

Evaluation of Danida Multi-Bilateral Interventions (2013-19)

Summary and management response

This note summarises the conclusions from the report 'Evaluation of Danida Multi-Bilateral Interventions' covering the period 2013 and 2019 and outlines the Danish Ministry of Foreign Affairs' (MFA's) management response and follow-up actions (in *italics*) to recommendations resulting from the evaluation. The management response was drafted by the Department for Multilateral Cooperation in consultation with relevant stakeholders. The evaluation itself was conducted by an independent evaluation team from Mokoro Ltd. in 2021 and 2022.

1. Evaluation summary

With the overall objective of informing future use of the multi-bi instrument in Danish development assistance, the evaluation presents lessons learned based on strengths and weaknesses of programme and project-specific, development multi-bi in Danida bilateral Country Programmes (CPs) between 2013 and 2019. Evaluation questions focus on rationale for use of multi-bi funding, and Denmark's role in the management and implementation of multi-bi interventions.

1.1 Context

For most of its development cooperation history, Denmark's official development assistance (ODA) was provided either as core contributions to multilateral organisations, or as bilateral flows to partner countries. Over the last decade, however, an increasing share of Denmark's bilateral commitments have been earmarked contributions to multilaterals ("multi-bi"). Other bilateral donors have also grown their multi-bi commitments. The gradual shift in financing, has raised concerns about fragmentation of the multilateral system and adverse effects on the ability of multilateral organisations to operate effectively and efficiently.

In the time period examined by the evaluation, Danish development cooperation strategy and successive iterations of the MFA 'Guidelines for Country Strategic Frameworks, Programmes and Projects' (the "bilateral AMG") encouraged multilateral partnerships and larger engagements. This created an enabling environment for country-level selection of multi-bi engagements.

While Danish ODA underwent reductions in the period with commensurate human resource cuts in Copenhagen and the embassies, Denmark provided a stable level of multilateral core funding (on average 29 pct. of ODA) alongside increasing multi-bi (from 14 pct. in 2013 to 33 pct. in 2019), with country development multi-bi, primarily to the UN and the World Bank, growing from 4 pct. to 9 pct. of total Danish ODA commitments. The top ten multilaterals supported remained consistent in the time period. They received about 70 pct. of Danish aggregate multilateral support in 2019.

1.2 Evolution of country development multi-bi

At country level, multi-bi was an increasingly important instrument for Danish development cooperation over the evaluation period, taking up a larger share of Danish bilateral development commitments over time. Country context, expectations about multilaterals' unique value-add, and Danish development cooperation strategies and capacities drove Danish embassies' use of the multi-bi instrument at this level.

How Denmark structured its multi-bi engagements, was determined by the interplay between country context, and the systems and preferences of Denmark and multilateral partners.

While increasingly larger shares of Denmark's aid to fragile states have been multi-bi contributions, use of the instrument in non-fragile states grew faster. More than 91 pct. of country development multi-bi was to governance and civil society, conflict peace and security and social infrastructure and services sectors.

Most country development multi-bi engagements were small. In fact, 73 pct. of multi-bi engagements contributed only 20 pct. of the value of country development multi-bi, while committing less than USD 3.5 million each. Commitments in each of the remaining 27 pct. of multi-bi engagements ranged between USD 3.5 million and USD 56 million.

1.3 Lessons learned

At country level, multi-bi was an increasingly important instrument for Danish development cooperation over the evaluation period, taking up a larger share of Danish bilateral development commitments at this level over time. Country context, expectations about multilaterals' unique value-add, and Danish development cooperation strategies and capacities drove Danish embassies' use of the multi-bi instrument at this level. How Denmark structured its multi-bi engagements, was determined by the interplay between country context, and the systems and preferences of Denmark and multilateral partners.

Overall, the evaluation showed that there are trade-offs for Denmark between the relevance, coherence, effectiveness, flexibility and efficiency of country multi-bi engagements. Partnerships with multilaterals enabled Denmark to have fewer, larger engagements while lowering its exposure to contextual, institutional, and programmatic risks, given restricted embassy development capacities, but came with an additional layer of administrative costs and longer implementation chains. Large, multi-donor partnerships also tended to be effective more often than small, single-donor multi-bi partnerships. However, these benefits came at some cost to the relevance of multi-bi engagements and their coherence with Denmark's other interventions because Denmark was less able to influence their detailed design.

Denmark's multi-bi engagements were largely relevant to Denmark and country actors, and could facilitate coherent and adaptive approaches. Multi-bi engagements were consistently relevant to Denmark and country actors at strategic objective level, and coherent with other Danish interventions, because country programme thematic considerations and country analysis anchored partnership choices and because of Denmark's active steering and monitoring role in multi-bi engagements. In contrast, in some cases the precise design of engagements was not fully relevant to either Denmark or country actors, because Denmark was less able to influence specific project designs or multilaterals did not adapt their global models enough to country context. Multi-bi engagements were also flexible and adaptive, but this depended on whether the engagement structure limited multilaterals' flexibility, and their own practices.

Multilaterals could be and often were effective delivery partners for Denmark at country level, provided the multilateral partner had the right capacities and influence in-country, and the engagement was large enough and structured well. When the multilateral had the sector expertise, operational capacities, country position or convening power expected at country level, multi-bi was a fully effective instrument for Denmark to achieve its country thematic priorities. However, in 17 out of the 25 multi-bi engagements reviewed, the multilateral did not have all the project management and technical capabilities needed in the specific country and context to deliver uniformly good results.

Performance was also correlated with engagement size and partnership and earmarking structure. Small, earmarked, one-on-one projects correlated with lower performance in many cases because ownership of the engagement by the multilateral appeared not strong enough to ensure the timely delivery of results. Hard-earmarked engagements with differing results frameworks from the multilaterals' core frameworks, also ran into implementation and performance difficulties. On the other hand, soft-earmarked engagements were associated with some or good effectiveness performance, especially when the Danish contribution was large and to a multi-donor partnership.

Danish embassies often found themselves at a disadvantage because they were reliant on multilateral reporting and evaluations which did not always meet their needs, and did not have the resources, and in some cases not the opportunity, to fill the gap. Embassies often opted to partner with multilaterals because of reduced capacity, but in practice the management of performance and risk in multi-bi engagements still required significant human resources. In principle, multilaterals' appraisal and monitoring and evaluation systems should have saved embassies performance-tracking and risk-management effort. In practice, however, multilaterals' systems were often not set up to report to embassies' satisfaction and many evaluations and reviews were of insufficient quality, as reported by embassies and found by the evaluation. As a result, embassies used more capacity than expected to manage multi-bi engagements. Furthermore, at times embassies found multilaterals unwilling to engage in depth on engagements.

Signals on the efficiency of multi-bi engagements were mixed as it depended on the structure of the underlying programmes and projects. The evaluation found that complex and long implementation chains, alongside detailed reporting demands, hamper the efficiency of multi-bi engagements; and that delays and coordination issues are common. Lower transaction costs through resource pooling and coordinated engagements mean multi-bi can be an efficient choice for embassies, multilaterals and recipients, but in practice poor coordination often hampered realisation of these benefits.

Denmark's guidance and arrangements for the management of multi-bi at country level and alongside core multilateral contributions were lacking in some respects. Firstly, although formal appraisal and review processes are sufficient for Copenhagen and embassies to discuss multi-bi partner selection and management, the aid management and financial management guidelines were not very detailed and did not cover critical issues such as different ways of structuring partnerships, engagement contracts and financial arrangements; and the concerns and partner capacities that should be appraised. Secondly, there were shortfalls in the arrangements to connect country multi-bi aid to core multilateral aid. The multilateral contact groups that were established in 2020 represent progress, but overall arrangements to enable learning and information sharing between embassies, Copenhagen and the Danish multilateral representations were poorly resourced and still inadequate to facilitate more coherence between core contributions and multi-bi engagements. This is despite wide recognition that more joined-up approaches were needed for coherent strategies and policy dialogue with multilaterals.

2. Recommendations

Based on the above summarized lessons learned, the evaluation outlines the following recommendations:

Recommendation 1: Embassies should avoid small Danida-only multi-bi engagements and hard output- and activity level earmarking to engagement-specific result frameworks. Embassies should avoid small, one-on-one multi-bi engagements because they are at higher risk of not achieving

results, while making disproportionate demands on embassy capacity. Embassies should also avoid hard-earmarking country-level multi-bi contributions, especially to engagement-specific outputs and activities that are not also in multilaterals' country results frameworks, because multilaterals often do not have the capacity or willingness to achieve and report differently specified results.

Recommendation 2: For all multi-bi engagements, embassies and Copenhagen should, during engagement design and appraisal, undertake thorough assessment and review of alignment with multilateral country programmes, ownership by multilaterals of the multi-bi engagement, and the multilateral's country alignment and capacities. Multi-bi engagement assessment and review should include a detailed assessment of the alignment between Denmark's priorities and the existing multilateral country objectives and results frameworks, their alignment to country development plans and priorities, the multilateral's ownership of the intervention and result targets and the extent to which the multilateral will need to establish new activities and outputs to deliver on the engagement for all multi-bi engagements. This will not only increase the likelihood of joint result targets being achieved in line with Denmark's objectives, but also address the potential impacts for the multilateral such as fragmentation.

Recommendation 3: Embassies should plan for sufficient capacity to manage multi-bi engagements. Where assessments reveal gaps in project management or reporting capacities or when Denmark wants access to country policy dialogues through the multi-bi engagement, embassies should factor in needed Danish support for the multilateral and needed embassy capacities.

Recommendation 4: Embassies should factor in adequate set-up time in the timeline of engagements. Embassies should consider what is a realistic timeline and factor it in when considering multi-bi engagements – especially when they entail new and complex structures, capacities, or partners for the multilateral – and assess the full overhead cost chain.

Recommendation 5: The MFA should add an addendum to the bilateral AMGs that provides more guidance to embassies on the programmatic, risk, and financial management of multi-bi engagements. This addendum should expand on the following areas: current AMG guidance on multilateral programme cycles at country-level and how donor states can most effectively engage in these; different multilateral partnership types, earmarking modalities and financing vehicles and their use in different contexts; setting results frameworks for multi-bi engagements and mitigating risks of non-achievement and non-reporting of Denmark-specific results; specific issues that should be considered in multi-bi engagement appraisal and quality assurance processes; and overheads that can be charged in country-level multi-bi engagements and how embassies should manage multilateral country- and headquarter-level overhead charges relative to the 7 pct. allowed on bilateral projects generally.

Recommendation 6: The MFA should revise the 2012 General Guidelines for Accounting and Auditing of Grants channelled through Multilateral Organisations for the purposes of managing multi-bi. Aspects that should be included are budget structures and the reflection of overhead charges in multi-bi Development Engagement Documents (DEDs).

Recommendation 7: The MFA should review the purpose, organisation, agendas and resources of the multilateral Contact Groups, so that they are effective vehicles for learning on multilateral organisations. For this purpose, they require more resources/capacity to deliver useful interaction between different parts of MFA and richer exchange of information. This appears essential for more coherent strategies on multilaterals across Denmark's different aid channels.

Recommendation 8: The MFA should institute mechanisms to ensure that information on country multi-bi engagements is shared with the Danish multilateral representations as a matter

of routine. This may be enabled through quarterly extracting of information on closed, open and new multi-bi engagements from Danida's aid management system using OECD DAC codes.

Recommendation 9: The MFA should strengthen demand across the MFA for more integrated management of multi-bi and core multilateral support and joined-up learning, to encourage embassies and Danish multilateral representations committing scarce capacity. This may be, for example, by discussing core multilateral support and multi-bi in an integrated way at senior MFA level, or preparing a regular integrated report on multilateral support to Parliament.

3. Management response

3.1 General remarks

The Ministry of Foreign Affairs (MFA) welcomes the evaluation of Danida multi-bilateral interventions in the period 2013-2019. The evaluation is timely as Denmark's development portfolio implemented through multilateral partners is rapidly increasing.

The introduction of the Doing Development Differently principles in 2019 with ambitions for stronger cohesion between instruments and modalities, whether bilateral or multilateral, as well as between Copenhagen, multilateral representations and embassies had as its key objective to reinforce a holistic approach to Danish development cooperation. The evaluation offers valuable insights into opportunities associated with further advancement of this approach, and most importantly identifies challenges which must be addressed to this end.

3.2 Response to specific recommendations

The MFA agrees with the conclusions of the evaluation and responds to each recommendation in the following manner:

Recommendation 1: Embassies should avoid small Danida-only multi-bi engagements and hard output- and activity level earmarking to engagement-specific result frameworks.

The MFA agrees with the recommendation to avoid small Danida-only multi-bi engagements and hard output- and activity level earmarking, and will strive to only reserve hard-earmarking for cases where the partner concurs that intended objectives are aligned with their country strategic frameworks, and when it is assessed that adequate MFA resources are available to manage such engagements.

Recommendation 2: For all multi-bi engagements, embassies and Copenhagen should, during engagement design and appraisal, undertake thorough assessment and review of alignment with multilateral country programmes, ownership by multilaterals of the multi-bi engagement, and the multilateral's country alignment and capacities.

The MFA agrees that assessments of "structures, systems and procedures" should be strengthened to ensure coherence. The MFA will supplement the Aid Management Guidelines (AMG) with a better guidance on how to assess alignment, ownership and capacities of multilateral partners.

Recommendation 3: Embassies should plan for sufficient capacity to manage multi-bi engagements. *The MFA strives to ensure sufficient capacity to handle all type of engagements and will continue to prioritize that embassies have adequate resources to properly manage development programmes including management of*

multi-bi engagements. In addition, Denmark will emphasize in the AMG, the resources required to manage multi-bi engagements.

Recommendation 4: Embassies should factor in adequate set-up time in the timeline of engagements.

The MFA agrees with the recommendation which is in accordance with the requirement of a clear and realistic process action plan as the first step in the timeline of programme and project preparation. This requirement will be emphasized in the AMG and will for the biggest engagements be re-enforced e.g. in the Programme Committee.

Recommendation 5: The MFA should add an addendum to the bilateral AMGs that provides more guidance to embassies on the programmatic, risk, and financial management of multi-bi engagements.

The MFA finds that the present version of the bilateral AMG stresses the importance of potential synergies between various development and policy instruments, but agrees that there is not much guidance when it comes to how to engage at country-level with multilateral partners specifically. The MFA will address this recommendation in connection with the next revision of the bilateral AMG.

Recommendation 6: The MFA should revise the 2012 General Guidelines for Accounting and Auditing of Grants channelled through Multilateral Organisations for the purposes of managing multi-bi.

The MFA agrees with the proposed recommendation and will amend the existing guidance during the forthcoming revision, hereunder cement a cross-cutting approach to management of multi-bi overhead charges which exceed the established threshold.

Recommendation 7: The MFA should review the purpose, organisation, agendas and resources of the multilateral Contact Groups, so that they are effective vehicles for learning on multilateral organisations.

The MFA agrees and will update on the multilateral contact groups, including to explore new formats for improved information management related to multilateral partnerships for relevant staff at central and embassy level – from information about focal points and engagements across multilateral modalities (including secondments) to partner results and performance.

Recommendation 8: The MFA should institute mechanisms to ensure that information on country multi-bi engagements is shared with the Danish multilateral representations as a matter of routine.

The MFA agrees and refers to the response to recommendation 7.

Recommendation 9: The MFA should strengthen demand across the MFA for more integrated management of multi-bi and core multilateral support and joined-up learning.

The MFA agrees with the recommendation which is also in line with the Doing Development Differently principles. Opportunities will be explored, whether through joint meetings, reports, guidelines etc., to emphasise integrated learning across management of multi-bi and core multilateral support.