are being considered.
Recommendation 9: We believe that DFID should periodically review the scope of its bilateral aid, say every five years, and that decisions about whether to end bilateral aid to particular partner countries, or to open bilateral programmes with new partner countries, should generally be made as part of a bilateral aid review and not on an ad hoc basis between reviews.

Partially agree. The Government agrees that it is important to periodically review our bilateral aid strategy. However, limiting ourselves to a five year review removes the flexibility to amend our strategy in response to economic and political contexts which are always evolving. To secure greater flexibility and so strengthen its impact, DFID regularly examines the principles that guide its strategy.

Update: The Government agrees that periodic review of our bilateral aid strategy is important; however, retains the need for flexibility in order to respond effectively to changing economic and political environments.

Recommendation 10: In order for DFID to make informed decisions about the level of funding it provides to multilateral organisations, it needs to be able to compare multilateral aid with bilateral aid. Despite the Minister of State’s assertion that the decision to conduct a Bilateral Aid Review at the same time as the original MAR enabled such comparisons to be drawn, the fact remains that following the original MAR, DFID’s funding plans for multilateral agencies were not generally informed by comparisons with the value for money of bilateral aid. DFID’s decisions about the level of funding it provides to multilateral organisations should be informed by comparisons with the value for money of bilateral aid. These comparisons should form an integral part of the MAR.

Partially agree. The Government’s choice delivery routes for aid are based primarily on value for money. We agree that comparison of value for money across delivery routes should increasingly guide the decision whether to allocate resources to multilateral organisations or alternative delivery routes. DFID is identifying areas where it is appropriate and feasible to make such comparisons. We are working to improve the availability of data on the costs and effectiveness of alternative delivery routes to allow value for money comparisons to be done across alternative delivery routes where this is feasible. As far as evidence is available, the Government will look to include an approach to comparisons as part of the MAR 2015.

Update: We already work closely with multilateral organisations to strengthen the evidence base to guide allocation across alternative delivery routes. We are also working to strengthen the ways in which we compare multilateral and bilateral spend, when appropriate. This will build on the progress made in the Department’s recent resource allocation round where we worked to strengthen the coherence of our overall portfolio within sectors and within countries, taking account of where multilateral organisations work.