



National Audit Office

BRIEFING FOR THE  
HOUSE OF COMMONS  
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DEVELOPMENT  
COMMITTEE

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Department for International Development

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# Briefing to support the International Development Committee's inquiry into the Multilateral Aid Review

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Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

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The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Amyas Morse, is an Officer of the House of Commons and leads the NAO, which employs some 867 staff. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of almost £1.2 billion in 2012.

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# Introduction to Briefing and Summary

**1** This briefing by the National Audit Office is designed to support the International Development Committee's (the Committee's) inquiry into the Department for International Development's (DFID's) Multilateral Aid Review (MAR).

**2** We have drawn on our September 2012 report on DFID's first MAR conducted in 2010-11, the subsequent October 2012 hearing of the Committee of Public Accounts and its February 2013 report, as well as discussions and information from DFID.<sup>1</sup> This briefing has four parts:

- Part One provides an overview of DFID's funding of multilateral organisations.
- Part Two explains DFID's approach to the MAR conducted in 2010-11, how it used the results, and the approach it is currently taking to the 2013 MAR update.
- Part Three sets out the views of multilateral organisations about the 2010-11 MAR.
- Part Four summarises the NAO report on the 2010-11 MAR and DFID's response to the recommendations arising from the Committee of Public Accounts on how the MAR should be refined.

**3** We have shared this briefing with DFID to ensure that the evidence presented is factually accurate.

## **DFID's funding of multilateral organisations**

**4** DFID provided £4,900 million of funding to multilateral organisations in 2011-12. This comprised £1,600 million from DFID's bilateral programme for organisations to undertake programmes in a specific country or sector, and £3,300 million as core funding. The majority of DFID's core funding goes to the European Union (£1,351 million in 2011-12) and multilateral development banks (£1,200 million) (paragraphs 1.2, 1.3 and 2.3).

**5** The management and board of each multilateral organisation decide how core funding is used within objectives agreed by all members. Using available information, DFID was able to attribute how multilateral organisations had used some 84 per cent (£2,800 million) of the core funding the UK provided in 2010-11 (the latest period for

<sup>1</sup> Comptroller and Auditor General, *Department for International Development: The multilateral aid review*, Session 2012-13, HC 594, National Audit Office, September 2012, and HC Committee of Public Accounts, *Department for International Development: The multilateral aid review*, Twenty-sixth Report of Session 2012-13, HC 660, February 2013.

which data are available). Of this £2,800 million, 49 per cent went to DFID's priority countries, 8 per cent went to other countries where DFID has a local presence, 34 per cent went to countries where it does not have a presence and 9 per cent went to regional programmes (paragraphs 1.2 and 1.4).

### **The 2010-11 MAR**

**6** DFID's MAR assessed the value for money of its core funding of 43 multilateral organisations. DFID collected evidence to assess each of the organisations against a common framework. The framework had ten components which addressed the organisation's contribution to UK development objectives, its organisational strengths and the likelihood that the organisation would change (paragraphs 2.2 and 2.4).

**7** DFID combined scores for individual components into an overall value for money rating for each multilateral organisation and published the results in March 2011. The review rated nine organisations as providing 'very good' value for money for UK aid, 16 as 'good', nine as 'average' and nine as 'poor' (paragraphs 2.5 and 2.6).

**8** DFID drew on its MAR assessments when taking subsequent funding decisions and to identify reform priorities for the multilateral system as a whole and for individual multilateral organisations (paragraphs 2.7 to 2.10).

### **Feedback from multilateral organisations on the MAR**

**9** In 2012, we obtained views from 37 of the 43 organisations covered by the MAR on its robustness, the conclusions reached by DFID and the impact of the review. Overall, multilateral organisations had generally positive views. Around two thirds of organisations indicated that DFID's conclusions on value for money and scope to improve were generally fair. While 35 of the multilateral organisations told us they had already identified the need for many of DFID's reform priorities, 27 indicated that the MAR had increased the focus on, and impetus for, reform. Multilateral organisations were most negative about the evidence collected by DFID (paragraphs 3.2 to 3.7).

**10** Multilateral organisations identified a number of areas where the MAR could be further strengthened or developed, including:

- communicating better with multilateral organisations on the design and objectives of the MAR;
- developing a fairer basis for assessing organisations with different mandates;
- allowing more time for evidence collection, especially at country level;
- sharing preliminary findings with multilateral organisations and considering their feedback prior to publishing the results; and
- investigating the scope for further joint work with other donors to reduce the demands placed on multilateral organisations.

**11** Figure 7 on page 23 in this briefing confirms that DFID is responding positively to the feedback.

### **The NAO report on the MAR**

**12** Our report concluded that the MAR's public ratings increased transparency, and the improved focus on costs and fit with UK development priorities were important innovations. The MAR was a significant step towards DFID being able to assess fully the cost-effectiveness of multilateral organisations (paragraph 4.6).

**13** Our key findings included:

- DFID had shown international leadership in publicly assessing multilateral organisations. Its influence on some other donors had helped to increase international scrutiny on the performance of multilateral organisations (paragraph 4.3).
- The approach for the MAR was logical and covered key factors important to value for money. The framework was designed to apply to a broad range of organisations but some types of organisations, such as those involved in setting international standards and norms, found it difficult to fulfil evidence requirements (paragraph 4.4).
- There were variations in the evidence DFID collected on each multilateral organisation, including evidence on country-level results. It proved difficult for DFID to collect reliable, comparable data on costs as organisations do not report on these consistently (paragraph 4.4).
- DFID had given larger funding increases to those organisations it rated as better value for money for UK aid and had stopped the small amount of funding it had given to four of the nine organisations it rated as 'poor' value for money. The scope for DFID to further reduce funding to lower performing organisations was and remains limited as these organisations are often important to broader UK objectives not addressed by the MAR. The variable quality of DFID's agency-specific engagement strategies could restrict its ability to coordinate reform activities (paragraph 4.5).

### **Applying the lessons learned to future MARs**

**14** In its February 2013 report, the Committee of Public Accounts made recommendations on how DFID could refine the MAR. The recommendations included the need to:

- improve the availability of data on the costs and results of multilateral organisations by making such data a requirement for increased funding;
- map the roles of multilateral organisations, highlighting gaps, overlaps and linkages, to enable informed decisions on who can best deliver DFID's objectives;

- use information on the performance of multilateral organisations to determine future funding, and where DFID provides a significant proportion of an organisation's total funding, use this leverage to drive improved performance;
- collaborate with other donors to agree reform priorities for key multilateral organisations and to agree alternative ways of delivering objectives if organisations do not improve; and
- extend the comparisons it makes of the relative cost-effectiveness of bilateral and multilateral aid in achieving its objectives (paragraph 3.8).

DFID has accepted these recommendations, and Figure 8 on page 28 of this briefing summarises the action it is taking in response.

**15** During 2013, DFID is conducting a limited update of the MAR focusing on multilateral organisations' progress against the reform priorities the Department identified in 2011. DFID has already completed its updated assessments of 24 multilateral organisations, and the remainder are to be completed by the end of 2013, with the results informing future funding decisions. DFID plans to undertake a full follow-up MAR assessment in 2015 (paragraphs 2.11 to 2.13).

# Part One

## Overview of DFID's funding of multilateral organisations

**1.1** This part sets out trends in DFID's total funding of multilateral organisations and outlines the destination of DFID's core funding.

**1.2 DFID works with a range of multilateral organisations to support its development and humanitarian objectives. DFID can provide these organisations with two types of funding:**

- **Core funding** is not earmarked for a specific purpose and, instead, its use is determined by the management and board of the multilateral organisation, within objectives agreed by all members. The UK's influence over how funding is spent is therefore limited. The UK has typically provided between 3 and 15 per cent of a multilateral organisation's core funding. Core funding represents DFID's multilateral programme.<sup>2</sup>
- **Non-core funding** for organisations to undertake programmes in a specific country or sector. Non-core funding comes from DFID's bilateral programme.<sup>3</sup>

**1.3 DFID provided £4,900 million of funding to multilateral organisations in 2011-12, comprising £3,300 million of core funding and £1,600 million of non-core funding.** Both core and non-core funding increased in the three years to 2010-11. In 2011-12, core funding continued to increase, whereas non-core funding declined (**Figure 1**). Core funding accounted for around 42 per cent of DFID's overall budget in 2011-12 and non-core 21 per cent.<sup>4</sup>

**1.4** Using information reported by multilateral organisations, DFID was able to attribute how these organisations had used some 84 per cent (£2,800 million) of the core funding the UK provided in 2010-11 (the latest period for which data are available).<sup>5</sup> DFID's estimates show that:

<sup>2</sup> C&AG's report, paragraphs 2 and 1.3.

<sup>3</sup> C&AG's report, paragraph 1.8.

<sup>4</sup> All values in paragraphs 1.3 and 1.4 are rounded to the nearest £100 million. Note 1 to Figure 1 on page 9 explains why the value shown in the Figure for non-core funding in 2011-12 (£1,405 million) differs from the value in paragraph 1.3.

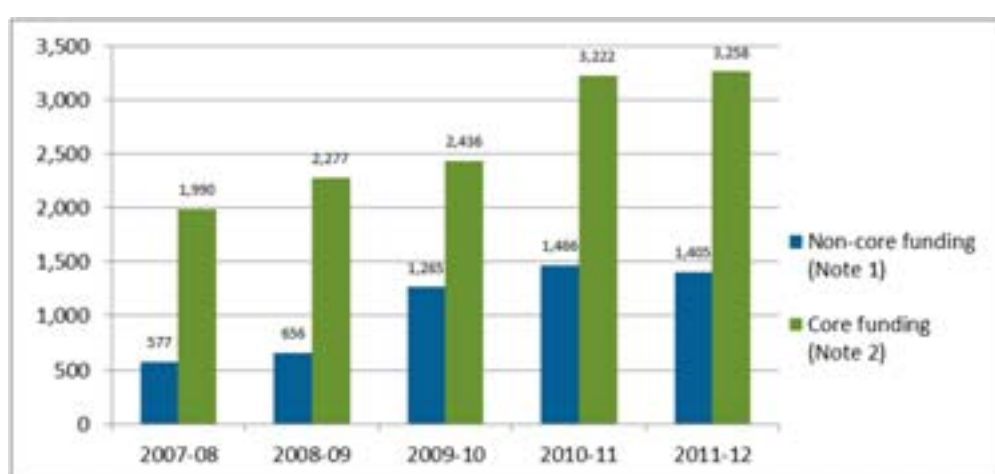
<sup>5</sup> Data has been taken from DFID, *Statistics on International Development 2007-08 to 2011-12*, November 2012, Table 14.1 to Table 14.5. The Tables show total UK funding and thus include sums provided by other government departments as well as DFID. However, DFID accounts for the large majority of the UK's total core funding.



- **The destination for the majority of the UK's core funding is low income countries and lower middle income countries.** Of the £2,800 million, some 42 per cent went to low income countries, and a further 34 per cent went to lower middle income countries. The remainder went to upper middle income countries (15 per cent, of which around half went to countries in Europe) and regional programmes (9 per cent).
- **DFID's priority countries account for around 49 per cent of the £2,800 million of attributed funding.** Other countries where DFID has a local presence, such as Indonesia and the Gambia, accounted for another 8 per cent of attributed funding. The remainder went to countries where DFID is not present (34 per cent) and on regional programmes (9 per cent).

**Figure 1**

DFID's funding of multilateral organisations, cash values 2007-08 to 2011-12

**NOTES**

1. Total non-core funding in 2011-12 was £1,649 million. The values for non-core funding shown above cover that spending DFID classifies as bilateral aid through a multilateral organisation. Some other bilateral classifications used by DFID (such as humanitarian assistance or debt relief) also include funding channelled through multilateral organisations (some £244 million in 2011-12). This funding has not been included above as figures are not available prior to 2010-11.
2. The values for core funding are based on international statistical definitions of multilateral aid. As explained in paragraph 2.2, there are some differences between the organisations captured by international definitions and those included in the MAR and shown in Figure 2.

Source: NAO presentation of DFID data

## Part Two

### The Multilateral Aid Review

**2.1** This part outlines:

- the approach DFID adopted to the 2010-11 MAR;
- how DFID used the results of the 2010-11 MAR; and
- DFID's approach to the 2013 MAR update.

#### **DFID's approach to the 2010-11 MAR**

**2.2** In 2010-11, DFID set out to assess the value for money of its core funding of 43 multilateral organisations through the MAR. In summer 2010 DFID launched the MAR. The MAR focused on organisations regularly receiving over £1 million in funding from, or attributable to, DFID. The organisations include the European Union, international financial institutions, United Nations organisations and single sector global funds which receive flexible, un-earmarked funding. It excluded organisations that primarily conduct research or that work in only one country. Funding to multilateral organisations covered by the MAR differs from international statistical definitions of multilateral aid as, for example, these definitions exclude some global funds.<sup>6 7</sup>

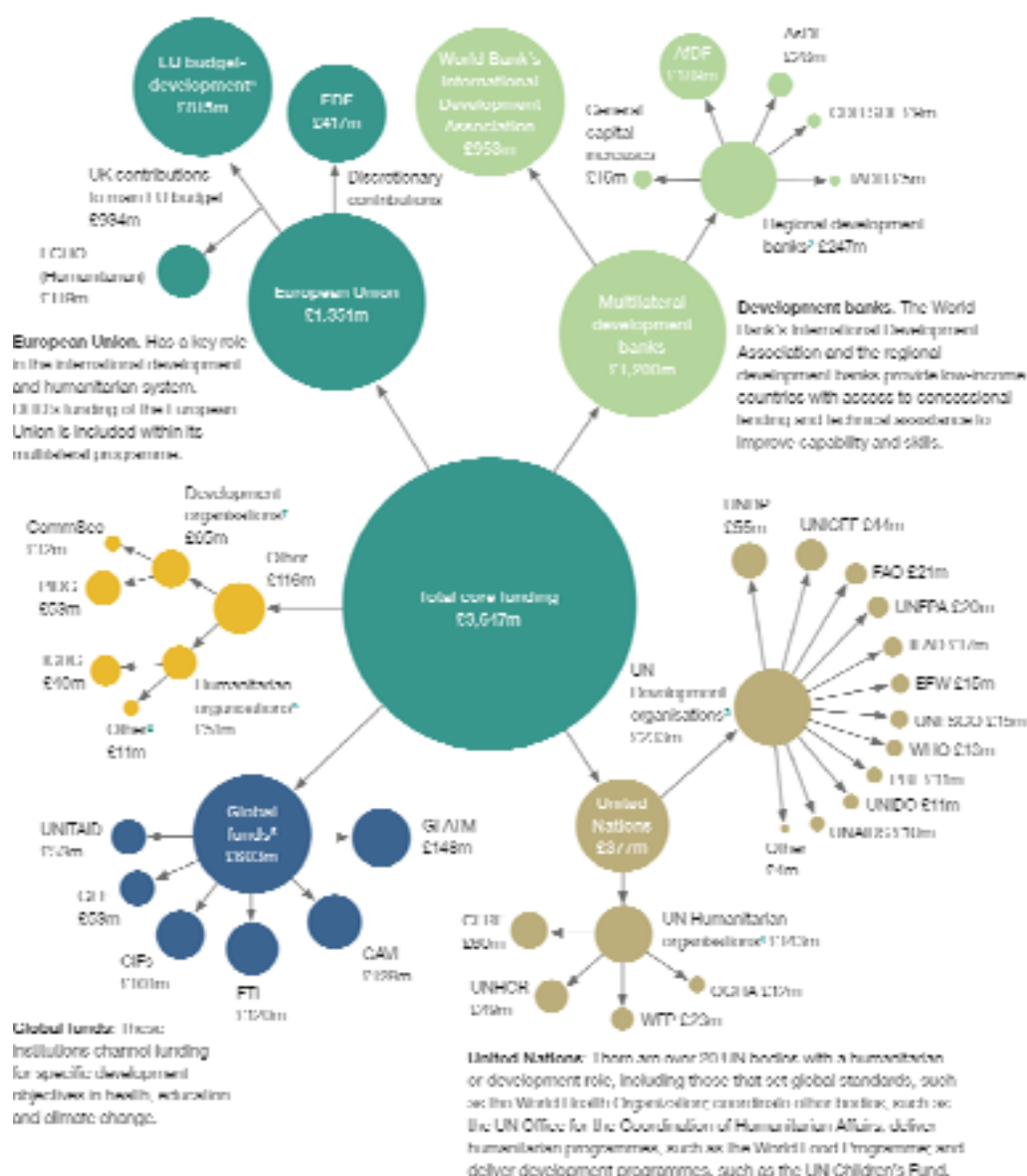
**2.3** **Figure 2** on pages 11 and 12, shows the multilateral organisations covered by the MAR and the level of core funding they received in 2011-12. Around 70 per cent of funding went to the European Union (£1,351 million) and the multilateral development banks (£1,200 million).

<sup>6</sup> For example the MAR included the Climate Investment Funds and the Education for All - Fast Track Initiative (now known as Global Partnership for Education). Under the Organisation for Economic Cooperation and Development's definitions, these bodies are not considered to be multilateral organisations.

<sup>7</sup> C&AG's Report, paragraph 1.4.

**Figure 2**  
DFID's 2011-12 core funding of organisations covered by its first MAR

The majority of the UNDP's 2011-12 funding was in the European Union and development banks



**Figure 2 continued**  
DFID's 2011-12 core funding of organisations covered by its first MAR

**NOTES**

- 1 All organisations given £500 million or more in 2011-12 are shown separately in this figure; organisations receiving less than £500 million are identified in the following notes. In 2011-12, DFID did not fund the following organisations covered by the MAR: the European Bank for Reconstruction and Development; the International Finance Corporation; the International Labour Organization; the United Nations Human Settlements Programme; the United Nations International Strategy for Disaster Reduction; and the United Nations Development Fund for Women.
- 2 The MAR primarily focused on those arms of the regional development banks, such as the African Development Fund (ADF) which provide concessional lending to poorer countries. DFID also provides a much smaller amount of funding to increase the general capital (£16 million in 2011-12) of these banks. In addition to the African Development Fund, regional development banks consists of the Asian Development Fund; the Caribbean Development Bank Special Development Fund; and the Inter-American Development Bank.
- 3 UN development organisations consists of the United Nations Development Programme; the United Nations Children's Fund; the Food and Agriculture Organization; the United Nations Population Fund; the International Fund for Agricultural Development; the UN Expanded Financing as One Funding Window; the United Nations Educational, Scientific and Cultural Organization; the World Health Organization; the United Nations Peacebuilding Fund; the United Nations Industrial Development Organization; the Joint United Nations Programme on HIV/AIDS; and UN development 'Other' which comprises the Office of the High Commissioner for Human Rights (£3 million) and United Nations Environment Programme (£2.1 million).
- 4 UN humanitarian organisations consists of the United Nations Office for the Coordination of Humanitarian Affairs; the World Food Programme; the United Nations High Commissioner for Refugees; and the Central Emergency Response Fund.
- 5 Global funds consists of the Global Fund to Fight AIDS, Tuberculosis and Malaria; the GAVI Alliance; the Education for All – Fast-track Initiative (now Global Partnership for Education); the Climate Investment Funds; the Global Environment Facility; and UNICEF.
- 6 Humanitarian organisations consists of the International Committee of the Red Cross and 'Other' which comprises the International Federation of Red Cross and Red Crescent Societies (£6 million), Global Facility for Disaster Reduction and Recovery (£4 million) and International Organization for Migration (£1 million).
- 7 Development organisations consists of the Private Infrastructure Development Group and the Development Programme of the Commonwealth Secretariat.
- 8 FDI budget development is split for European Union development programmes, funded through the FDI budget.
- 9 Organisations can have a development and humanitarian role. Where necessary organisations have been categorised by their main role.
- 10 We have smoothed the financial data between years where figures would otherwise be misleading due to funding patterns.

Source: National Audit Office presentation of DFID data

**2.4 DFID collected evidence to assess each of the 43 multilateral organisations against a common framework which addressed the organisation's contribution to UK development objectives, organisational strengths and the likelihood that the organisation would change.** The framework has ten components (**Figure 3**). Each component was scored on a four point scale from one (unsatisfactory) to four (strong) by reference to a series of criteria. DFID used a range of evidence to score the components, including documents produced by multilateral organisations and other bodies. It also held interviews with other UK government departments and UK staff in countries where multilaterals were headquartered. DFID also visited seven of its priority countries and three other countries to collect country-level evidence.<sup>8</sup>

<sup>8</sup> C&AG's report, paragraphs 2.2, 2.8 and 2.11 and DFID, Multilateral Aid Review, *Ensuring maximum value for money for UK aid through multilateral organisations*, March 2011, pp 143-144.

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## Figure 3

### The ten components of the MAR assessment framework

#### Contribution to UK development objectives (including humanitarian objectives)

- |  |   |
|--|---|
| 1. Critical role in meeting development objectives | Important role in delivering key international development goals or humanitarian objectives, with country-level evidence of this. Important role in delivering UK development or humanitarian priorities, with country-level evidence of this |
| 2. Attention to cross-cutting issues               | Performs well in fragile contexts. Promotes gender equality. Ensures its activities are low carbon, climate resilient and environmentally sustainable   |
| 3. Focus on poor countries                         | Allocates resources to countries that need it most or prioritises areas of greatest humanitarian need. Allocates resources to countries where it will be best used  |
| 4. Contribution to results                         | Objectives are challenging e.g. strives to reach the very poorest. Strives for results at country-level. Demonstrates delivery against objectives. Contributes to development or humanitarian results   |

#### Organisational strengths

- |                                     |   |
|-------------------------------------|---|
| 5. Strategic/performance management | Has a clear mandate, and strategy and implementation plans to deliver it. Governing body is effective at holding management to account. Leadership is effective. Measures results. Has an effective evaluation function. Governing body and management use results and evaluation evidence to improve decision-making. Has good HR policies and practices   |
| 6. Financial resource management    | Allocates aid transparently. Funding is predictable. Proactively manages poorly performing projects and programmes. Ensures financial accountability. Instruments are appropriate.  |
| 7. Cost and value consciousness     | Challenges and supports partners to think about value for money. Rates of return and cost-effectiveness issues are important factors in decision-making. Achieves economy in purchase of programme inputs. Controls administrative costs  |
| 8. Partnership behaviour            | Works effectively in partnership with others. Implements social safeguard policies including incorporating beneficiary voice. Has flexibility which enables a country-led approach. Follows Paris/Accra principles in its approach to aid delivery. Provides an effective leadership and coordination role in humanitarian settings   |
| 9. Transparency and accountability  | Has a comprehensive and open disclosure policy. Promotes transparency and accountability in partners & recipients. Routinely publishes project documentation and project data. Signatory of International Aid Transparency Initiative and shows commitment to implementation. Governing structures include effective partner country representation. Partner country stakeholders have right of redress and complaint |

#### Likelihood of positive change

- |                |  |
|----------------|--|
| 10. Likelihood | Governing body and management continuously strive for improvement. Evidence of progress against reform objectives in the past. Opportunities to promote reform are anticipated |
|----------------|--|

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*Source: DFID, Multilateral Aid Review, Ensuring maximum value for money for UK aid through multilateral organisations, March 2011*

**2.5 DFID combined scores for individual components into an overall value for money for UK aid rating for each multilateral organisation and published the results in March 2011.** Figure 4 on pages 15 and 16, shows how DFID combined the scores. DFID did not take account of its assessment of the likelihood that an organisation would change in its value for money rating.<sup>9</sup>

**2.6 DFID rated nine organisations as providing 'very good' value for money for UK aid, 16 'good', nine 'average' and nine 'poor'.** In 2010-11, the nine organisations rated as 'very good' value for money had received 60 per cent of the total core funding DFID had provided to the 43 organisations covered by the MAR. The 16 organisations rated as 'good' received 14 per cent, the nine rated as 'average' 24 per cent and the nine rated as 'poor' 2 per cent.<sup>10</sup>

<sup>9</sup> C&AG's report, paragraph 2.17 and Figure 8 on page 27.

<sup>10</sup> C&AG's report, paragraph 2.17 and Figure 12 on page 34.

**Figure 4**

The value for money for UK aid ratings for each organisation and how DFID generated the ratings

DFID generated an overall value for money for UK aid rating for each organisation by combining the average score for the five components of organisational strengths with the average score of the four components of UK contribution to development objectives.

Organisational strengths components average score\*



DFID's rules for aggregating scores across the indices for organisational strengths and contribution to UK development objectives

- **Very good** – Average score across both indices is strong (3.0+) above the green line – light green shaded area
- **Good** – Average score across both indices is satisfactory (2.5-2.99) and neither index is weak (2.0-2.49) within the black and green lines: dark green shaded area.
- **Adequate** – One index score is satisfactory (2.5-2.99) but the other is weak (2.0-2.49) within the orange boxes.
- **Poor** – Both scores are weak (2.0-2.49) or unsatisfactory (below 2.0) – red box.

#### NOTES

1 The index score for the Y axis is the average across the five components for organisational strengths and the index score for the X axis is the average across the four components for contribution to UK development objectives.

2 CII's and CII/CI had the same the score, as did FDI and FDI, and UNAIOS and CII/CI.

**Figure 4 continued**

The value for money for UK aid ratings for each organisation and how DFID generated those ratings

Key to abbreviations: those coloured light green rated as 'very good' value for money for UK aid, those dark green rated 'good', those amber rated 'adequate' and those red rated 'poor'

ADG	The African Development Fund, an arm of the African Development Bank Group
AdF	The Asian Development Fund, an arm of the Asian Development Bank
CDSD	The Caribbean Development Bank Special Development Fund
CEI	Central Emergency Response Fund
CIIC	The Climate Investment Funds
CommSec	The Development Programmes of the Commonwealth Secretariat
EIB	European Bank for Reconstruction and Development
ECPR	European Commission for Humanitarian Aid and Civil Protection
EDF	European Development Fund
EPW	UN Expanded Delivering as One Funding Window
EU Budget	European Union development programmes funded through the EU Budget
FAO	Food and Agriculture Organization
FEI	The Education for All – Fast Track Initiative now: Global Partnership for Education
GAM	GAM Alliance
GEF	Global Environment Facility
GFATM	The Global Fund to Fight AIDS, Tuberculosis and Malaria
GFDRR	Global Facility for Disaster Reduction and Recovery
UNHCR	United Nations Human Settlements Programme
IDB	Inter American Development Bank
ICM	International Commission of the Red Cross
ISA	International Investment Association
IAI	International Fund for Agricultural Development
IFC	International Finance Corporation
IFC	International Federation of Red Cross and Red Crescent Societies
IO	International Labour Organization
IM	International Organization for Migration
DSI	The United Nations International Strategy for Disaster Reduction
OCI	United Nations Office for the Coordination of Humanitarian Affairs
OHCHR	Office of the High Commissioner for Human Rights
IFU	United Nations Peacebuilding Fund
PIIG	The Private Infrastructure Development Group
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women, now part of UN Women
UNIFEM	UNIFEM
WFP	World Food Programme
WHO	World Health Organization

Source: Multilateral Aid Office's assessment of multilateral loans (MLO's) published MLO's Report card with partners



## How DFID used the results of the 2010-11 MAR

### **2.7 DFID drew on its MAR assessments when taking subsequent funding decisions, leading to larger increases for the higher rated organisations.**

Following the 2010-11 MAR, DFID put funding plans in place up to 2014-15 for 39 of the 43 organisations covered by the MAR.<sup>11</sup> The plans reflected MAR assessments and other factors including the UK's wider interests in multilateral organisations and existing UK contribution levels. The plans for four multilateral organisations were also informed by comparisons with the value for money of bilateral alternatives. The plans are subject to change, for example, DFID intends to review them after the 2013 MAR update. However, if implemented in full the plans would see:

- **DFID's annual core funding to the 39 organisations grow in cash terms by £773 million, around a quarter, between 2010-11 and 2014-15;**
- **DFID giving significantly larger funding increases to organisations rated as better value for money for UK aid.** Annual funding to organisations rated as 'very good' is due to increase by £532 million (28 per cent) between 2010-11 and 2014-15 (**Figure 5** overleaf). Those organisations rated 'good' will see increases of £145 million (31 per cent) and those rated 'average' £97 million (12 per cent).<sup>12</sup>

**2.8 DFID stopped funding four of the organisations it rated as 'poor' value for money for UK aid.**<sup>13</sup> DFID gave these organisations a total of £8 million of core funding in 2010-11.<sup>14</sup>

**2.9 DFID told four other organisations rated as 'poor' that they must improve their performance urgently or their core funding (£48 million in 2010-11) could be reduced or stopped.**<sup>15</sup> DFID judges these organisations could have a critical role that is not well covered elsewhere internationally, or make an important contribution to objectives of other government departments.<sup>16</sup>

<sup>11</sup> The 39 organisations excludes three organisations that DFID had not made funding plans for at the time we completed our 2012 report on the MAR (Climate Investment Funds, Global Environment Facility and UN Environment Programme) and the UN Development Fund for Women which was merged into the larger body UN Women in 2011. The Department's plans included stopping funding for 4 of the 39 organisations.

<sup>12</sup> C&AG's report, paragraphs 3.2, 3.3, 3.5 and 3.11 and Figure 11 on page 32.

<sup>13</sup> The organisations were: the United Nations Human Settlements Programme; the United Nations International Strategy for Disaster Reduction; the International Labour Organization; and the United Nations Industrial Development Organization.

<sup>14</sup> C&AG's report, paragraph 3.15.

<sup>15</sup> The organisations were: the Food and Agriculture Organization; the International Organization for Migration; the Commonwealth Secretariat; and the United Nations Educational, Scientific and Cultural Organization. The UN Development Fund for Women, the ninth organisation rated as poor value for money, is no longer a separate body.

<sup>16</sup> C&AG's report, paragraph 3.16.

**Figure 5**

Planned increases in annual funding (cash values) between 2010/11 and 2014/15 by MAR value for money rating of multilateral organisations

Organisations rated 'very good' value for money for UK aid were due to receive the large majority of the planned increase in core funding



**NOTES**

1. Increases are based on 89 organisations – see footnote 9.

2. The European Union's development programmes funded through the EU budget is separate from its humanitarian programmes (ECHO) and the European Development Fund, both rated 'very good'.

3. The total planned increase for 'aidgapaid' multilateral organisations is £118 million (i.e. the sum of the 'Good' and 'Aidgapaid' categories).

Source: National Audit Office presentation of DFID data

**2.10 DFID used the MAR to identify reform priorities for individual multilateral organisations and for the multilateral system as a whole.** In 2011, it wrote to multilateral organisations setting out its reform priorities for each of them. DFID also identified eight system wide priorities.<sup>17 18</sup>

<sup>17</sup> The priorities were: accountability for results; delivery of efficiency savings and value for money in programming; human resource management; transparency and accountability; delivering for women and girls; delivering in fragile contexts; partnership behaviour; anti-corruption..

<sup>18</sup> C&AG's report, paragraph 4.2 and 4.11

## **The 2013 MAR update**

**2.11 During 2013, DFID is conducting a limited update of the MAR focusing on multilateral organisations' progress against reform priorities it identified in 2011. DFID plans to undertake a full follow-up assessment in 2015.** DFID's Terms of Reference for the 2013 MAR update says that "in order to ensure that contributions to multilateral organisations continue to offer the best value for money, DFID needs to update the MAR assessments." The update will focus on the extent to which multilateral organisations have taken forward the UK's reform priorities since 2011. DFID has said it will also carry out a more limited check of 'backsliding' elsewhere and be receptive to evidence of significant improvements in those MAR components not addressed by reform priorities.

**2.12 DFID has already completed its updated assessments of 24 multilateral organisations, and the remainder are to be completed by the end of 2013, with the results informing future funding decisions.** DFID has completed assessments of humanitarian agencies, global funds, development banks and the four organisations it continues to fund which were rated as 'poor' value for money for UK aid in 2011. It plans to publish all these assessments in July 2013. DFID will complete its remaining assessments, which largely cover United Nations organisations that focus on development and the development and humanitarian activities of the European Union, by the end of 2013. It will then publish these assessments along with a report covering overall progress against the MAR reform priorities. Appendix One shows when updated assessments are due to be published for each organisation.

**2.13** For each multilateral organisation, DFID will rate progress against each priority reform area and review the scores it had given in 2011 to the relevant components of the MAR framework. DFID will update an organisation's overall value for money for UK aid rating where it considers it warranted. DFID has already used its updated assessments of humanitarian organisations to inform funding decisions.

## Part Three

### Multilateral organisations' views on the 2010-11 MAR

**3.1** For our 2012 report we obtained the views of multilateral organisations on key aspects of the 2010-11 MAR. This part summarises their views, including the areas they suggested for improvement in the MAR.

**3.2 We obtained the views of 37 of the 43 organisations covered by the 2010-11 MAR.** In February and March 2012, we sent questionnaires to the majority of the organisations covered by the MAR asking open-ended questions (the full text of each question is provided in Appendix Two, with summaries used in **Figure 6**). We also covered the same topics when we held meetings with eight multilateral organisations between March and May 2012.<sup>19</sup>

**3.3 Overall, multilateral organisations gave positive responses to our questions about the 2010-11 MAR.** To obtain an overview of the views of multilateral organisations, we analysed whether multilateral organisations' responses to each of the 11 questions we asked were positive, negative or mixed (Figure 6).<sup>20</sup> Across the 11 questions, 51 per cent of responses were positive, with 25 per cent containing a mix of positive and negative comments. Some 18 per cent of responses were negative and we did not receive responses to 6 per cent of questions.<sup>21</sup>

**3.4 The large majority of multilateral organisations gave positive responses to questions addressing the impact of the MAR.** Responses were more positive for the questions covering the impact of the MAR. In particular, the multilateral organisations' responses were positive about the impact of the MAR on their reform priorities (Qu. J), the consistency of the MAR with their view of reform priorities (Qu. I) and DFID's engagement since the MAR (Qu. H) (Figure 6). When we looked across all the answers multilateral organisations had given us, we found that 35 of the organisations said they had already identified the need for many of DFID's reform priorities, but 27 indicated that the MAR had increased the focus on, and impetus for, reform.<sup>22</sup>

<sup>19</sup> Five organisations chose not to respond to our questionnaire. We did not seek the views of one organisation as it had by 2012 been merged into a larger organisation.

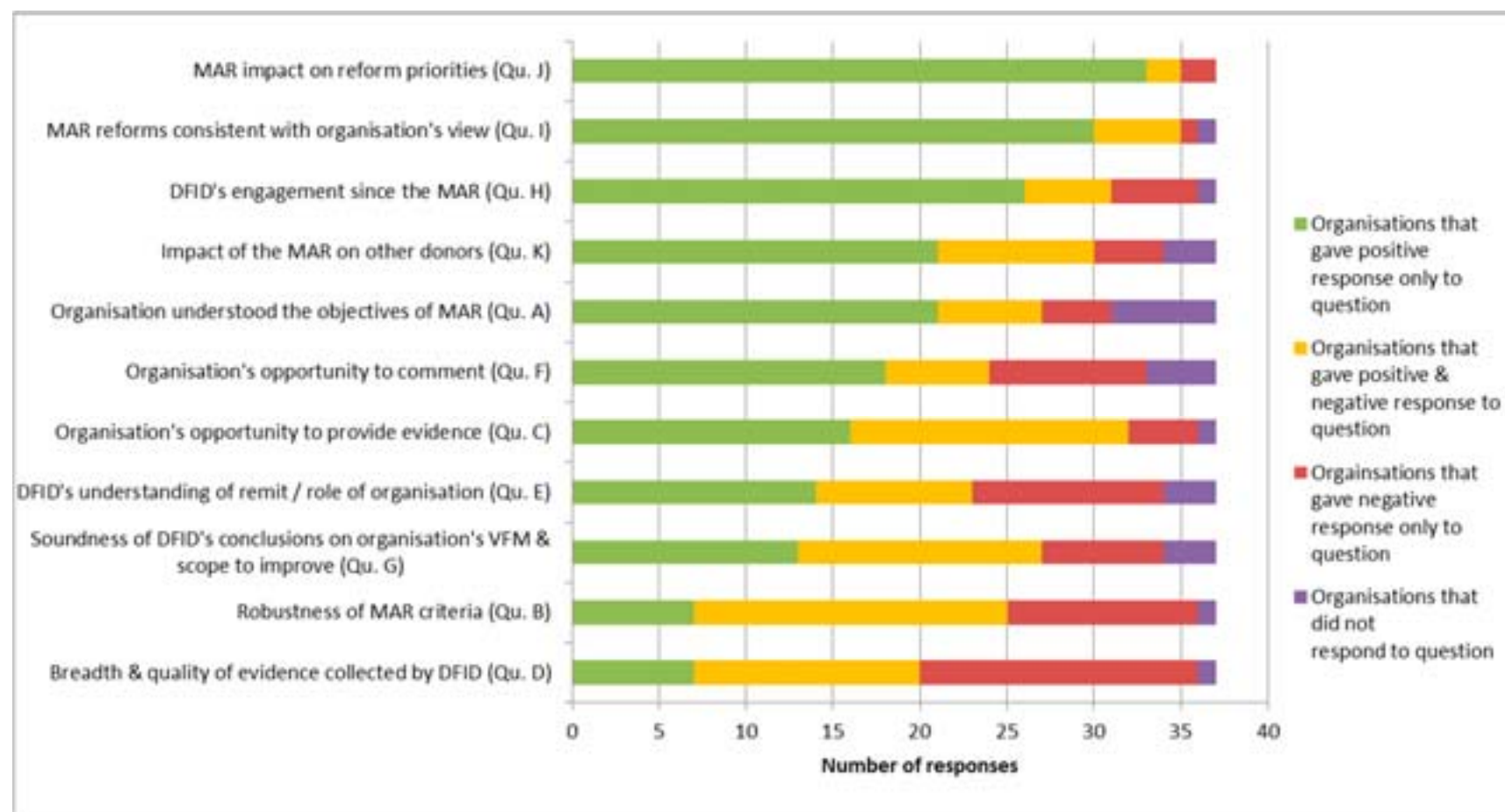
<sup>20</sup> The 12th question asked multilateral organisations for any observations on issues DFID should consider as it takes forward the MAR.

<sup>21</sup> Given the long form nature of the responses we received from multilateral organisations we had to exercise judgement in categorising them under common headings.

<sup>22</sup> C&AG's report, paragraph 4.15

**Figure 6**

Summary of multilateral organisations responses to questions



Source: NAO

**3.5 Multilateral organisations gave less positive responses to questions covering the robustness of the MAR criteria (Qu. B), the conclusions drawn by DFID (Qu. G) and DFID's understanding of their remit and role (Qu. E).** Some of the negative responses to these questions reflected that 24 multilateral organisations felt the MAR did not adequately distinguish between organisations with different types and breadths of mandates.<sup>23</sup> The eight UN organisations involved in setting international standards and norms were particularly concerned that the MAR did not reflect their mandates. DFID had rated these UN organisations as either 'adequate' or 'poor' value for money for UK aid.

**3.6 Despite some concerns over aspects of DFID's conclusions on value for money for UK aid and scope to improve, 22 of the 34 multilateral organisations that commented on the conclusions indicated they were generally fair.** The concerns raised by organisations included the appropriateness and reputational impact of the value for money labels that DFID used when publishing its results in 2011.<sup>24</sup>

**3.7 Multilateral organisations were most negative in their responses to the question on the breadth and quality of evidence collected by DFID (Qu. D).** Twenty-three organisations identified areas where the quality of the evidence could have been improved. Seventeen raised concerns about the quality and number of country visits. DFID had visited ten countries for the 2010-11 MAR to collect country-level evidence, including three countries which were not DFID priority countries. DFID also carried out two stakeholder consultations. The visits and the consultations provided evidence for 34 of the 43 multilateral organisations DFID assessed.<sup>25</sup>

**3.8 Multilateral organisations suggested areas where DFID could develop the MAR.** We highlighted five key points to DFID when we provided it with a summary of multilateral organisations' views. **Figure 7** lists those points and summarises relevant action that we are aware DFID has taken as part of the 2013 MAR update or plans to take by the time of the 2015 MAR. The actions indicate that DFID is responding constructively to the feedback.

<sup>23</sup> C&AG's report, paragraph 2.6.

<sup>24</sup> C&AG's report, paragraph 2.19.

<sup>25</sup> DFID, *Multilateral Aid Review*, Ensuring maximum value for money for UK aid through multilateral organisations, March 2011, pp 143-144 and C&AG's report, paragraphs 2.10 to 2.12

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## Figure 7

### Multilateral organisations' suggestions for improving the MAR and relevant DFID action

Suggestion	Action
i) Improving communication with multilateral organisations, including on the design and objectives of the MAR, and the way it is conducted	In November 2011, DFID wrote to multilateral organisations confirming their reform priorities and providing the terms of reference for the 2013 MAR update. In October 2012, DFID wrote providing revised terms of reference and the timetable for the update.
ii) Developing the MAR so that it is accepted as a fairer basis for assessing organisations with different mandates	As part of the 2013 MAR update, DFID is applying a new assessment framework to those organisations that are primarily concerned with setting norms and standards.
iii) Improving the breadth of data which is collected at country-level and, in general, allowing more time for evidence collection and for organisations to provide evidence.	DFID's planned actions to improve evidence for the 2013 update, included: <ul style="list-style-type: none"> <li>• giving multilateral organisations greater opportunity to comment. For the 2011-12 MAR, DFID worked to a tight timetable, and it restricted the evidence multilateral organisations could submit to four pages. For the update, DFID told organisations they could provide 20 pages and DFID was planning to meet organisations to discuss evidence;</li> <li>• asking staff located in its priority countries to monitor and feedback on multilateral organisations' country-level performance every six months;</li> <li>• conducting visits in 2012 to three countries (Mali, Senegal and Haiti) where DFID has no presence to collect evidence of multilateral organisations' country-level performance; and</li> <li>• drawing on the views of a wider range of stakeholders, such as UK civil society.</li> </ul>
iv) Sharing preliminary findings with multilateral organisations and considering their comments on the factual accuracy of the assessment prior to publishing the results.	For the 2013 update, DFID is intending to share draft assessments (with scores removed) with multilateral organisations for comment and to enable fact checking.
v) Investigating the scope for further joint work with other donors to reduce the demands placed on multilateral organisations of engaging with donor assessments of their performance.	DFID's response to the Committee of Public Accounts identifies examples of where it has worked with other donors and stakeholders and says, that following the MAR update, DFID will review progress in its work to collaborate with others.

Source: NAO

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## Part Four

### The NAO and Committee of Public Accounts reports on the 2010-11 MAR

4.1 This part outlines:

- the conclusions we drew in our September 2012 report on the MAR; and
- the conclusions and recommendations made by the Committee of Public Accounts in its subsequent February 2013 report on the MAR; and DFID's response to those recommendations.

#### The 2012 NAO Report

4.2 Our findings were summarised under three headings.

#### On improving the international scrutiny of multilateral organisations

4.3 We found:

- **DFID's 2010-11 MAR was a more thorough and comprehensive process for assessing multilateral organisations than previous assessments.**
- **DFID showed international leadership in publicly assessing 43 multilateral organisations against a common set of criteria and rating their performance.** The number of organisations assessed and the public nature of the comparative ratings were key strengths of the MAR, which had increased the focus on the relative performance of multilateral organisations and on the need for multilateral organisations to reform.
- **The MAR had influenced some other donors' approaches to assessing and reporting on multilateral performance, helping to increase international scrutiny.** After the MAR was published the Netherlands publicly reported its assessments of multilateral organisations for the first time, Denmark used the MAR as an evidence source for its assessments and Australia completed and published its assessments.
- **DFID had publicised its new assessment tool to other countries, and was promoting a longer-term goal of shared assessments of multilateral performance.** DFID had recognised that a proliferation of separate assessments was not optimal. The UK has been a long-standing member of a multi-donor network (the Multilateral Organisation Performance Assessment Network or MOPAN) which conducts periodic reviews of multilateral organisations. In 2012,



DFID instigated a wider debate on joint approaches to assessing multilateral effectiveness through a multi-donor event and one-to-one liaison with individual donors.<sup>26</sup>

## On the robustness of the MAR assessment process

### 4.4 We found:

- **The MAR assessment framework was logical and covered key factors important to value for money.** The assessment framework was a significant step forward, comparing well to recognised models for assessing organisations.
- **DFID designed the framework to apply to a broad range of multilateral organisations but some types of organisation found it difficult to fulfil all the evidence requirements.** In particular, organisations involved in setting international standards found it more difficult to provide evidence on their development impact.
- **The MAR assessment criteria were broad so that they could be applied to different agencies but the guidance for assessors did not always ensure consistency.**
- **The evidence collected on each multilateral organisation varied.** DFID drew on existing evidence sources, such as reporting by multilateral organisations, and, in the limited timeframe for the MAR, on in-country evidence for those organisations it funded the most. It did not obtain detailed first-hand in-country evidence in developing countries for nine of the 43 organisations it assessed.
- **It was difficult for DFID to collate reliable, comparable data on costs as organisations did not report on this consistently.** In the circumstances, DFID pragmatically examined each multilateral organisation's processes for managing cost and value instead.
- **Organisations rated as 'very good' value for money for UK aid did not need to meet a minimum set of standards and their cost-effectiveness was not always compared to alternative delivery options.** Seven of the nine organisations rated as 'very good' were assessed as 'weak' in at least one of the five MAR components on organisational strengths. In addition, DFID only tested the cost-effectiveness of funding three of these seven organisations against alternative options for delivering the same objectives. Assessing the cost-effectiveness of organisations against other delivery options, wherever applicable, would have provided greater assurance on value for money. In light of its assessment approach, and the absence of good quality data on actual costs and results (see previous bullet), DFID was better placed to have concluded on the relative performance of multilateral organisations rather than on their absolute value for money.

<sup>26</sup> C&AG's report, paragraphs 6 to 9.

- **In the future, DFID could complement the MAR by considering key issues for the multilateral system as a whole.** The MAR focused on individual agencies and did not systematically address wider issues of coherence, gaps and overlaps in roles.<sup>27</sup>

## On using the MAR to secure performance improvements

### 4.5 We found:

- **DFID took account of the MAR's assessments in determining future core funding.** DFID stopped funding four of the nine organisations it rated as 'poor' value for money for UK aid.<sup>28</sup> Of the 39 organisations it continued to fund, DFID planned to give larger funding increases to those organisations it rated as better value for money (see paragraph 2.7 and Figure 5 on page 18 of this briefing). If implemented in full, its plans would result in the proportion of core funding going to organisations it rated as 'very good' or 'good' value for money, increasing from 74 per cent in 2010-11 to 77 per cent in 2014-15.
- **DFID had limited scope to further reduce funding going to organisations rated as less than 'good' value for money for UK aid.** Constraints on DFID's funding decisions include:
  - The UK's membership of multilateral organisations is often important to broader objectives not directly addressed by the MAR. For example, the UK contributes to the European Union's main development programme through its treaty obligation to the EU budget. DFID rated the £815 million it contributed to the EU's main development programme in 2010-11 as 'adequate' value for money for UK aid.
  - DFID must make a minimum payment as a condition of membership of some United Nations organisations it rated as 'poor' value for money.
- **Improving multilateral effectiveness is therefore key to improving the value for money obtained from DFID's multilateral expenditure, and DFID had taken a lead role in promoting reform.** Following the MAR, DFID identified eight system-wide reform priorities and also priorities for individual multilateral organisations.
- **The variable quality of DFID's agency-specific engagement strategies could restrict its ability to coordinate its reform activities.** DFID's engagement strategies generally identified objectives and specified some actions. However, the strategies could have included more detail on DFID's plans to work with other countries, and some were not up to date.

<sup>27</sup> C&AG's report, paragraphs 10 to 16 and 2.18.

<sup>28</sup> One of the other five organisations, UN Development Fund for Women, rated as poor value for money is no longer a separate body.

- **It is important that any changes in ratings for the next MAR can be adequately evidenced.** Multilateral organisations, and to a degree DFID, have an interest in showing performance improvements in future reviews.<sup>29</sup>

## Our value for money conclusion on the 2010-11 MAR

### 4.6 Overall we concluded that the MAR:

*"provided a much improved basis for deciding how to allocate funding and for promoting multilateral effectiveness. The review's public rating, increased transparency, and the improved focus on costs and fit with UK development priorities were important innovations. The review [was] a significant step towards DFID being able to fully assess the cost-effectiveness of multilateral organisations. As a result [of the MAR], DFID is more likely to get value for money from its core funding in future, but this will depend upon maintaining and building on the progress it has made to date."*<sup>30</sup>

**4.7** We made recommendations designed to help DFID get better value from future MARs. The majority of our recommendations were reinforced and developed by recommendations subsequently made by the Committee of Public Accounts in February 2013 (see below).

## The 2013 Committee of Public Accounts Report

**4.8** In February 2013, the Committee of Public Accounts produced its own report which welcomed the MAR and concluded DFID was making good progress in assessing the effectiveness of multilateral organisations. The Committee found the MAR was more thorough and transparent than previous assessments of multilateral organisations. It said refining the MAR would allow DFID to build on its successes and improve the effectiveness of future reviews.<sup>31</sup>

**4.9** DFID has accepted all the recommendations made by the Committee of Public Accounts for refining the MAR. The recommendations covered improving data on the costs and results of multilateral organisations, increasing the link between results and funding, mapping the roles of multilateral organisations, strengthening donor collaboration and extending comparisons of the cost-effectiveness of bilateral and multilateral aid. DFID is planning to address the recommendations as part of the 2013 MAR update and the 2015 MAR. **Figure 8** overleaf summarises the recommendations and DFID's response.

<sup>29</sup> C&AG's report, paragraphs 17 to 21 and Figure 1 on page 14.

<sup>30</sup> C&AG's report, paragraph 22.

<sup>31</sup> Committee of Public Accounts report, page 3.

## Figure 8

### Summary of the Committee of Public Accounts' recommendations and DFID's response

Recommendation	Summary of DFID's response
DFID should improve the availability of data on the costs and results of multilateral organisations by making such data a requirement for increased funding.	DFID said it had made improving data on costs and results a reform priority for the organisations it funds. It plans to link funding to improvements in data where appropriate. However, it explained that while linking funding directly to improved data will often be the most effective way to bring change, there will be cases where other levers would work better. DFID had thus sometimes prioritised other issues judged to be more important to its objectives. It gave the example of humanitarian agencies' ability to work in fragile states. DFID said the link to funding was one of a number of measures it was using to improve data availability. Others included publishing additional data in its Annual Report and working with other donors to collectively demand improvement.
DFID should map the roles of multilateral organisations, highlighting gaps, overlaps and linkages, to enable informed decisions on who can best deliver DFID's objectives	DFID said the MAR update should provide further information about possible gaps or overlaps that could affect the performance and value for money of multilateral organisations. It plans to undertake a pilot exercise to map the roles of multilateral organisations in a sectorial or thematic area where the international architecture is complex or unclear. If this pilot provides useful information, DFID plans to carry out further mapping ahead of the 2015 MAR.
DFID should use information on the performance of multilateral organisations to determine future levels of funding, and where it provides a significant proportion of total funding, use this leverage to drive improved performance	DFID said it would continue to use information on performance to set multi-year funding envelopes for multilateral organisations and agree reform priorities. Progress assessments from the MAR update will provide key input into decisions on future levels of funding for all multilateral organisations.
DFID should work with other donors that are open to collaboration to agree reform priorities for key multilateral organisations and alternative ways of delivering objectives if organisations do not improve, with a view to greater collaboration in the 2015 MAR	DFID gave examples of where it had worked with other donors and stakeholders to: <ul style="list-style-type: none"> <li>• develop a shared reform agenda for the Asian Development Bank;</li> <li>• reshape MOPAN so that it becomes the key shared information source for donor multilateral effectiveness assessments.</li> </ul> Following the MAR update, DFID will review progress in its work to collaborate with others and update its approach.
As better data becomes available, DFID should increase its use of comparisons of the relative cost-effectiveness of bilateral and multilateral aid in achieving its objectives	DFID agreed that comparisons of value for money across delivery routes must increasingly guide the decision whether to allocate resources to multilateral organisations or alternative delivery routes. It said it was systematically identifying areas where it would be appropriate and feasible to do such comparisons. It plans to update its approach to making comparisons between bilateral and multilateral aid as part of preparing for the next full MAR in 2015.

*Source: NAO summary of HC Committee of Public Accounts, Department for International Development: The multilateral aid review, Twenty-sixth Report of Session 2012-13, HC 660, February 2013, pp 5-6 and HM Treasury, Treasury Minutes on the Government responses on the Twenty Fourth and the Twenty Sixth to the Thirty Fifth Reports from the Committee of Public Accounts, Cm 8613 May 2013, pp 9-12.*

# Appendix One

## MAR 2013 update: DFID's plans for publishing updated assessments

### Assessments due to be published in July 2013

Organisation	<u>Original</u> value for money for UK aid rating given at the end of the 2010-11 MAR
<b><i>Humanitarian organisations</i></b>	
Central Emergency Response Fund	Good
Global Facility for Disaster Reduction and Recovery	Good
International Committee of the Red Cross	Very good
International Federation of Red Cross and Red Crescent Societies	Good
United Nations Office for the Coordination of Humanitarian Affairs	Good
UN Peacebuilding Fund	Good
United Nations High Commissioner for Refugees	Good
World Food Programme	Good
<b><i>Organisations rated as 'poor' value for money for UK aid in 2010-11</i></b>	
The Development Programmes of the Commonwealth Secretariat	Poor
Food and Agriculture Organization	Poor
United Nations Educational, Scientific and Cultural Organization	Poor
International Organisation for Migration	Poor
<b><i>Multilateral development banks</i></b>	
The African Development Fund, an arm of the African Development Bank Group	Good
The Asian Development Fund, an arm of the Asian Development Bank	Very good

### Assessments due to be published in July 2013 (continued)

Organisation	<u>Original value for money for UK aid rating given at the end of the 2010-11 MAR</u>
The Caribbean Development Bank Special Development Fund	Adequate
European Bank for Reconstruction and Development	Good
Inter-American Development Bank	Adequate
International Development Association	Very good
International Finance Corporation	Good
<b><i>Other development organisation</i></b>	
The Private Infrastructure Development Group	Very good
<b><i>Global funds</i></b>	
GAVI Alliance	Very good
The Global Fund to Fight AIDS, Tuberculosis and Malaria	Very good
Global Partnership for Education	Good
UNITAID	Good

## Assessments due to be published by the end of 2013

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Organisation	<u>Original</u> value for money for UK aid rating given at the end of the 2010-11 MAR
<b><i>UN development organisations</i></b>	
International Fund for Agricultural Development	Good
Office of the High Commissioner for Human Rights	Adequate
UNAIDS - Joint United Nations Programme on HIV/AIDS	Adequate
United Nations Development Programme	Good
United Nations Population Fund	Adequate
United Nations Children's Fund	Very good
UN Women	Not ranked
World Health Organization	Adequate
<b><i>European Union</i></b>	
European Union development programmes funded through the EU budget	Adequate
European Commission's Humanitarian Aid and Civil Protection	Very good
European Development Fund	Very good
<b><i>Organisations focused on climate change</i></b>	
The Climate Investment Funds	Good
Global Environment Facility	Good

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## Appendix Two

### The questions the NAO asked multilateral organisations about the 2010-11 MAR

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#### **Objectives and criteria for DFID's 2010-11 Multilateral Aid Review**

- A. To what extent did DFID ensure that you understood the objectives and nature of the MAR before DFID made its assessment of your organisation?
- B. To what extent do the MAR criteria provide a robust basis for assessing value for money and the scope for improvement of multilateral organisations?

#### **Evidence collected by DFID for its 2010-11 Multilateral Aid Review**

- C. To what extent did you have the opportunity to provide evidence to DFID to inform its assessment of your organisation?
- D. To what extent did DFID collect the quality and breadth of evidence necessary to cover the criteria and reach conclusions on your organisation?

#### **DFID's 2010-11 Multilateral Aid Review assessments**

- E. To what extent was DFID's MAR assessment of your organisation underpinned by a good understanding of your remit and role?
- F. To what extent did DFID give you sufficient opportunity to comment on the MAR assessment of your organisation before it was finalised?
- G. To what extent did DFID reach sound conclusions on the value for money of your organisation and the scope for your organisation to improve?

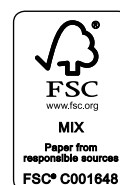
#### **Impact of DFID's Multilateral Aid Review to date**

- H. Since the MAR, to what extent has DFID changed the way it engages with your organisation?
- I. To what extent were the reform priorities (or areas for improvement) for your organisation identified by DFID during the 2010-11 MAR consistent with your organisation's view of its reform priorities at that time?
- J. To what extent has the MAR impacted on your organisations' reform priorities and your activities?
- K. To what extent has the MAR impacted on the way other donors assess your organisation and the reform priorities they have identified for your organisation?

#### **DFID's approach to taking its Multilateral Aid Review forward**

- L. If you have any observations on issues DFID should consider as it takes forward the MAR, please provide them.
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