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The multilateral aid system

An assessment following the major replenishments of 2013

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Abstract: The paper assesses the multilateral development financing system in the light of the replenishments of three key funds in 2013. It argues that the replenishments showed strong continuing support for each institution, but identifies challenges emerging from the reliance on traditional donors and the limited success in engaging major emerging economies. It underlines the significance of recent and prospective falls in the recipient client base, and notes the shifting balance between performance and need/fragility in determining multilateral aid allocations. The paper argues that both general and special purpose funds have their place, but that to sustain ownership in the more aid-dependent countries a 'think twice' policy remains appropriate before establishment of new special purpose funds.

Keywords: multilateral aid system, International Development Association, African Development Fund, Global Fund, OECD/DAC, development finance

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1 Introduction

Over the past 70 years, the world has built an entirely new and unprecedented set of institutions – to use the word 'system' would be to suggest a more planned and less incremental approach than has actually taken place – which broadly speaking aims to improve economic and social outcomes around the world through collective endeavour, particularly but not exclusively between governments. This institutional structure sits alongside multiple bilateral channels which operate towards similar objectives.

This paper considers how important parts of this collective institutional structure are being affected by the rapid changes in the world economy, which has opened new opportunities for many poorer countries, and by the fiscal fall-out from the banking crisis of 2008/09, which has had a considerable effect on levels of official development assistance and similar flows. While some of these institutions, notably the hard windows of the now numerous development banks, require only the occasional increase in their capital at relatively low cost to their shareholders, most of them depend on regular access to new finance from their members and supporters, principally governments. Much of this funding is supplied in an ad hoc and sometimes opportunistic way, but many institutions, starting with the World Bank's soft loan arm, the International Development Association (IDA) in the early 1960s, have organised formal replenishments of their funding from their donor community, typically on a three-year basis.

It so happens that three of the largest such funds – IDA, the African Development Fund (AfDF), and the Global Fund (GF) – are each replenished on the same three year cycle, most recently in the final months of 2013. These three institutions account for some 60 per cent of all country-programmable aid (CPA)[1] from the multilateral institutions[2] (Figure 1). These replenishments thus provide a useful snapshot of how donors wish to support these institutions – a 'revealed preference' for the balance between multilateral and bilateral channels – and how Multilateral Development Bank (MDB) soft funds and special purpose funds like the GF are placed in the changing environment: a snapshot which then needs to be put in the longer-term context of their mandates, comparative advantage, and structures.

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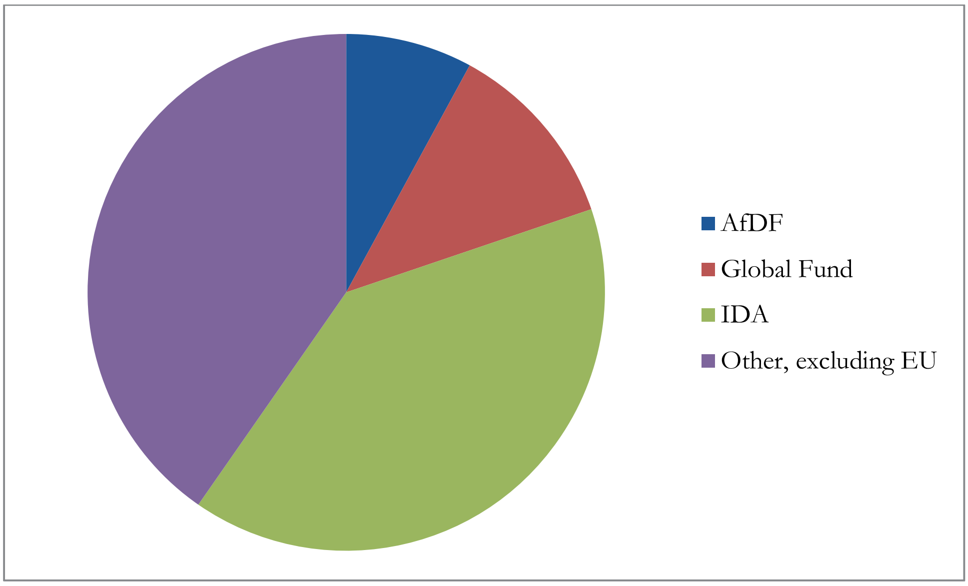
[1] Country-programmable aid (CPA) reflects the amount of aid that involves a cross-border flow and is subject to multi-year planning at country/regional level. It is defined through exclusions, by subtracting from total gross bilateral official development assistance (ODA) activities that:

(1) are inherently unpredictable (humanitarian aid and debt relief);
(2) entail no cross-border flows (administrative costs, imputed student costs, promotion of development awareness, and costs related to research and refugees in donor countries);
(3) do not form part of co-operation agreements between governments (food aid, aid from local governments, core funding to NGOs, ODA equity investments, aid through secondary agencies, and aid which is not allocable by country or region).

[2] Excluding the EU institutions, which are somewhat different in character, as discussed in Section 2.

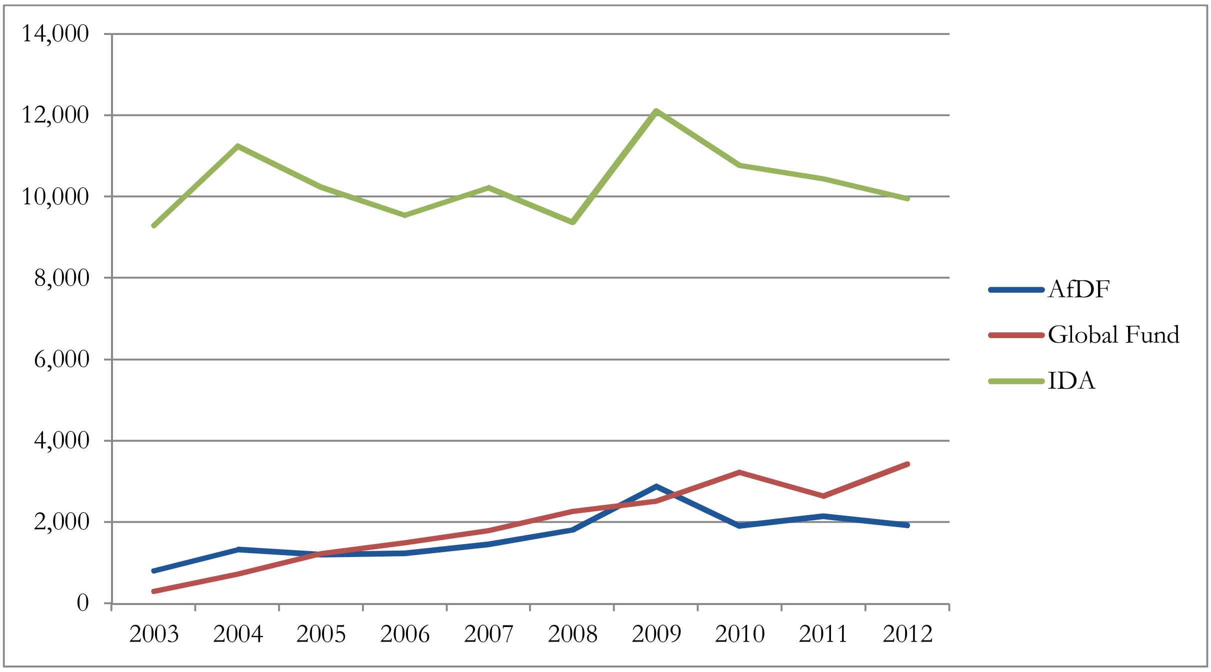
Figure 1: The shares of IDA, the Global Fund and the African Development Fund in total multilateral CPA, 2012 (excluding EU institutions)



Source: OECD/DAC (2014).

Figure 2 gives a picture of how their gross CPA has evolved over the past decade: IDA has disbursed around US$10 billion a year on average; the AfDF has increased from about US$500 million to US$2 billion; and the Global Fund from US$250 million to some US$3.5 billion. Both MDB soft funds delivered enhanced support to their borrowers in the wake of the banking crisis of 2008/09.

Figure 2: CPA from the three Institutions, 2003-12 (constant US$ million)



Source: OECD/DAC (2014).

The paper is structured as follows: Section 2 gives a brief historical picture of the development of the multialteral aid system. It also introduces the distinction between 'core' funding (typically the subject of replenishments) and 'non-core' funding (which is handled very differently). Section 3 gives the basic facts about the three replenishments. Section 4 considers what the outcomes of the replenishments tell us about the priorities of the contributors (distinguishing among various groups of both 'traditional' and 'new' donors), and the pressures that they are experiencing. Section 5 then assesses how the two types of fund represented by these three institutions – soft loan arms of the Multilateral Development Banks, and 'special purpose funds' aimed at more specific objectives – are faring in the light of the outcome of the replenishments. It pays particular attention to changes in the client base of each institution, to the scope for internal generation of funds, and to the various approaches to raising funds through non-core financing arrangements. Section 6 concludes.

2 A brief account of the development of the multilateral development financing architecture

2.1 The changing architecture

International aid in the shape of official finance on concessional terms is almost entirely a creation of the post-Second World War period. While there has been a continuous process of development, three periods can usefully be distinguished.

The first is the 1940s, when two fundamental sets of multilateral institutions were created, the IMF and the World Bank at the Bretton Woods conference of 1944 and the United Nations at the San Francisco Conference in 1945. In the initial period, the UN system became a channel for relief aid (UNICEF was founded in December 1946) and for modest amounts of technical assistance, while the World Bank provided only loans at market terms. Multilateral concessional aid was thus extremely small.

The second is the period from 1959-66, with the decolonisation process at its height, which saw in quick succession the establishment of the Inter-American Development Bank (1959), including its soft fund, the Fund for Special Operations (FSO), the World Bank's soft loan arm, the International Development Association (IDA) (1960), the African Development Bank (1963), the United Nations Development Programme (UNDP – a merger of two pre-exisiting entities) (1965), and the Asian Development Bank (ADB)(1966). This burst of activity, followed by the creation of soft funds also at the African and Asian Development Banks (1972 and 1974 respectively), set the overall shape of multilateral co-operation for decades, and triggered a major rise in both the absolute amount of multilateral aid and in its proportion of total aid. The rise of OPEC in the 1970s led to a further important multilateral initiative, the International Fund for Agricultural Development, with its tripartite governance structure (OECD, OPEC, developing countries); over time, new sub-regional development banks were created; and many parts of the UN system, including Specialised Agencies, set up their own funds for technical assistance, independent of UNDP. But the '1960s structure' remained remarkably resilient.

The third period may be said to have commenced with the setting up of the Global Environment Facility (GEF) in 1991 (a year which also saw the rounding out of the regional development bank structure with the founding of the European Bank for Reconstruction and Development), and has as its main feature the establishment of an increasing number of 'special purpose funds' aimed at tackling issues of concern to the international community. Very varied in nature, such funds have been established especially but by no means exclusively in the areas of health (where the encouragement and support of the Bill and Melinda Gates Foundation

(BMGF) has been one important driver, for example for the Global Alliance for Vaccines and Immunisation (GAVI), established in 2000) and of the environment. Some of these funds have been essentially trust funds, often hosted by the World Bank, without their own legal personality; while others have become international institutions in their own right, often pioneering innovative models of governance. The largest to date is the Global Fund for AIDS, TB and Malaria (GFATM), founded in 2002, and the inital fund-raising for the new Green Climate Fund (GCF) is among the key international financing issues of 2014.

It could be argued that we are now at the start of a new period, where models for collective action are no longer dependent on traditional donors. Examples include the Development Bank of Latin America – CAF – which has steadily expanded its membership and the scale of its lending and the New Development Bank, launched by Brazil, Russia, India, China and South Africa at the BRICS Summit in July 2014. The projected Asian Infrastructure Development Bank, which China is promoting, is another initiative of this kind. It would not be surprising to see further examples in future.

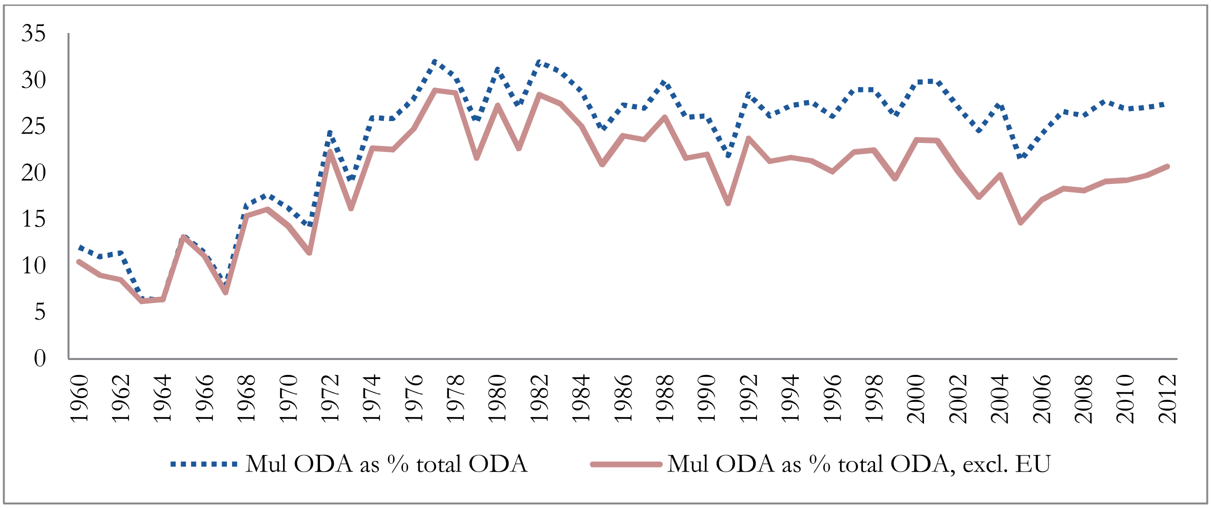
Multilateral aid is a contested field. Some consider many of the institutions to be self-serving groups obsessed with their own survival and aggrandisement; others argue that multilateral approaches are often more free from narrow interests too often present in bilateral approaches to development.[3] Some argue that multilateral aid, by the 'upstream pooling' of donor funds, obviates at least some of the unnecessary transaction costs of multiple donor actors; others point out that the multilateral institutions themselves are unduly numerous, with too many overlapping mandates. This paper does not attempt to resolve these arguments, but it does aim to set out some facts and analysis that may be useful in considering such questions. Section 3 sets out the arguments that the three institutions on which this paper is focused put forward to donors at the outset of each of their most recent replenishment negotiation: to some extent the result of that negotiation can be seen as embodying the collective donor view on the priority that they give to each set of arguments, as well as their view on the efficiency and effectiveness of each institution. In Section 5 I attempt to assess how to interpret the results.

2.2 The place of multilateral aid

The historical record (Figure 3) shows that after swiftly rising to nearly 30 per cent of all aid from the 'traditional donors' (OECD/DAC member countries) in the 1970s, following the initiatives described above, multilateral aid (excluding the institutions of the European Union) then fell slowly but rather consistently over the next quarter century as a proportion of DAC members' ODA to between 15-20 per cent. (The particularly low shares of multilateral aid apparent in 1991 and 2005 are statistical artefacts caused by very large writing off of debt in those years, which caused a spike in bilateral aid figures.) A gradual rise in the multilateral percentage is, however, evident from 2006 onwards, reflecting both the establishment of the Global Fund and GAVI and more generous funding of MDB replenishments, not least that of IDA15 in 2007, where donors increased their contributions by 42 per cent from the level of their contributions to IDA14 in 2004, and for AfDF11, which surpassed the outcome of the previous replenishment by 52 per cent in the same year.

[3] For a good exposition of the latter point of view, see Barder (2012).

Figure 3: Multilateral ODA as a proportion of total ODA from members of the OECD Development Assistance Committee, 1960-2012



Source: OECD/DAC (2014).

2.3 Other multi-donor institutions

In addition to multilateral institutions, which typically allow recipients as well as donor governments to be represented in their governing bodies, there are important collective aid instruments of groups of donor governments, such as the Arab Fund for Economic and Social Development (1968) and the OPEC Fund (1976). By far the largest of these is the European Union, whose original six members launched the European Development Fund in 1959.

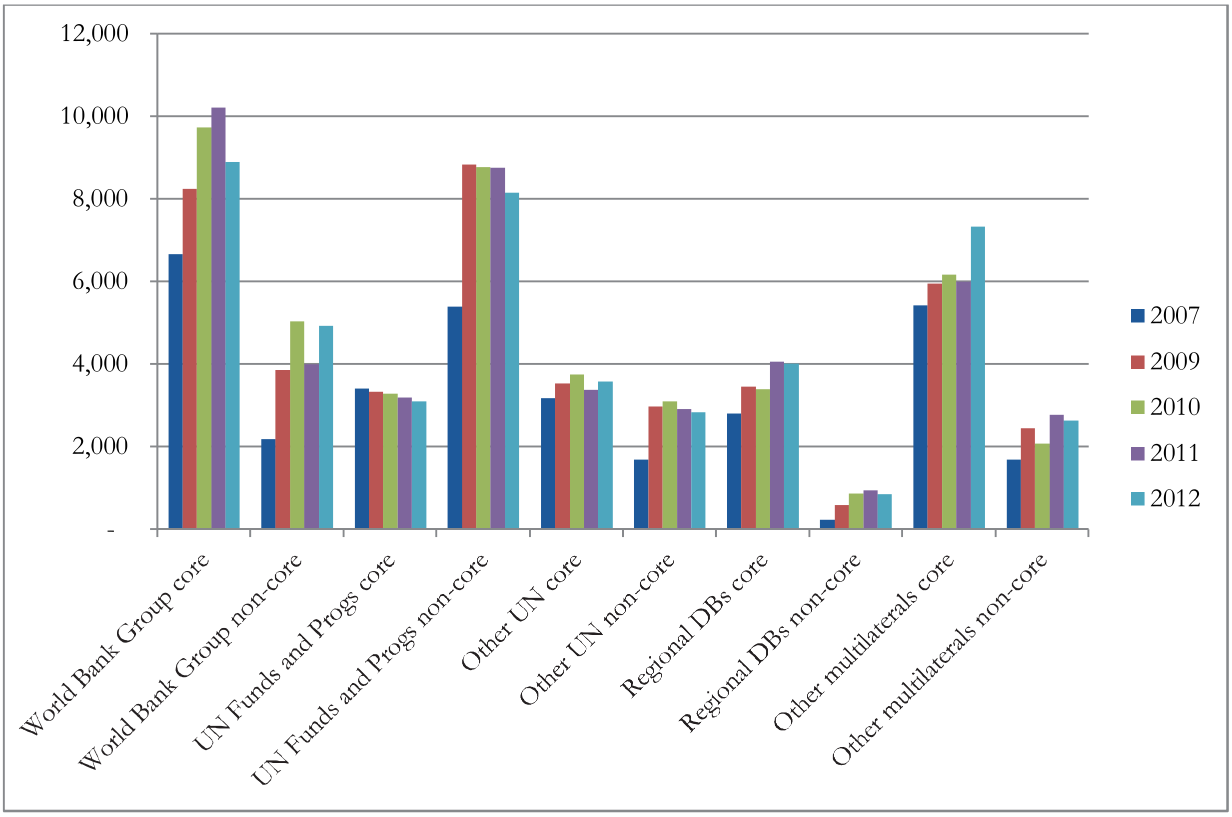
The focus of this paper is on multilateral institutions in the sense described above (and mainly on MDB soft funds and special purpose funds within that group). However it is worth making a brief observation on the EU, because of its size and therefore the relatively large share of EU member states' ODA that is channelled through EU institutions. As is evident from Figure 3, the share of total DAC ODA provided through the institutions of the EU is large and has grown over time. In 2013, EU institutions provided US$16 billion of ODA. The EU took important decisions on its budget, and on that of the separate European Development Fund, in 2013, which will have the effect of maintaining development assistance from both sources at around present levels in real terms until 2020. As we shall see, this broadly flat financing scenario for the EU is to some extent paralleled in donor contributions to the 2013 replenishments.

2.4 Core and non-core contributions

A feature of most (but not all) multilateral institutions is that they accept two types of donor funding. In the main, they seek funding which is pooled and used for the purposes of the institution without individual donors being able to determine the specific use of the funds that they have contributed except through their influence on the governing body of the institution in question. These contributions are termed 'core' funding, and it is these that are the basis for the figures shown in Figure 3 above. However, in addition, most multilateral institutions also accept funding for specific purposes selected by the donor or donors. This is known as 'multi-bi' or 'non-core' funding. The OECD classifies contributions channelled through a multilateral agency as 'non-core' if they are earmarked for a country, region, theme, or sector.

The balance between the two is very different for different groups of institutions, as is shown in Figure 4.

Figure 4: Core and non-core contributions to multilateral Institutions, 2007-12



Source: OECD/DAC (2014).

For UN funds and programmes, non-core funding is particularly high, reflecting for example contributions to the World Food Programme or UNHCR for specific emergencies, or to UNICEF or UNDP for development projects in a specific country, even as core funding has shown a consistent downward trend. At the other extreme, the Regional Development Banks have accepted only modest amounts of non-core funding, though as I shall show below this is beginning to change in respect of a new Chinese model of co-financing. Within the very disparate 'other multilaterals' group, non-core funding is very low at special purpose funds such as the Global Fund and GAVI. For the World Bank, non-core funding through its vast array of Trust Funds (some from one donor, many from groups of donors) has proved a resilient and still-growing vehicle for both the Bank and for its donors, despite regular expressions of concerns about the proliferation of such funds.

Concerns about excessive non-core funding are based mainly on two considerations: (1) Can the institution's governing body ensure the overall coherence and focus of the institution if it accepts on a large scale funds for special purposes? (2) Do Trust Funds provide inappropriate advantages to the donor? (For example, do they confer some kind of 'inside track' towards either commercial advantage or inappropriate policy influence?)

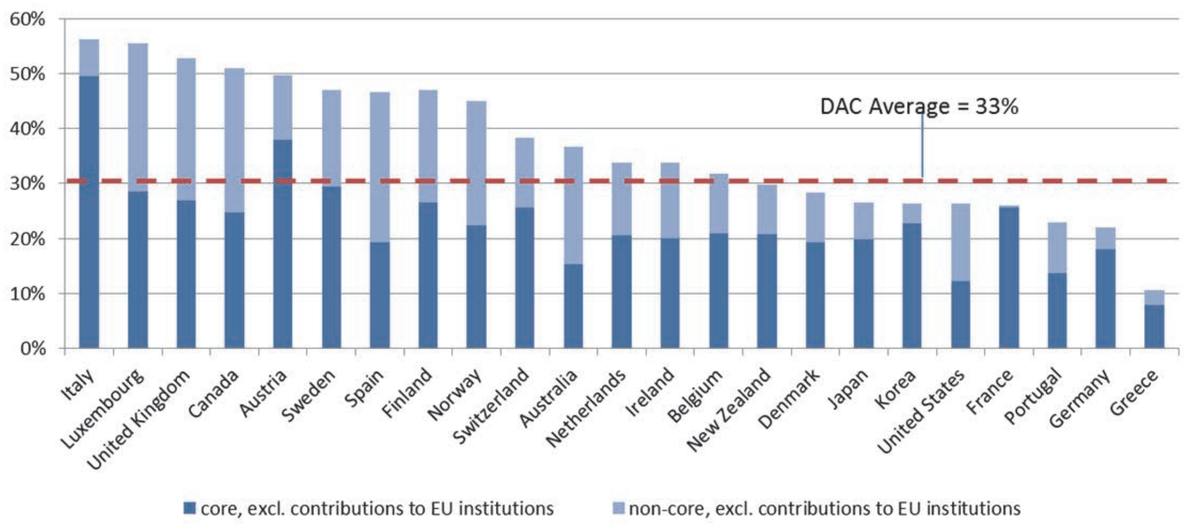
These concerns do not apply significantly to non-core funding which is squarely in line with the institution's mandate (for example a donor granting money to the World Food Programme (WFP) to use for purchasing food for a humanitarian emergency, to be procured under WFP's own rules). But where that mandate is itself broad, there may be reasonable grounds for concern that too large a proportion of non-core funding may skew the overall efforts of the institution's staff towards activities of interest predominantly to a few donors.

A third argument for restraint in non-core funding is that it may be hard for aid-dependent countries to maintain real ownership if a large part of their concessional aid is pre-allocated by purpose by the donor or donors. This argument of course applies not only to special purpose Trust Funds but more generally to special purpose funds; I return to this in Section 5.

A key point to note is that, because of this non-core funding, multilateral institutions are considerably more significant in the delivery of international aid than would appear from the statistics on core multilateral contributions presented above. In round numbers, core funding has been running at about US$40 billion a year since 2008, and non-core at around US$20 billion. The OECD calculate that about 40 per cent of all ODA is delivered through multilateral channels (including in this case the EU institutions) (see OECD/DAC 2012).

Donors vary widely in their approach to providing multi-bi or non-core funds. As Figure 5 shows, among DAC members, some countries provided over 20 per cent of their gross disbursements of ODA in 2010 as multi-bi funding (Luxembourg, UK, Canada, Spain, Norway, Australia), while others provided less than 7 per cent (Japan, Korea, France, Germany, Greece). This is partly, but only partly, correlated to the share of their humanitarian aid, which as noted above is a particular area where multi-bi contributions are routine.

Figure 5: Total use of the multilateral system as a proportion of ODA



Source: OECD/DAC (2012).

3 The three major replenishments of 2013

I turn now to the three replenishments that form the core evidence for this paper. In this section, I give a brief factual account. The implications are discussed in the two following sections, the first focussed on the donors, and the second on the institutions themselves.

In order to assess the replenishments, it is necessary first to consider with what to compare them. The natural approach is to compare each replenishment with its predecessors (in the case of this article, I use the replenishments of 2007 and 2010 as comparators). This makes sense to the extent that the amount pledged in each replenishment is close to that actually delivered over its life – or at least that any shortfall is of a similar size, and there is, for example, no observable trend for such shortfalls to increase or decrease. If these conditions do not hold, comparisons with previous replenishments need to be adjusted or carefully qualified.

It is of course normal that what is delivered will differ from what is pledged. Over a three-year period, governments may face a significant fiscal crisis, or they may be unable to secure approval for the full amount pledged from their legislatures (a particular issue for the United States). Also, some donors may make supplementary contributions, or donors unable to pledge at or just after the date of completion of the replenishment negotiation may subsequently make a contribution.

For the two MDB soft funds, my assessment is that in the period of comparison such shortfalls or additions have been modest, and there is no particular reason to suppose that the percentage delivery of the sums pledged in 2013 will be significantly different from the outcomes for 2007 and 2010. The earlier replenishment numbers, drawn from the approved Deputies' Reports,[4] are therefore a reasonable basis for comparison.

For the GF, the position is rather different. In both 2007 and 2010, the Fund, in announcing the size of each replenishment, included both firm pledges and its own estimates of how much donors unable to pledge for the full period or not yet in a position to pledge would be likely to contribute over the course of these two replenishments. This was a particularly understandable approach in 2007, when the Fund's largest contributor, the United States, was unable to pledge beyond a single year – a contrast to the multi-year approach routinely taken by all donors to the MDB soft funds, but typical of many donors' policies towards UN agencies. In 2013, by contrast, since all major donors had made firm pledges at or before the final meeting, the Global Fund announced only pledges actually made or pending final confirmation (as is also the practice for the MDB soft funds). Comparisons between the headline numbers for the three replenishments of 2007, 2010, and 2013 for the GF are therefore less straightforward than for the MDB soft funds.

In addition, pledges to the relatively new Global Fund have in some cases been less well entrenched in budgets than have those of the MDB soft funds (and many donors have indeed been reluctant to use instruments such as promissory notes that give greater formality to their commitments, and are routinely used in MDB replenishments), so that a fiscal crisis has arguably been more likely to impact on the Global Fund than on the latter. In what follows, I have used figures supplied by the Global Fund which present a more realistic view of the outcome of the earlier replenishments than was stated on the basis of good-faith estimates at the time the replenishments were concluded. These figures give actual pledges over the replenishment period plus a few months.[5] The headline figure announced at the time of the 2010 replenishment, for example, was US$11.7 billion, made up of US$9.2 billion in announced pledges and an additional US$2.5 billion in supplemental donations projected by the Fund to be received during the 2011-13 period. The final total of pledges, taking account of contributions made by the first few weeks of 2014 and which will not be counted against the December 2013 replenishment, was of the order of US$10.5 billion.

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[4] The reports are not approved for some months after each replenishment negotiation, allowing some tentative pledges to be confirmed or clarified before publication.

[5] For pledges to the GF in currencies other than US$s, the pledge amount in US$ comprises the actual US$ value realised from any contributions made plus the US$ equivalent of the remainder of the pledge calculated using exchange rates as of 31 July 2014. Contributions held in the currency in which received are stated at their US$ equivalent on the date of receipt for which the pledge amount is reviewed to reflect the reality.

A final preliminary point of clarification is that the AfDF and GF replenishments cover the three calendar years 2014-16, whereas the IDA replenishment covers the three World Bank fiscal years commencing 1 July 2014.

3.1 The MDB soft funds

I start with the two MDB soft funds, in order of their completion. The negotiations on the African Development Fund's 13th replenishment were completed in September and those on IDA's 17th replenishment in December of 2013.

The two negotiations followed very similar paths, and indeed considered many of the same topics, such as climate change, gender, managing for results, the scope for hardening loan terms, and the balance between rewarding good performance and investing in fragile states. In each case, the results of the negotiations were enshrined in a publicly available report by the 'deputies' who represented the countries participating in the negotiation (principally but not exclusively the donors), which was then sent to the board of directors of each institution and then to the governors, who finally approved a resolution adopting the deputies' report. In almost all governments, the same institution, most often the Finance Ministry but for a number the Foreign Ministry,[6] provided the deputy who negotiated on behalf of that country in each set of negotiations. In almost every case, funds for both replenishments came from the same budget envelope.

In both cases, the institution put forward a range of financing scenarios, which specified a range of possible funding outcomes, with some indication of what each would 'buy'.

3.2 African Development Fund (AfDF13)

Policy issues

The African Development Fund negotiation was facilitated by the agreement of the Bank's Board in March 2013 to a medium-term strategy for the Bank as a whole. This set an overarching objective of inclusive growth, accompanied by a gradual transition to green growth; five channels of assistance – infrastructure development (in practice by far the largest), regional economic integration, private sector development, governance and accountability and skills and technology; and three areas of special interest across the Bank's portfolio: fragile states; agriculture and food security; and gender.

There was therefore a broad consensus on the purpose for which funds were being sought.

In addition, the Bank had made, under President Kaberuka and his predecessor, Omar Kabbaj, considerable progress in satisfying its shareholders about its overall effectiveness, which had been under serious question in the mid-1990s. Deputies did, however, put significant emphasis on the matrix of actions set out in the deputies' report to encourage further progress, and on the need to strengthen further the independence of the evaluation function. With regional members holding 60 per cent of the votes on the board, non-regional members were keen to make use of the replenishment negotiation to ensure that matters of concern to them were addressed to their satisfaction by management.

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[6] As exceptions to this general rule, in the case of Germany and the UK, the role is played by the Development Ministry (BMZ/DFID), and in the case of China the People's Bank of China leads on AfDF, but under the instructions of the Finance Ministry, which leads on IDA.

On key policy issues, the conclusions in the deputies' report were:

1. Infrastructure development would remain a key area of intervention.
2. Support for regional integration would focus both on hard physical infrastructure and soft or institutional infrastructure, including continued support for integration policies at national and regional levels.
3. The replenishment would support the implementation of the Bank Group's new Private Sector Development Strategy for 2013-17, including by the creation of a Private Sector Credit Enhancement Facility and a new Partial Credit Guarantee instrument.
4. Given the importance of governance and accountability in promoting inclusive growth, the Fund would help to strengthen core state systems, public financial management systems and enabling business environments.
5. There would be deeper engagement in fragile states during AfDF13, with continuation of a special 'Fragile States Facility'.
6. In agriculture and food security, the AfDF would adopt an enhanced value-chain approach.
7. The AfDF's action to promote gender equality would be reinforced by inter alia the approval of the new Gender Strategy 2014-18 and the appointment of a Special Envoy for Gender.
8. To successfully implement its operational priorities during the AfDF13 period, the Bank Group would make continuous efforts to strengthen its corporate effectiveness and efficiency as well as its delivery of results. The results measurement framework was re-aligned with the operational priorities in the strategy. As noted above, deputies wanted to see the independence of the evaluation function reinforced, under the supervision of the board of directors.
9. With a view to preserving the long-term financial sustainability and capacity of the Fund, the financing terms for AfDF-only countries, as well as for blend, gap and graduating countries, would be hardened. (The extent of hardening would differentiate between the stronger and less strong AfDF-only countries.) An accelerated repayment clause (to be included in all new AfDF loan agreements) and a voluntary prepayment framework would be introduced.
10. The performance-based allocation system would be adjusted by raising the minimum allocation from SDR[7] 5 to SDR 15 million over the three-year cycle, and by introducing the level of infrastructure provision as an additional indicator of need.

It would be fair to say that there was little difficulty in reaching consensus on these various conclusions.

Scenarios and outcome

The institutions seeking replenishments usually set out a range of scenarios, showing how different levels of resources (donors' contributions and internally-generated resources where relevant) would produce different outcomes.

In the case of the African Development Fund, a key factor was that internally-generated resources were expected to fall rather dramatically, from SDR 2 billion in AfDF12 to SDR 950 million in AfDF13, partly because of much lower returns on investments of cash resources as a result of the fall in interest rates in all major markets, and partly because a change of policy aimed

[7] The currency value of the SDR is determined by summing the values in US$, based on market exchange rates, of a basket of major currencies (the US$, Euro, Japanese yen, and pound sterling).

at encouraging borrowers to be readier to cancel unused credits would mean that a much smaller share of such cancellations would be returned to the institution. Against this background, the three scenarios put forward by the AfDB were:

- Low scenario: donors would maintain contributions in real terms (increase of 7 per cent in nominal terms): given the fall in internally-generated resources, total resources would fall by 20 per cent real (14 per cent nominal) to SDR 5.0 billion
- 'Consolidation' scenario: donors would increase contributions by 29 per cent in real terms (38 per cent nominal), producing a replenishment of the same real size as AfDF12, or 7 per cent larger in nominal terms (SDR 6.2 billion)
- 'Transformation' scenario: donors would increase contributions by 43 per cent in real terms (53 per cent in nominal terms) producing a real increase of 10 per cent over AfDF12, or 18 per cent in nominal terms (SDR 6.8 billion).

The argument put forward by management for the higher scenarios was essentially that Africa was in a process of radical transformation, with unprecedented economic progress on the one hand and huge continuing challenges on the other, justifying enhanced investment, which was reinforced by a strong pipeline; and that AfDB was particularly well placed to respond to the major needs of Africa's AfDF borrowers, not least because of the trust that the Bank had established as an African-based, African-led and majority African-owned institution. It also highlighted progress in areas such as decentralization and improved project performance.

The outcome of the negotiation was that total resources available for commitment over the period of the replenishment would be SDR 4.8 billion, compared to SDR 5.8 billion for AfDF12 in 2010 and SDR 5.7 billion for AfDF11 in 2007.

The outcome was thus slightly below the low scenario.

3.3 International Development Association (IDA17)

Policy issues

The IDA negotiation also took place against the background of an agreed strategy, in this case agreed for the World Bank Group as a whole in October 2012 by the Development Committee. The strategy, put forward by the Bank's new president, Jim Kim (appointed in July 2012), had as its twin overarching goals the ending of extreme poverty and the promotion of shared prosperity, the first to be measured by reducing the percentage of people living on less than US$1.25 a day to 3 percent by 2030, and the second by fostering the growth in income of the bottom 40 percent of the population in every country. In support of this, the various institutions of the World Bank Group would integrate their products better, and the Group as a whole would move from a 'project mentality' to a 'development solutions culture' embedded in widely disseminated knowledge and evidence of what works and how to deliver it.

Main policy issues addressed in the deputies' report were:

1. Maximising Development Impact by implementing the results management system agreed in the replenishment, by using the proposed joint implementation plans by the World Bank Group to enhance support for leveraging private resources in at least 20 IDA countries, by expanding use of feedback from beneficiaries, by more systematic use of impact evaluations, by enhancing the Bank's role as a 'knowledge connector', and by improving cost-effectiveness.

2. Promoting inclusive growth, through a variety of initiatives around diagnostics and surveys, and several specific actions focused on extractive industries.
3. Advancing gender equality by better gender analysis, monitoring and learning.
4. Responding to climate change by incorporating climate and disaster risk considerations in all country partnership frameworks, scaling up support for country-led plans and investments for managing these risks in at least 25 additional IDA countries, and support for national energy action plans.
5. Assisting fragile and conflict-affected states by better analysis and knowledge of what works, improved synergies both within the World Bank Group and with the United Nations, and specific action on violence against women.
6. Adjusting the volume and terms of IDA assistance, by slightly increasing the poverty weighting in the formula and increasing the minimum allocation from SDR 3 to SDR 4 million a year, by enhancing finance for regional projects, by providing India, which was graduating from IDA, with 2/3 of its previous 11 per cent share of IDA during IDA17, and by a modest hardening of IDA loan terms (other than for small island countries).

The similarity to the policy agenda for AfDF13 is marked. Again, the conclusions seem to have been reached without major difficulty.

Scenarios and outcome

IDA put forward five scenarios, involving changes from IDA16 in real terms of -16 per cent, -11 per cent, -4 per cent, 0 per cent, and + 4 per cent, and nominal outcomes of SDR 29.6 billion, SDR 31.2 billion, SDR 33.5 billion, SDR 34.8 and SDR 36.2 billion, respectively. This more modest approach in part reflected the significant degree of graduation taking place among IDA borrowers. IDA management advised deputies that the scenarios would, along with a relative shift towards fragile states, provide resources in real terms for fragile states of -24 per cent, -12 per cent, +9 per cent, +28 per cent, and +30 per cent and for non-fragile states of -2 per cent, -2 per cent, -2 per cent, -1 per cent, and +3 per cent by reference to IDA16 after allowing for graduation in each category. This distribution clearly signalled a position that fragile states would be the countries most affected by the amount of the replenishment.

IDA management supported its arguments with a broad assessment similar to that of the AfDB – that IDA countries had made remarkable progress in accelerating economic growth and achieving poverty reduction, but that the challenge ahead remained significant with about 1 billion people in IDA countries still living in absolute poverty, more than half of IDA countries still off track for achieving the health-related Millennium Development Goals, and the poverty headcount having increased in some country groups, including in sub-Saharan Africa.

As to IDA's particular value as a channel, IDA management pointed to IDA's country-driven and non-earmarked approach; the combined strengths of the World Bank Group, including the scope to leverage and complement private sector development; IDA's focus on building country institutions and capacity; its combination of flexible financing with evidence-based knowledge; the value of its convening power, global reach and knowledge, in brokering knowledge exchanges across countries and facilitate global efforts to boost regional co-operation and address cross-border risks; and its ability to manage aid resources effectively, helping reduce the burden of aid fragmentation.

The outcome of the negotiation was that the total resources available for commitment over the period of the replenishment would be SDR 34.6 billion, compared to SDR 32.8 billion in IDA16 in 2010 and SDR 27.3 billion in 2007.

The IDA outcome was therefore very close to the fourth scenario, maintenance in real terms, despite a shrinking clientele, and with the prospect therefore of large percentage increases for fragile states.

3.4 MDB soft funds: Assessment

At first sight, this tells a story of relative success for IDA and a very disappointing outcome for AfDF. And indeed in some ways this is true, particularly in terms of the lending that the borrowers from each source will be able to access. In the case of IDA, fragile state recipients will see a large increase in assistance and other recipients a near stable situation; whereas for AfDF, fragile state recipients will receive amounts in nominal terms similar to the previous replenishment period while other recipients will see a significant fall.

The story is, however, somewhat more nuanced that the headline numbers suggest. A key difference between IBRD and AfDB is that the former has a world-wide clientele, and in the recent past a succession of IDA borrowers have graduated from IDA-only status to blend status (i.e. the ability to access funding from IBRD as well as from IDA), and from blend status to IBRD-only status. There are therefore continuing repayments (which are typically accelerated as countries graduate: indeed in some cases there have been prepayments as well), from a wider group of past borrowers than the present and prospective group of recipients. For AfDB with its African-only clientele, by contrast, the vast majority of countries are still able to borrow only from AfDF, not the Bank, and the clientele of AfDF is not expected to start shrinking for some time. (However, it should be noted that the Bank agreed in early 2014 that creditworthy AfDF borrowers could now access limited amounts of hard window funds for high priority projects – an important shift of policy, on which I comment further in Section 5). IDA also hardened the terms of its credits before the AfDF, and therefore benefitted in both IDA16 and IDA17 from higher returns from existing borrowers. Furthermore, IBRD and its affiliate the International Finance Corporation make significant profits which are used to enhance IDA's commitment authority, whereas the African Development Bank is able to lend to only a very small number of its members, and is far less profitable. There are therefore a large number of ways in which IDA can enhance the contribution which ultimately come from borrowing countries (or at least do not represent a cost to donors).

In a further innovative move in IDA17, the World Bank agreed to accept loan contributions on concessional terms (1 per cent or zero interest) up to 20 per cent of the value of a donor's total IDA contribution, while targeting their IDA16 contributions on a grant equivalent basis – an option that China, France, Japan, Saudi Arabia, and the UK chose to exercise, for a combined total of SDR 2.9 billion, of which SDR 0.6 billion is recognised as the grant equivalent. For some of these countries, such as China, France, and Japan, this enables the donor to tap into funds outside the budget, using budget funds as an interest subsidy (aided by the low-interest-rate environment), and thus limiting the cost to the taxpayer. IDA has been able to accept this modicum of loans, as the overall blend of its lending (including, for example, special harder terms for India as that country graduates) enables it to service loans of the magnitude it has secured. Negotiations on this innovation were quite complex, and the outcome represents a balance in which the primary dependence of IDA on grant financing is underscored, and the importance of transparency, equal treatment, additionality, and protecting IDA's long-term financial sustainability carefully noted.

In all these ways, IDA has significantly supplemented the grant (and grant-equivalent) contributions of its donors, which account for just under 60 per cent of the latest replenishment, compared to nearly 80 per cent for the AfDF. Among other things, this has offset for IDA the falling returns on investing its cash assets, while for AfDF, as explained above, a similar fall could not be offset, and was indeed exacerbated by the change in policy on loan cancellation. Donor grant and grant-equivalent contributions indeed remained stable in the AfDF while falling slightly in IDA.

The following table gives more detail on the composition of these totals in each of the three most recent replenishments of the two funds, and shows the significance of the various factors referred to above:

Table 1: IDA and AfDF replenishments, 2007-13, SDR billion, current prices

		IDA			AfDF	
Replenishment number	*15*	*16*	*17*	*11*	*12*	*13*
Donor contributions (including grant equivalent of loans)	16.5	17.6	17.3	3.5	3.8	3.8
Donor contributions to MDRI[8]	4.1	3.5	3.0			
Internal reflows and investment income	4.1	6.6	.8	2.1	2.0	1.0
Acceleration clause		1.2	1.5			
Voluntary prepayment		0.6	0.6			
Effect of harder credit terms		1.3	0.8			
Transfers from Bank/IFC	2.6	2.0	2.1			
Donor loans, net of grant equivalent			2.3			
Total value of replenishment	27.3	32.8	34.6	5.6	5.8	4.8

Note: Total under IDA17 does not add, due to rounding.

Source: Deputies' reports.

In sections 4 and 5, I will consider in more detail what these results show us about donor attitudes and priorities on the one hand and about institutional sustainability on the other.

One other issue common to both replenishments is worth highlighting. In both cases steps were taken that will significantly shift the balance of funding in the direction of what the World Bank term 'fragile and conflict-affected states'. In the case of IDA, allocations to this group will be increased by establishing an exceptional allocation regime for countries facing 'turn-around' situations; by adjusting the performance-based allocation formula by reducing the weight of the 'country performance rating'; and by increasing the minimum base allocation from SDR3 million to SDR4 million per year. In addition, steps were agreed that will extend, on a case-by-case basis, the period over which exceptional measures for post-conflict countries and governments re-engaging with IDA can be continued. In the case of AfDF, the programmable element of the Fragile States Facility will be at least maintained while allocations to non-fragile recipients is reduced, and the minimum country allocation will be enhanced from SDR 3 million to SDR 5 million per year. These adjustments to systems that have traditionally emphasised country performance as the most crucial element in resource allocation are a reflection of a changing view among donors on the importance of addressing state failure and its attendant risks to the global community.

[8] Multilateral debt relief initiative, under which the IFIs write off debt to low-income borrowers covered by the heavily-indebted poor countries initiative once they reach the 'completion point' of their debt work-out. Donors compensate the MDBs for lost income as part of the replenishment process. For AfDF, these contributions were not identified separately in the published tables.

3.5 Global Fund (GF4)

The Global Fund is a relative newcomer, and has run formal replenishment exercises only since 2005 (and on a three-year cycle from 2007). Its official support comes in the main from Foreign, Development, and in a few cases Health Ministries, but unlike the MDBs it also taps into funding from Foundations and a variety of other private sources, from banks and oil companies to the '(PRODUCT) RED' brand used by several supportive consumer-oriented firms. Its replenishment process is somewhat less structured than that of the MDB soft funds, and as noted above delivery of commitments has also been somewhat less predictable.

Policy issues

The GF had been through an extraordinarily difficult period following the replenishment agreed in October 2010. Allegations of significant fraud against the Fund in several of its recipient countries, though already known to the board and made public on the organisation's website before the completion of the replenishment, received widespread media coverage in January 2011, and triggered the freezing of several major contributions. The lack of confidence of board and donors in the management (and uncertainty around whether pledged funding would materialize, though it did in the event come on stream) led the Fund for the first time in its history to cancel a whole funding round in November 2011, and the executive director was forced to resign shortly thereafter, being replaced for a one-year period by a general manager with a brief to overhaul the institution from top to bottom.

The board necessarily had close involvement in the process of reform, which involved very considerable staffing changes, a reallocation of internal resources to grant management (from 50 per cent to 75 per cent of headcount), and a suite of measures to reduce the risk of fraud in future. It was crucial to the whole replenishment that all stakeholders had a broadly positive view of the outcome, and that the new Executive Director Mark Dybul, appointed in November 2012, came with a high degree of credibility and was able very quickly to put his stamp on the way forward for the Fund, and to articulate this to good effect at the opening meeting in April 2013.

A centre piece of the reforms was to implement a 'New Funding Model', designed to improve the targeting of GF resources and to provide greater predictability to implementing countries while still incorporating incentives for improved performance. The main lines of this were agreed before the replenishment process started, but important details were agreed by the Board in its two meetings between the opening of the replenishment discussions in April 2013 and the pledging session in Washington, DC in December. The GF approach to the replenishment was thus rather different (and arguably healthier) than the parallel process in the two MDBs, where deputies were able to use the negotiations to give particular emphases to board-approved strategies (though of course subject ultimately to approval by the board and indeed the governors). In the GF case, there were only two replenishment meetings, compared to three in the AfDB case and four for IDA, and there was no equivalent to the deputies' report. Donors were widely consulted by the Secretariat in the development of the new funding model, and the board struck the necessary compromises – for example on the pace of graduation, where middle income countries and the affected communities argued for a slower pace and several key donors for a faster pace – before the replenishment ended.

While for the more broadly-based MDB soft funds, donors had quite a wide range of policy issues to raise, both about delivery of key emphases (e.g. gender, environment) and about the systems of the Bank concerned, for the more narrowly-targeted GF the discussion of issues other than demand and allocation was more limited. However, the Fund did use the more predictable allocations of the New Funding Model to improve the synergies between its 'vertical' disease-specific programmes and its support for health systems more broadly, a key issue for several important stakeholders.

Scenarios and outcome

The GF had presented a demand scenario at the outset of the replenishment that had been carefully worked out with its technical partners in UN/AIDS, Stop TB, and Roll Back Malaria over the previous few months. This implied that the forecasted total amount of resources needed for the three diseases over the 2014-16 period would be of the order of US$87 billion (US$58 billion for HIV, US$15 billion for TB and US$14 billion for malaria). Likely levels of domestic and other external financing were put at US$37 billion and US$24 billion respectively, and the GF argued that a replenishment of US$15 billion would therefore lead to close to 90 percent coverage of the global need, extending coverage of key interventions towards universal access where the returns in terms of impact on morbidity and mortality would be highest. Additionally, it was argued, better prioritization of high-impact interventions, better targeting, use of scientific advances, and further efficiencies in service delivery, would bring the effective contribution nearer to the full requirement indicated and could therefore bring the world even closer to complete control of HIV, TB, and Malaria.

The focus of the Fund facilitates this kind of analysis, and gave a stronger basis to the US$15 billion figure (which compared with ranges of from US$13-18 billion for GF2 and US$14-20 billion for GF3, neither of which was achieved) than is readily achievable for more widely targeted funds like AfDF and IDA. A key strength of the presentation was that it was grounded in estimates of global need and that it took into account bilateral and domestic funding rather than giving the impression that the GF was the only player in relation to the three diseases.

Unlike the MDB soft funds, the GF has very modest internal resources, as it provides all its interventions on grant terms, and as investment returns on its cash reserves were, as for the MDBs, very low, and are notionally allocated towards secretariat rather than programme costs. Replenishments therefore consist entirely of what donors choose to contribute.

The outcome for the 2013 replenishment was a total of US$12.3 billion, compared to US$10.5 billion in the replenishment of 2010 and US$9.8 billion in 2007. As explained above, in each case, I am using figures that reflect not only pledges 'on the day' but also additional amounts actually delivered in the replenishment period or very shortly thereafter, so it is possible that the 2013 figure could change. The US had signalled its willingness to provide one-third of the funds up to a ceiling of US$5 billion, compared to the US$4 billion it had provided to GF3. The contributions of other donors were not in the event sufficient to match the full amount, leaving the US contribution little changed from GF3.[9] There is therefore some built-in upside potential should additional contributions be forthcoming from other donors.

While well short of the target of US$15 billion, this represented a 17 per cent increase in nominal terms, in contrast to the flat level of donor contributions to AfDF and the slight decline for IDA. This outcome was all the more significant, as it came on the back of major concerns about financial management of GF resources briefly described above. This would appear to be a positive outcome for the GF after the weaker than hoped outcome of GF3.

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[9] The pledges made 'on the day' totalled almost precisely US$12 billion. Subsequent pledges from Switzerland and Russia, and an additional pledge from Germany, have since leveraged the US contribution up to US$4.1 billion.

4 What do the outcomes of the replenishments tell us about the donors?

4.1 Overall

A first conclusion, and an important one for considering what follows, is that the three replenishments showed a broadly positive view of the donors collectively towards these three major multilateral funds. In nominal terms, an increase of 17 per cent for the GF, a flat level of funding for AfDF and a modest decline (taking only the grant element of loans) for IDA, whose clientele was shrinking, shows no evidence of any collapse in support for these institutions, despite the pressures on many donors – though as I shall show later, this is not true for some of the countries most affected by the Eurozone crisis.

Equally, a second conclusion is that taking the three institutions together the increase in support was modest. The major increases in funding in the early years of the century appear to have reached a plateau, with the exception of the GF.

This is not inconsistent with the latest forecasts by the OECD/DAC of the trend of country programmable aid[10] – a significant part of overall Official Development Assistance – which suggest that after stagnating in 2012 global CPA[11] is projected to have bounced back in 2013 with a 9 per cent increase, likely resulting from planned increases of soft loans from a few larger development providers, and is expected to stagnate at around this level over the period 2014-16 (essentially the period of the three replenishments).

4.2 By donor group

It is interesting to disaggregate the overall figures for donor support that I have used so far. Full details by donor for each of the last three replenishments of each of the three institutions are given in Appendix 1 (OECD/DAC 2013).[12] I have found it convenient to identify a limited number of donor groupings: Europe (not just EU: Norway and Switzerland are significant multilateral donors outside the EU members), North America and (where relevant) Australasia; Japan and Korea; countries not members of the OECD Development Assistance Committee; and, for the GF, Foundations, and other private sector contributors.

(a) The MDB soft funds

The two MDB soft funds show a rather similar pattern among these groups (Figures 6 and 7).

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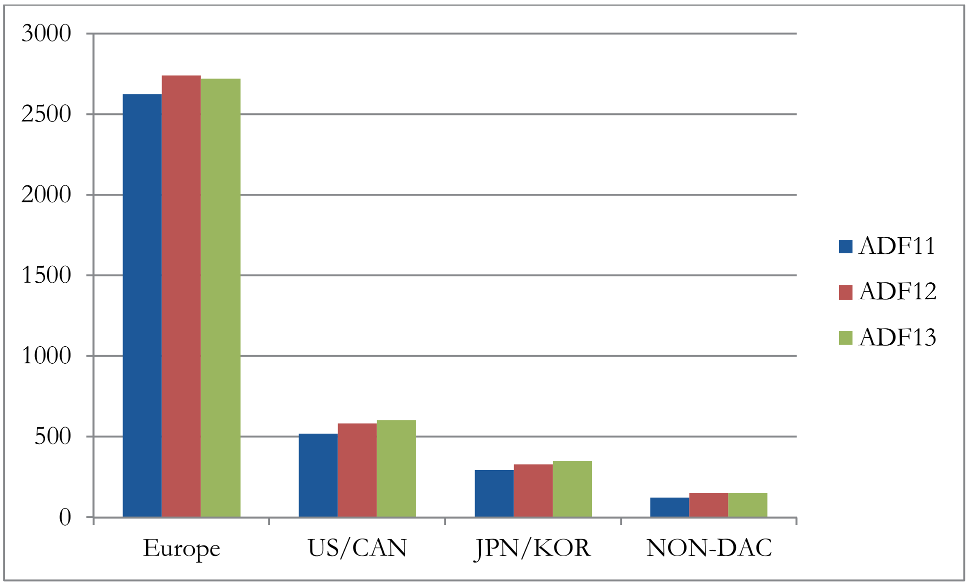
[10] OECD/DAC (2013)

[11] The OECD include estimates of CPA from non-DAC countries and of course from multilateral institutions.

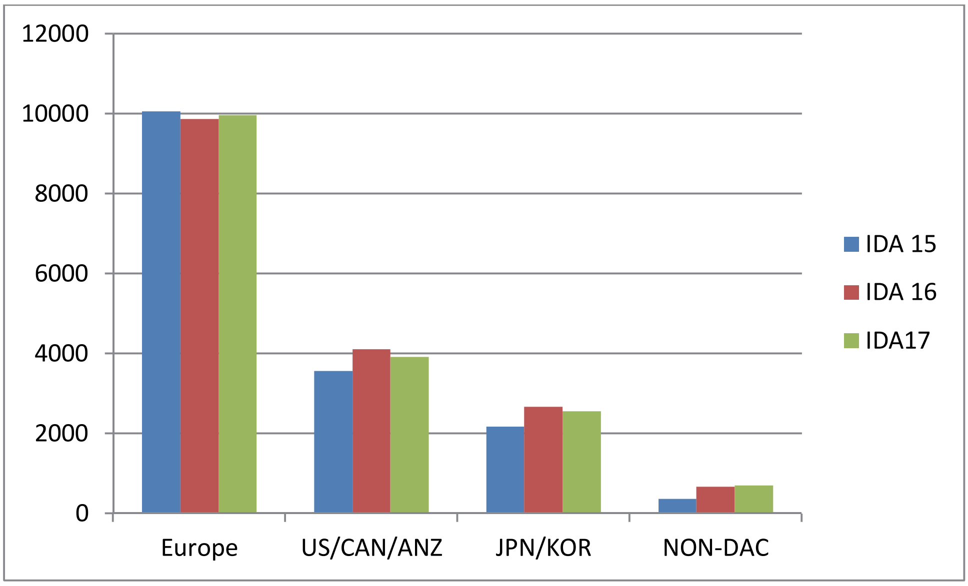
[12] As explained in Section 3, the figures in Appendix 1 for IDA and AfDF are from the deputies' reports issued shortly after each replenishment, while for the GF, the figures for GF2 and GF3 reflect pledges delivered in the replenishment period or shortly thereafter, and for GF4 the position as of mid-2014.

Figure 6: Pledges to the AfDF by donor group, 2007-13



Source: Appendix 1.

Figure 7: Pledges to IDA by donor group, 2007-13

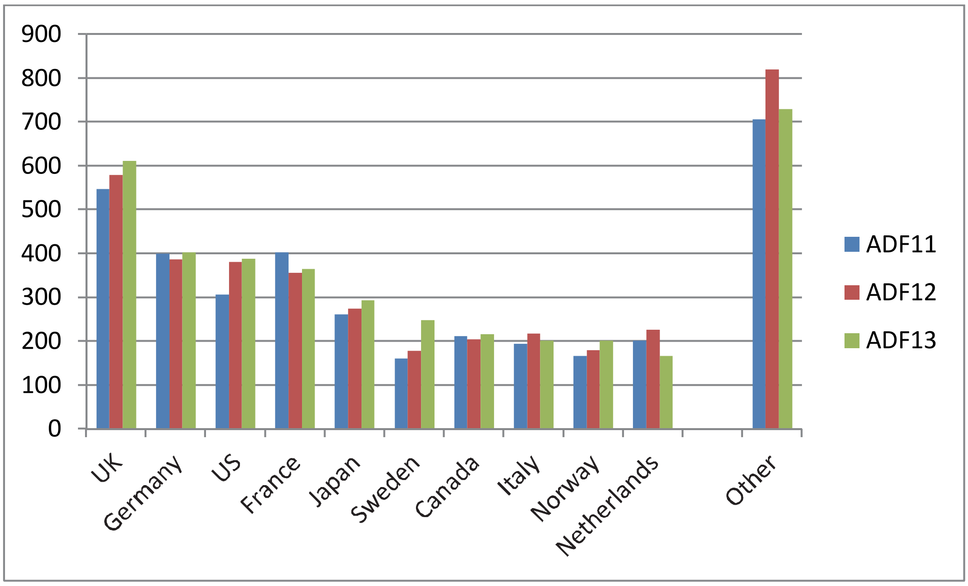


Source: Appendix 1.

These figures show that Europe is in both cases by a long way the largest donor region, though significantly more preponderant in the AfDF than in IDA; that Europe's contributions in nominal terms to both soft funds have been pretty much level since 2007, apart from a rise for AfDF in 2010; that North American and Far Eastern DAC donors have been gradually expanding their contributions to AfDF, but overall cutting their latest contributions to IDA after an increase in IDA16; and that non-DAC contributors have expanded their contributions to AfDF and IDA from a low base in 2007, but that increases from 2010 to 2013 have been very modest in IDA and more or less non-existent in AfDF. The rate of change in the balance between these groups of contributors over a six-year period is modest, to say the least.

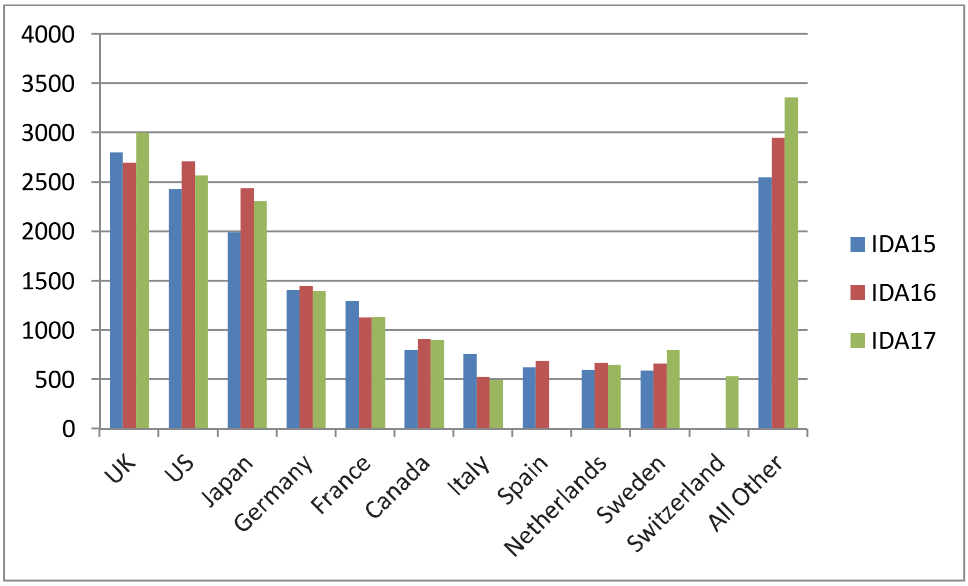
When we come down to the level of individual donors, it is interesting first to look at the top ten donors to each of the two soft funds. Figures 8 and 9 set out the picture.

Figure 8: Top ten donors to AfDF, 2007-13, ranked by AfDF13 contribution



Source: Appendix 1.

Figure 9: Top ten donors to IDA, 2007-13, ranked by IDA17 contribution



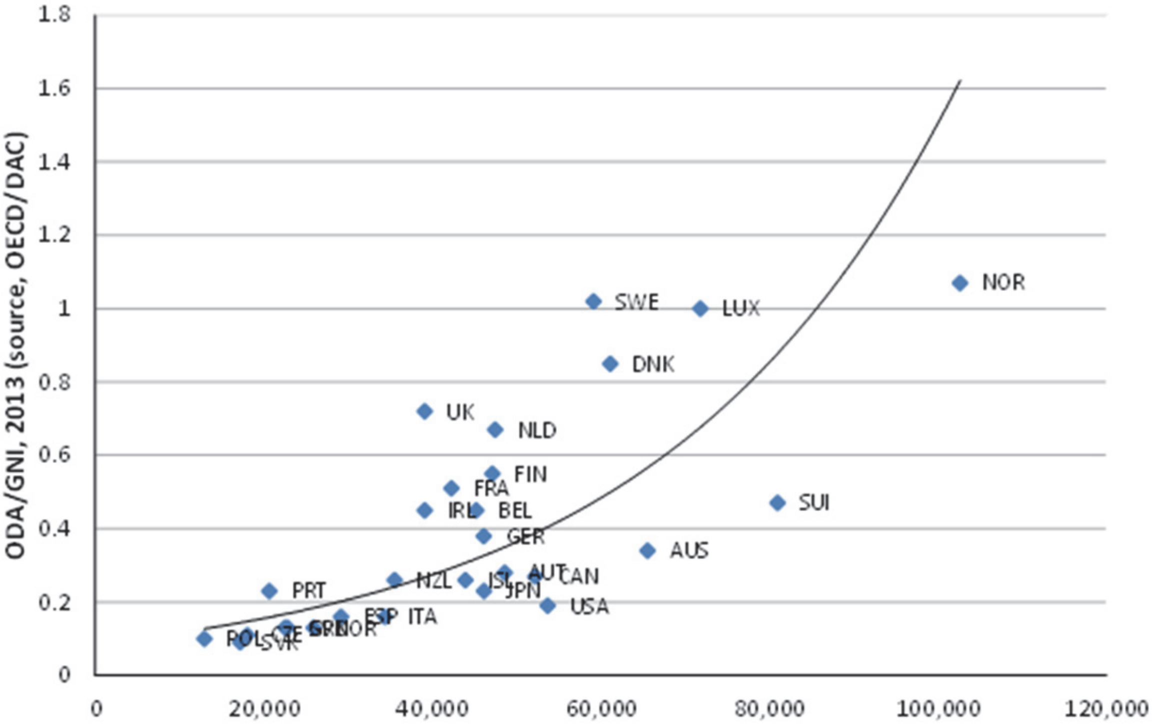
Source: Appendix 1.

The 'concentration ratio' is similar for both funds: the top ten (an unchanged group) accounted for a rather stable share of AfDF of 80.1 per cent in 2007, 78.4 per cent in 2010, and 80.9 per cent in 2013; whereas in IDA their share (with Spain being replaced by Switzerland in the final year) diminished from 83.9 per cent in 2007, through 82.4 per cent in 2010 to the same level as AfDF (80.9 per cent) in 2013, indicating some increase in contributions from smaller contributors. The absolute number of contributors to both funds shows no clear trend: for AfDF 24, 26, and 24 over the last three replenishments, and for IDA 45, 50 and 46.

It is particularly interesting to look at situations where individual donors to the MDB soft funds provide contributions that diverge markedly in either direction from their economic weight (with some allowance also for levels of national income per head), or where they change the level of their contributions from one replenishment to the next.

One might expect contributions to be roughly proportionate to GNI on the one hand and GNI per head on the other. Figure 10 (data given in Appendix 2) shows that there is indeed some correlation between the share of overall ODA in GNI and GNI per head for DAC members, though the relationship is far from close.

Figure 10: ODA/GNI and GNI per head, DAC members



Source: For ODA/GNI, OECD/DAC; for GNI per head, World Bank (various years).

DAC members

As the disparities between OECD and non-OECD countries are very marked in respect of GNI per head (China's GNI per head in 2013 was only US$6,560), I focus the discussion on members of the OECD Development Assistance Committee. Weights for GNI and for contributions within the DAC group to each institution are given in Appendix 3. Even within the DAC, however, GNI per head varies very considerably, from Poland at under US$13,000 per head to Norway at over US$102,000. Clearly, Poland should not be expected to contribute as large a share of its GNI to these replenishments as one would expect from Norway.

In the first category, of DAC member countries whose contributions diverge markedly from their economic weight, the standout countries are as follows.

Significantly underweight: United States (both AfDF and IDA)–The US share of DAC GNI[13] is 37.3 per cent; its share of DAC funding for IDA is 15.6 per cent and of AfDF a mere 10.6 per cent.

[13] In this analysis, I base the weights on GNI using the World Bank Atlas method (Appendix 3).

The other underweight DAC members are mostly relatively poor in comparison to their DAC fellow-members (Korea: GNI share 2.9 per cent, share of each replenishment 1.5 per cent; the new DAC members of Central Europe) and in some cases affected by the difficulties in the Eurozone such as Spain (3.0 per cent GNI share; 1.5 per cent IDA share: no contribution to AfDF), Portugal and Greece. Italy, while underweight in IDA, contributed above its DAC GNI share to AfDF.

Significantly overweight. The most remarkably overweight contributors are the Nordics,[14] particularly for AfDF (Sweden, with 1.2 per cent of DAC GNI, contributed an astonishing 6.7 per cent of DAC funding to AfDF, but all four Nordic countries recorded contributions to both replenishments several multiples of their DAC GNI share); Switzerland (over twice their DAC GNI share to IDA and nearly three times to AfDF); the Netherlands and Austria (well over twice their DAC GNI share to each replenishment). However, by far the most significant in quantitative terms, even though significantly poorer in GNI per head than the countries mentioned above, is the UK, which contributed 16.7 per cent of DAC funding to AfDF and 18.3 per cent for IDA, hugely above its DAC GNI share of 5.5 per cent. France and Germany are overweight in AfDF but not significantly so in IDA. Japan is slightly overweight in IDA, but underweight in AfDF. Canada is modestly overweight in each.

Much of this is not new: the US has been well below its share of DAC GNI in both institutions from the beginning, arguing that it makes disproportionate contributions elsewhere, notably in the field of security, and the Nordics and the Netherlands have for years run large aid programmes, often above the 0.7 per cent of GNI target. The extent of over-weighted contributions from the UK is a somewhat more recent phenomenon, and has likewise been assisted by an aid programme rising to 0.7 per cent of GNI in 2013. High levels of contribution relative to GNI share pose some risks to future replenishments, even if often masked by largely spurious 'technical' or 'structural financing' gaps[15] (as high as 25 per cent for IDA17) and 'supplementary contributions'. It is fair to say that for many of the contributors in this category, their disproportionate 'effort' has been sustained over a long period, but recent cuts in Denmark and the Netherlands caution about any complacency.

In the second category, of DAC members with significant changes over the period from 2007 to 2013, the most significant falls among OECD countries have been, not unexpectedly, in the countries most affected by the Eurozone crisis. Thus Greece, which had contributed SDR 46 million to IDA15, has not contributed since; Portugal has cut its AfDF and IDA contributions from SDR 30 million and SDR 40 million, respectively to SDR 9 million in each case; and Spain, which contributed over SDR 120 million to both AfDF11 and 12, has made no contribution as yet to AfDF13, while in IDA it has reduced its contribution from a high point of SDR 689 million in IDA16 to SDR 253 million in IDA17. Italy shows a rather different pattern: while its contribution to IDA has fallen from SDR 798 to SDR 495 million, it has maintained, and indeed slightly increased its contribution to AfDF over the period with successive pledges of SDR 195, 218, and 202 million. The Netherlands, which reduced its ODA performance target from 0.8 per cent to 0.7 per cent of GNI by 2012 and is cutting the budget by a further €750 million a year

[14] Luxembourg probably has, however, the largest multiple, but its GNI in absolute terms is too small to facilitate comparison. I have chosen not to go beyond one decimal point in the GNI comparisons.

[15] The logic of these 'gaps' is to accommodate contributions subsequent to the date of the replenishment, but they have in effect been ramped up in order to enable donors who have set an upper limit to their proportionate share to claim that they have not exceeded these limits, even though their share of actual contributions may be very significantly higher. This enables such donors to deliver the actual amount that they are willing to offer, rather than holding some of it back in order to constrain their share.

from 2014, (and €1 billion as of 2017), has more or less maintained its contributions to IDA, but cut its contribution to AfDF significantly. Ireland, somewhat earlier than some other crisis-affected Eurozone states both into and out of the crisis, made no contribution to IDA16, but was able to contribute SDR 78 to IDA17, not far short of the SDR 88 million that it contributed to IDA15. This may suggest that other Eurozone states affected by the crisis may be in a better position to contribute to future replenishments.

These various falls have been partially offset by increases (at least in nominal terms) from Austria, Belgium, Korea, Japan, the Nordic countries, Switzerland, and the UK in both institutions, by Australia and Canada in IDA and by the US in AfDF. The largest percentage increases between the 2007 and 2013 replenishments were from Korea, Norway, Sweden, and Switzerland for both soft funds, and from Denmark in the AfDF. Australia and Japan substantially increased funding to IDA in 2010, though in each case their US$ contributions fell slightly in 2013.

Non-DAC contributors

Outside the DAC, Russia (not a member of the African Development Bank) has increased its contribution to IDA from SDR 70 to SDR 127 million over the period and China more spectacularly from SDR 20 to SDR 199 million. In the AfDF China's contribution has increased only from SDR 80 to SDR 84 million, but here it has instead opted for a very significant co-financing contribution (US$2 billion over ten years), based on a model that it had developed with the Inter-American Development Bank (also for US$2 billion over a shorter period) and the International Finance Corporation (US$3 billion over 6 years) in 2013. Under these arrangements, China provides untied funds which are used according to the host institution's rules, but on which China receives interest payments equivalent to those paid by the borrowers. It is thus substantially an investment transaction (though on terms attractive to the host institution), and involves not just the People's Bank of China but also the State Foreign Exchange Reserve Agency. It echoes much earlier Japanese lending to the World Bank in the early 1970s – in both cases these were relatively poor countries with tight fiscal budgets but large international reserves, for whom these quasi-investment vehicles make excellent sense. But it is a very different model from the classic replenishment approach, and was negotiated entirely separately.

Of the other BRICS, Brazil has cut its contributions to IDA sharply (from SDR 123 to SDR 66 million over the period) but built up its modest contribution to AfDF from SDR 7 to 10 million; India (not yet a contributor to IDA) has increased its contribution to AfDF from SDR 6 to SDR 12 million; and South Africa, while maintaining its contribution to IDA at around SDR 20 million, has increased its contribution to AfDF from SDR 7 to SDR 16 million.

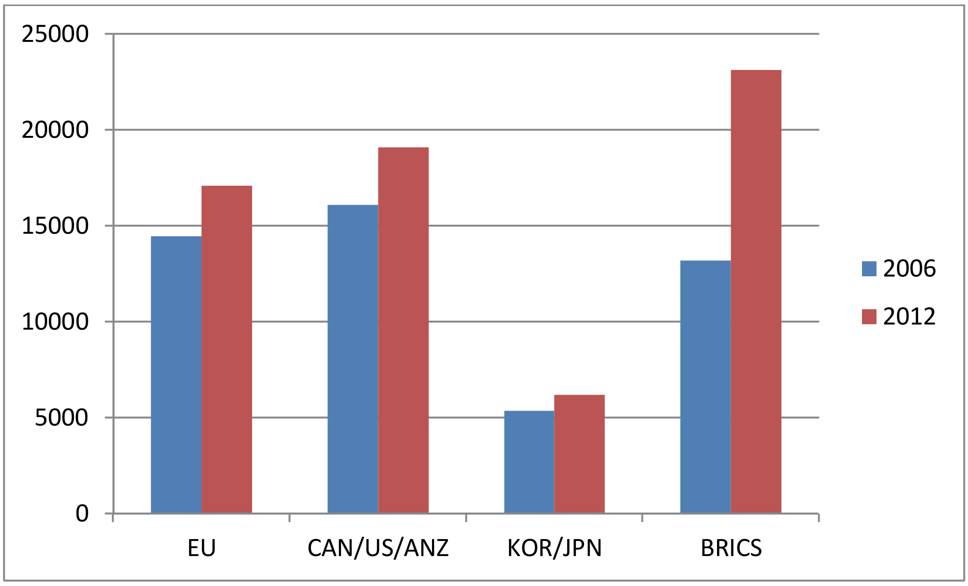
Middle Eastern donors make significant contributions to IDA, with Saudi Arabia and Turkey increasing their contributions from SDR 48 and 10 million respectively in IDA15 to SDR 78 and SDR 27 million, respectively in IDA17, and Kuwait providing over SDR 30 million in each year. Israel, a donor to the extent of around SDR 15 million to both IDA15 and IDA16, did not contribute to IDA17. Saudi Arabia (at around SDR 20 million) and Kuwait (around SDR 7 million) have also been regular contributors to AfDF. They were joined from North Africa by Egypt (SDR 1 million) in AfDF12 and 13, and Libya (a significant SDR 25 million) for AfDF13.

Other regular and rapidly-rising contributors to IDA are Mexico (its contribution up from SDR 10 to SDR 67 million) and Singapore (SDR 17 to SDR 35 million) – it is noteworthy that Hong Kong, China has not followed Singapore's lead by making a contribution to IDA. In addition, quite a few countries, as will be seen in Appendix 1, have made contributions to IDA in one or two years, with Latin America prominent in 2010 and Asia in 2013.

While this review shows quite a variety of positions among individual non-DAC contributors, it is clear that their overall share of the two replenishments have risen very slowly, certainly far more slowly than their share of contributors' GNI (see Figure 11). Since most of these countries still have incomes per head which are far smaller than those of DAC member countries, it is not surprising that the level of their contributions should be much lower as a proportion of their GNI at market prices. However, the slow rate of increase overall suggests wider concerns.

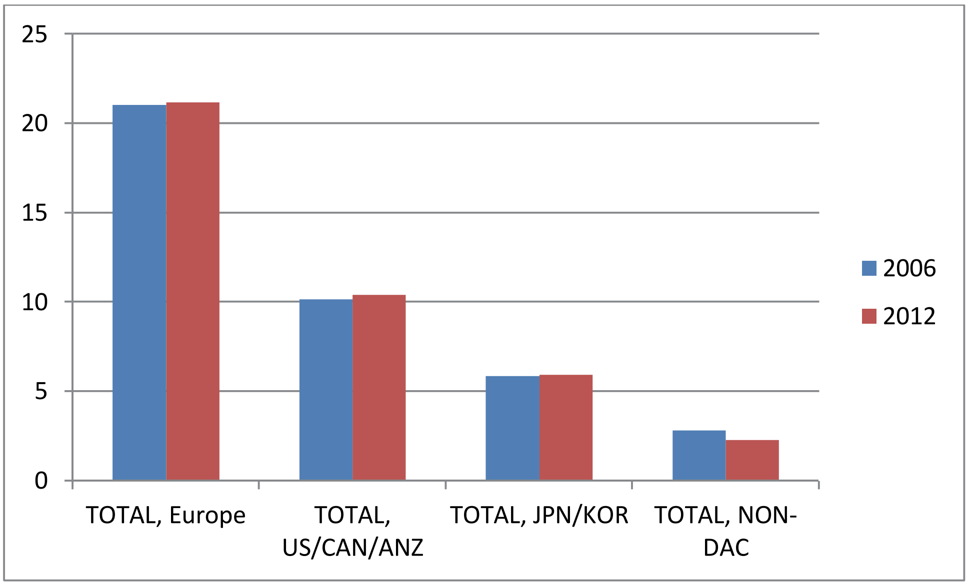
One factor is surely that the voice of non-DAC contributors is still more modest than their growing economic weight would warrant. The following figures compare the growth of GNI in the main groups that I have been using (focusing, however, in this case on the BRICS rather than on the totality of non-DAC contributors) with the change in the voting share of non-DAC donors in the IBRD and AfDB (there are separate voting shares for the two soft funds, but because these give weight to total contributions, the shares are even more biased against 'emerging' economies than is the case for the two Banks).

Figure 11: GNI of major contributor groups, 2006 and 2012 (US$ billion, PPP, current)



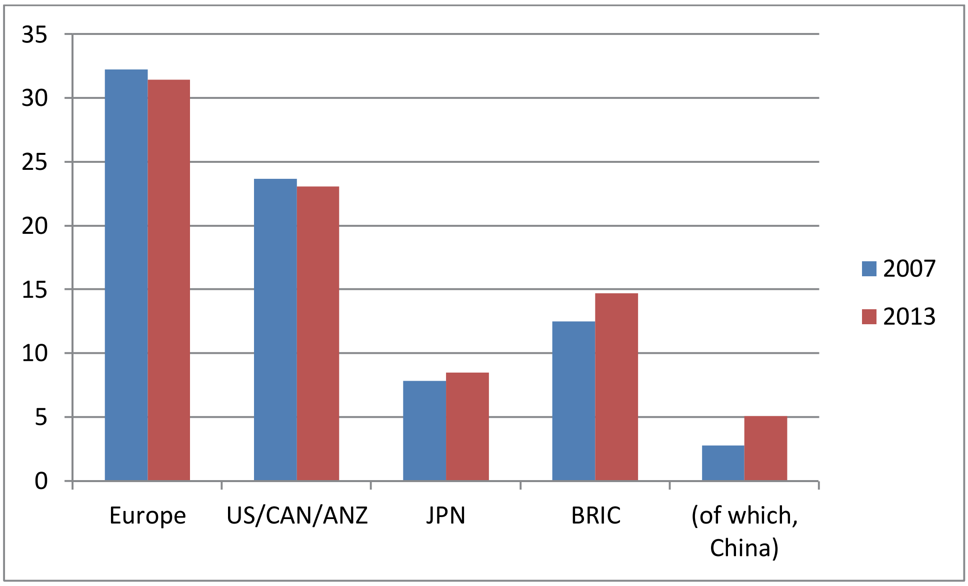
Source: World Bank World Development Indicators.

Figure 12: Voting shares in AfDB, 2006 and 2012, by main contributor group (non-regionals only)



Source: African Development Bank Annual Reports.

Figure 13: Voting shares in IBRD, 2007 and 2013, by main contributor group[16]



Source: World Bank Annual Reports.

Despite the increased shares awarded to some emerging and developing economies in IBRD in 2010, which increased these countries aggregate voting power by 3.13 percentage points, the disparity between changes of voting power and changes in economic power is marked – and is particularly striking in the AfDB. A significant upward adjustment in favour of emerging economies is to be expected in IBRD once the latest adjustment of IMF quotas has been

[16] These figures are calculated by aggregating the voting shares of constituencies led by members of these groups. Korea falls within the same constituency as Australia and New Zealand. South Africa is not included with the other BRICS due to constituency changes.

approved by its members, but US approval has been held up in Congress. **This poses a serious problem for encouraging more rapid increases in support from growing economies, which are systematically under-represented.**

Nor is the problem confined to voting shares. The voice of emerging economies is often more modest than their growing significance would suggest. Western donors[17] tend to articulate their positions at greater length during replenishment negotiations, and to press a common range of issues (such as governance, gender, climate change). There is some evidence[18] that emerging donors such as China feel that the MDB soft funds are more receptive to such priorities and are therefore more reticent throughout the negotiation processes in articulating their own priorities and disagreements. As a result, they may have concluded that these funds would continue to reflect the interests of traditional donors for a long period, and that they should prioritise other channels.

A major contributor to this very sub-optimal situation has been the reluctance of traditional donors whose economies have been growing slowly or not at all to accept more rapid adjustments in votes and Board representation to reflect changes in the world economy. Europe stands out as particularly over-represented. **More creative thinking by EU and other European members is badly needed about a more sustainable pattern of votes and representation in the MDBs.**

(B) The Global Fund

The pattern for the Global Fund is distinctively different, as Figures 14 and 15 show. Figure 14 demonstrates that the balance between Europe and North America (plus Australia) is much closer than in the MDB soft funds. A prime reason for this from 2010 on was the Obama administration's decision to invest much more of its President's Emergency Plan for AIDS Relief (PEPFAR) budget in the Global Fund, with a view to leveraging support from other donors by capping its contribution at a third of the total (itself a massively higher share than it was taking in the any MDB soft funds). The figure also shows the significant and rising private sector contribution to the Global Fund, which I discuss further below. The contribution from non-DAC countries to GF4 was higher than that to GF3, but still below that to GF2; this is, however, explained by the fact that Russia, when a GF recipient, made a contribution to the Fund that was intended to match its own receipts: its contribution has in fact fallen from US$141 million in GF2 (its actual pledge was US$271 million) to US$60 million in GF3 and GF4 as it has completed graduation.

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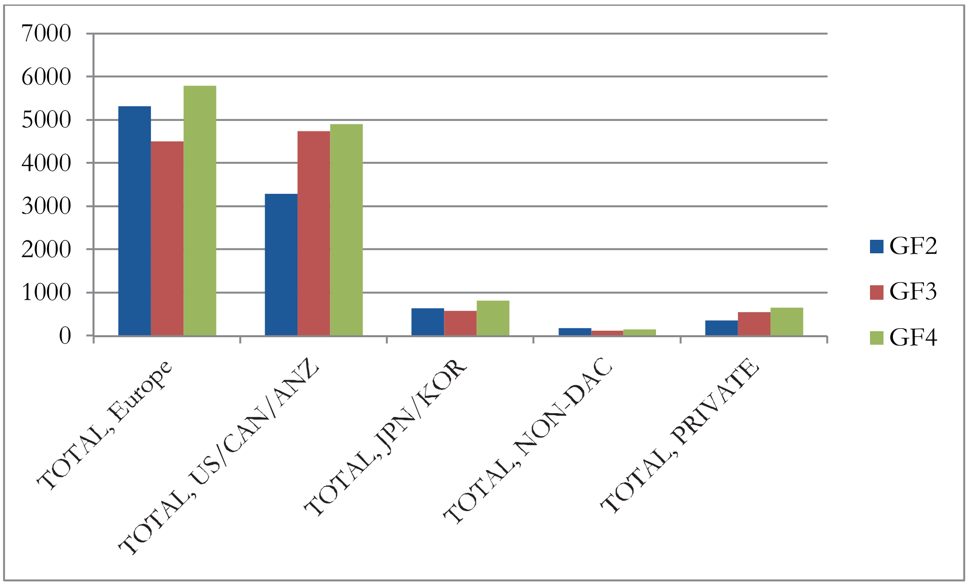
[17] I use the term 'western' rather than 'traditional' here advisedly: my impression is that DAC members from East Asia are less inclined to stress the issues referred to here than are other traditional donors.

[18] Jiajun Xu, personal communication. Her comment was made in the context of IDA, but is consistent with my observation as co-ordinator of the AfDF13 negotiations.

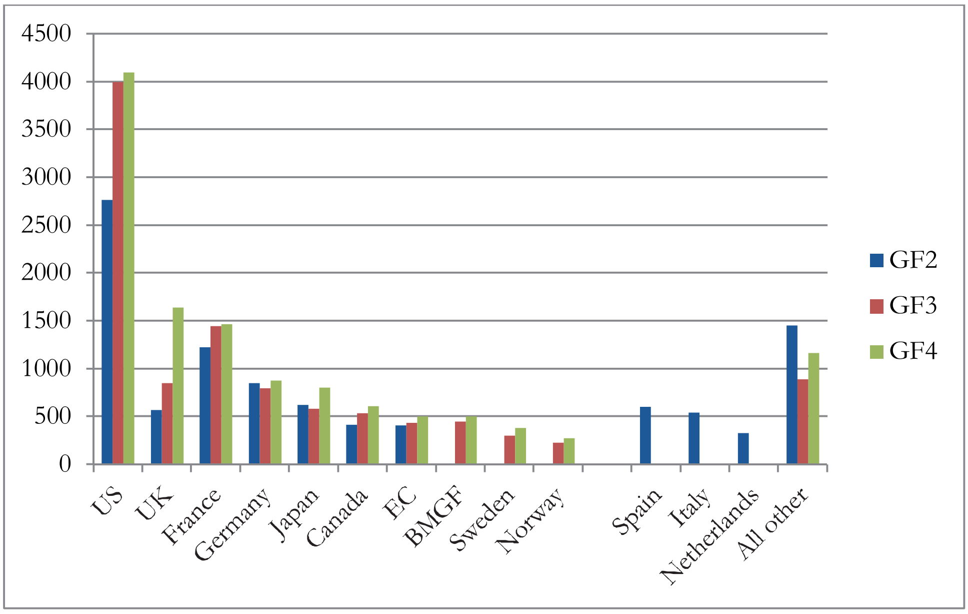
Figure 14: Pledges to Global Fund by donor group, 2007-13



Source: Appendix 1.

Figure 15 shows the top ten donors to the Fund in each replenishment. There is more change than in the MDB soft funds: Spain, Italy, and the Netherlands drop out of the top ten after GF2 in 2007, to be replaced by the Bill and Melinda Gates Foundation, Sweden, and Norway. Also, concentration is higher: after accounting for 85.2 per cent of the total in 2007 (slightly above the ratio we have seen in AfDF and IDA), the share of the top ten donors rose to 91.4 per cent in 2010 and remained at 90.5 per cent in 2013. This reflects the very large stake by the US, particularly from 2010, and the constraints on several of the mid-sized European donors after the Eurozone crisis.

Figure 15: Top ten donors to the Global Fund, 2007-13 (ranked by contributions to GF4)



Source: Appendix 1.

DAC members

The pattern of DAC donors over- or underweight by reference to their share of DAC GNI (details in Appendix 3) is in many ways quite similar to the position in the MDB soft funds, but with a few major exceptions. The most significant of these is that the US contributes a sum very close to its DAC GNI share to the GF: 35.6 per cent as against 37.3 per cent. This has the effect of reducing the extent to which individual European countries appear overweight – though since the European Commission is a donor in its own right to the GF (accounting for 4.4 per cent of contributions in 2013), EU members' national shares underestimate their real share of the costs. In brief, the position in GF4 is:

Significantly underweight: Korea (2.9 per cent of DAC GNI, but contributing just 0.1 per cent); Italy (under a third of its DAC GNI share, but a rebound from GF3, where it made no pledge); and a number of DAC members which at least to date have made no contribution: Spain, Portugal, Greece, EU central European members and, more surprisingly, Austria – the only EU-15 country never to have contributed to a replenishment – and Finland.

Significantly overweight: Sweden and Norway are again prominent, though the multiples are lower than for the MDB soft funds. France joins the UK among the larger EU members well over DAC GNI share (5.7 per cent for France and 5.6 per cent for the UK, but contributing 12.4 per cent and 14.5 per cent, respectively to GF4).

Non-DAC contributors

Russia apart, contributions from non-DAC countries have risen, but remain very small – just US$95 million in GF4. Support from private donors, the largest by a distance being the Bill and Melinda Gates Foundation, reached US$650 million. More details are given below.

Changes in contributions

Declines in contributions, apart from the special case of Russia, have been mainly from Eurozone countries affected by the pressures on the zone in 2010-12. Thus Spain, a very large contributor in 2007 at over US$600 million, has made no further contribution. Portugal and Greece similarly made no contribution after 2007 and Finland after 2010. Ireland made no pledge in 2010, but did pledge in both 2007 (US$121 million) and, on a smaller scale (US$41 million) in 2013. Italy likewise made no pledge in 2010 after its large contribution of US$545 million in 2007, but pledged US$136 million in 2013.

On the other hand, among European donors, France, traditionally the largest European contributor to the Fund and the second largest donor in cumulative terms, **increased** its contribution in dollar terms from US$1.25 billion in 2007 to around US$1.45 billion in 2010 and US$1.47 billion in 2013; Norway and Sweden from US$182 and 269 million in 2007 to US$277 and 381 million, respectively in 2013; and the UK even more spectacularly from US$571 million in 2007 to over US$1.6 billion in 2013.

Outside Europe, very large increases from other OECD countries were registered between 2007 and 2013 by the US, as mentioned above, from US$2.8 billion (which was significantly more than its initial pledge of around US$2.2 billion, reflecting the strong support from Congress – an interesting counterpoint to the difficulties of getting congressional support for the MDB soft funds) to US$4.1 billion; but also by Japan (from US$625million to US$800 million), Canada (from US$414 to US$612 million), and Australia (from US$114 to US$182 million, plus reallocating sums forgiven under debt relief, though its GF4 contribution was a reduction from that in 2010, reflecting the cuts imposed by the incoming government). Korea increased its very modest contribution from US$9 to US$12 million.

China and India increased their contributions from US$6 and US$7 million respectively in 2007 to US$15 and US$14 million respectively by 2013, and Saudi Arabia from US$18 to US$25 million between the two dates. Thailand increased its contributions from US$3 to US$5 million. Nigeria has been a prominent African supporter. Following an initial US$9million in 2002 it pledged US$10 million against the 3rd replenishments, and increased its pledge to US$30 million in 2013. Kenya, Malawi, and Zimbabwe also appeared on the list of donors for the first time in 2013.

Private donors have more than doubled their contributions from US$300 million in 2007 to over US$600 million in 2013. The large majority of this has come from a single source, the BMGF, which contributed US$300 million in 2007 and US$500 million in 2013 – but the very substantial contribution of US$39 million from the Indonesian-based Tahir Foundation is a noteworthy feature of the latest replenishment, and may suggest that there further opportunities for engaging philanthropic foundations outside the OECD countries. Private commercial contributors have been few but gradually growing: Chevron have contributed a total of US$30 million over the last two replenishments and Bank of America and BHP-Billiton US$10 million each to the most recent, with smaller contributions also from Ecobank, Merck, and Vale. The (PRODUCT) RED branding initiative on the other hand delivered US$60 million under GF3 and pledged a further US$40 million under GF4. A new approach to encouraging private sector investment on the part of the Fund – based on industry segmentation and a business case rather than a corporate social responsibility – was rolled out in parallel with the replenishment campaign and seemed to provide added impetus. The holding of the conference in Washington, DC was also a help, as was the creation of separate platforms for private sector pledging to avoid their announcements suffering by comparison with governments.

The governance arrangements for the Global Fund are very different from those of the MDBs. No specific attention is given to considerations of economic weight. Instead, the traditional official donors form eight constituencies, with the US, Japan, France, Germany and the European Commission having their own seat, and other donors in three further constituency groups. Seven regional groups then cover the rest of the world, giving voice therefore to both middle and low income countries, and in addition there are voting seats for private foundations, for the commercial private sector, for both northern and southern NGOs and for representatives of the affected communities. The dynamics of the board are thus much less dominated by official donors, though ultimately the dependence of the institution on their continued support gives their collective voice particular weight.

4.3 Conclusion

To sum up: Official donors show no signs of abandoning the two types of multilateral funds that we are considering, except when (as in Southern Europe) dramatic economic pressures cause a wholesale clamp-down on new commitments. On the other hand, with a few exceptions (the willingness of the US to boost its contribution to GF4 to US$5 billion if matched 2:1 by other donors potentially the most significant, and the increase in the UK contribution to GF4 being the largest in absolute terms), the latest round of replenishments shows no sign of any significant increases in support by most traditional donors, and cuts in overall planned aid budgets in countries like the Netherlands, Denmark, and Australia have been reflected in some reductions.

These two conclusions seem consistent with broader evidence of aid from traditional donors having reached something of a plateau after the rapid rises earlier in the century and the halt imposed by the banking and Eurozone crises.

The growth in contributions from 'emerging' contributors is sometimes large in percentage terms but very modest in absolute terms, China's increased contribution to IDA being the most significant. Equally, their voting share in the World Bank has risen only modestly, and in the African Development Bank not at all, which is surely a factor inhibiting larger contributions. The difference between what China has been prepared to grant to AfDF versus its willingness to invest substantial sums in co-financing loans on which it can get some return is a particularly striking example of highly rational thinking by a key emerging economy in this situation.

The private sector, with the exception of the Bill and Melinda Gates Foundation (and, most recently, the Tahir Foundation), looks very unlikely to make more than very modest contributions even to special purpose funds such as the GF.

The system therefore remains, to my mind, unhealthily dependent on traditional donors, and in these MDB soft funds (obviously the Asian Development Fund is in a different category) on Europe. The vastly larger US proportional contribution to the GF as opposed to the MDB soft funds indicates that where legislative power is most apparent (and where engaged civil society therefore has the greatest opportunity to influence the outcome), a special purpose fund can be a good deal more appealing than a general purpose instrument.

5 What do the replenishments tell us about the institutions?

As in the previous section, I divide this section between the two MDB soft funds and the GF, and consider what lessons the replenishments may offer for the future of MDB soft funds on the one hand and special purpose funds on the other.

5.1 MDB soft funds

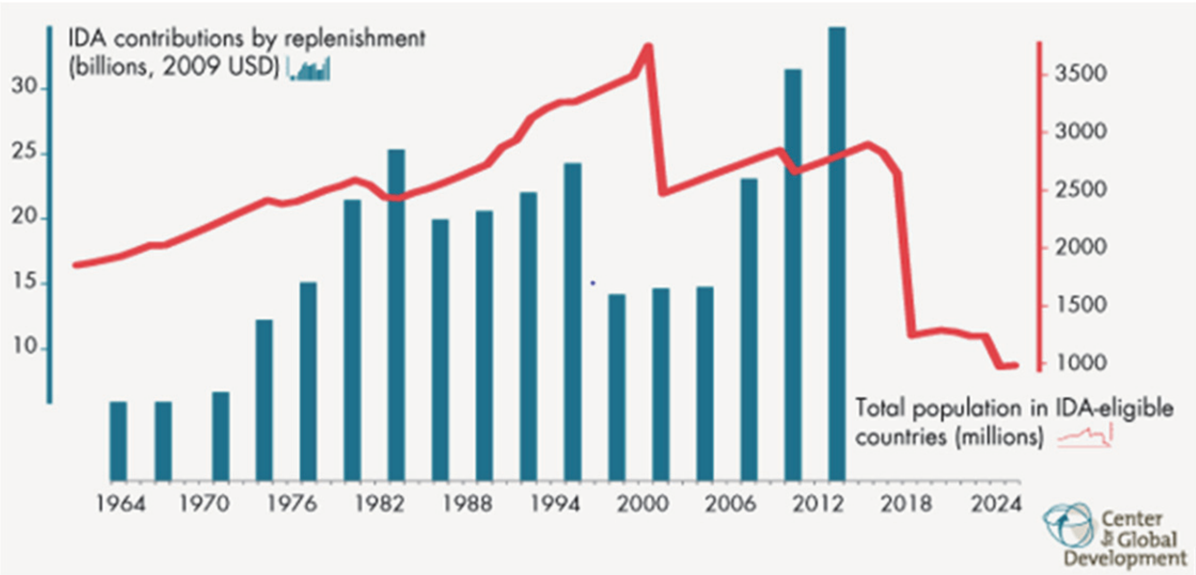
IDA and AfDF are part of a wider family of MDB soft funds, which exist in all the major regional Development Banks other than EBRD, and in several sub-regional development banks as well. It is therefore interesting to compare IDA and AfDF with their equivalents in at least the IADB and AsDB.

Such a comparison shows a clear spectrum.

- *The Fund for Special Operations of the Inter-American Development Bank* is extremely small, since the remaining number of clients in Latin America and the Caribbean is also very small, and no replenishment is envisaged until about 2020.
- *The Asian Development Fund*, the soft loan arm of the Asian Development Bank, was replenished in 2012 at a level of SDR 7.93 billion (including SDR 0.24 billion for the Technical Assistance Special Fund). Graduation is slowly reducing its clients (though China and India had always abstained from becoming borrowers, and small islands benefit from a general exclusion). Donor contributions, though increasing by 13 per cent in SDR terms, represented no more than 37.5 per cent of the funds available for lending (like IDA, AsDF had already hardened certain loan terms, and had also exercised the option of accelerated repayment from countries that had recently graduated from AsDF, thus enhancing internally-generated resources: it had also reduced liquidity in a way that also enhanced commitment capacity).

- *IDA17* saw the graduation of India, its largest client, though it also included a special transitional arrangement under which India can borrow up to two-thirds of its previous allocation on somewhat harder terms. Figure 16, from the Center for Global Development, shows how graduation is reducing the numbers of people it the countries that IDA is supporting, from a peak of 3.5 billion before China's graduation to some 1.2 billion following that of India:

Figure 16: IDA's declining demography



Source: Centre of Global Development.

- Donor grant and grant-equivalent contributions accounted for 59 per cent of the total replenishment. IDA retains some inherent strengths, including the unstated but influential links that can be made between the making of reasonable contributions to IDA and a country's position in not just the World Bank but also the IMF, as well as its worldwide mandate and the Bank's overall resources of human capital and experience.
- Finally, for AfDF, the position is very different, with no graduation to date, and indeed the Bank's hard window having had very few clients at all in Sub-Saharan Africa, despite the growing number of AfDF clients raising funds on the international bond market. Donor contributions represented 72 per cent of the resources for the replenishment. The Bank has not been particularly successful in broadening its donor base, or in persuading non-DAC donors to contribute at scale. Its governance structure, with 60 per cent of the votes held by regional members, makes it difficult to offer non-regionals the voting share that most non-DAC donors would be likely to desire. Their board representation within the non-regional constituencies is very modest.
- However, the AfDB has pioneered one very significant initiative since the replenishment. In an amendment to its credit policy, it has moved to open hard window lending to creditworthy AfDF borrowers. Specifically, all AfDF countries will now potentially be able to access ADB sovereign resources, to finance viable projects, on a case by case basis, subject to the following criteria:
  1) The country must be at low or moderate risk of debt distress.
  2) The country must have headroom for non-concessional borrowing.
  3) The country must have a sustainable macroeconomic position.
  4) The country's request for financing must be approved by the Bank's Credit Risk Committee.

- The management papers for this change of policy explicitly mention that it will, among other things, help to address the decline in AfDF lending to this group and offer them a new funding channel on terms more attractive than the private capital market (which several AfDF-only countries have been tapping on a significant scale).

As client countries develop and graduate, and increasing amounts of repayments become available for a gradually-shrinking clientele, one may expect each of these funds to move gradually towards structures with a lower requirement for new donor funds, the pace reflecting the different client bases and the rate of their economic progress. There are several possible options, including for example some form of subsidised hard window lending, as was carried out by the World Bank in its 'Third Window' operation of the late 1970s and early 1980s, and which could enhance demand for the hard window resources of the Banks, most of which are not greatly constrained at this point by a shortage of capital, and (as pointed out below) are facing increased competition.

The most significant current development is in the ADB. Following a request by donors in the 2012 replenishment for the Bank to initiate discussions on a longer-term strategic vision for the AsDF – reflecting the political and economic changes of the past decades, and adapting the AsDF's role, mandate, and financing structure to 'the present realities' – work is now in hand on a proposal to merge the equity represented by the soft fund into that of the Bank, enabling the Bank to increase its lending on hard terms but also to continue to provide the current level of soft loans (through lending on AsDF-terms from its enhanced equity) as well as a grant window, while cutting very significantly the future requirement for donor finance. This is designed not least to support the transition of AsDF-only countries to blend status, and their graduation from blend status to hard window-only status, while also increasing support for private sector operations, especially in AsDF countries.

Each MDB will have its own particularities (for example, the ADB proposal is facilitated by the fact that its soft fund does not have a separate legal personality, as is the case for IDA), and the options will turn to a considerable extent on the progress of soft fund clients towards graduation – not at all a near-term prospect for most AfDF borrowers. But the direction of travel is clear. As a result of the progress of their clients, the MDBs as a group will be able to continue to operate a relevant mix of instruments at least at current levels with a gradually-diminishing requirement for donor support. Alternatively, they could scale up activities with constant (or of course increasing) donor support.

However, the graduation process also means that an increasing proportion of remaining MDB soft fund clients will be represented by fragile and conflict-affected states, whose progress may well be slow and whose ability to service debt will in many cases be very weak. All recent replenishment negotiations have shown the concern of both donors and management to resource adequately the needs of this group, even at the expense of better-performing soft fund clients. It would therefore be premature to declare the imminent euthanasia of highly-concessional soft loan windows at the MDBs in the near future. Genuinely soft funding will remain a scarce resource.

Indeed, it is the hard windows of the established development banks that may be under greater pressure as other institutions of a different mould develop around them. Among existing such institutions, the Latin American Development Bank is of particular interest, committing as it now does amounts comparable to those of IADB (US$12 billion in 2013 compared to US$13 billion for IADB, which has a larger membership) with many fewer staff. Without 'northern' shareholders, except for Spain and Portugal, the CAF has managed to avoid the very comprehensive safeguards required of the development banks set up on the World Bank model and maintained a leaner and more client-oriented management style. It has also shown that in Latin America, with its broadly middle-income members, such a recipient-owned bank can in time borrow on AA terms and lend (thanks to its lower cost structure) on terms broadly equivalent to the AAA-rated IBRD and IDB, thus eroding one of the central advantages hitherto enjoyed by the established MDBs.

Further options will shortly be available from the New Development Bank, launched by the BRICS countries at their Summit in Brazil in July 2014 with a planned capital of US$50 billion (shared equally between each member), and the Chinese-sponsored Asian Infrastructure Investment Bank, which could well have a larger capital, since China is evidently ready to make a contribution not constrained by what other founding members – who will presumably include many Asian borrowing countries – may be able to offer. Such developments will further widen the options for creditworthy middle and some low income countries and present real competition to the hard windows of the established MDBs, but they do not appear likely to substitute for finance on highly-concessional terms for the poorer and less creditworthy. The budgetary impact of hard-window lending is essentially limited to paid-in capital, which is typically a very small proportion of total callable capital; whereas soft funds on IDA-like terms require grant-type contributions with therefore a 100 per cent impact on the budget, until the point now being reached by IDA and the Asian Development Fund, where the combination of repayments and graduation makes more innovative approaches conceivable.

5.2 Special purpose funds

The Global Fund replenishment, while falling short of its target, demonstrated that funds for purposes which resonate with legislatures and engaged public opinion can command considerable support from governments and some elements of the private sector (notably of course in its case a leading Foundation). The outcome of the replenishment is to my mind quite encouraging for the Fund's future given that it was carried out against a difficult funding environment for its traditional donors and shortly after major concerns about its management and business model had led to 18 months of extreme difficulty. Coming after an extremely successful replenishment for the GAVI in 2011, it suggests that the special funds model can thrive (though the dramatically larger contributions from a few donors, particularly the UK, which contributed to these outcomes, cannot be expected to be repeated).

It may be considered that the health sector is particularly well-suited to securing donor support for special-purpose funds (and perhaps all the more so when they are providing treatment to people who would otherwise face premature death), and certainly the strong and consistent support for the Global Fund from engaged civil society in donor countries has in many cases been seen as influential on decisions over contributions. The recent (April 2014) replenishment of the Global Environment Facility recorded a significantly more modest 5 per cent nominal increase (to US$4.4 billion) in donor contributions over the previous replenishment in 2010. The new Green Climate Fund, which is due to complete its initial fund raising in November 2014, will be a particularly interesting test of the willingness of governments to invest in large special purpose funds outside the health sector, not least since it has agreed a Board structure that carefully balances representation from developed and developing countries. At the time of writing, the German Government had announced a US$1 billion contribution, and it seemed that most traditional donors would contribute, while existing climate investment funds at the World Bank (included above as non-core funding) would very probably be wound down in parallel.

One reason for the relative success of Special Purpose Funds (including sector-specific Trust Funds) with donors is their focus, and this is also their main potential drawback for implementing countries. There has been a long history of concern that the disease focus of the GF may, for example, bid away scarce local staff from other health system requirements, despite the Fund's attempts to improve its contributions also to the health sector more broadly (its decision to have a much more integrated approach to HIV and TB is one example of its stronger focus on the overall needs of patients).

A study carried out in 2008 (see World Bank 2008) concluded that in middle-income countries, funding from special purpose funds was well used and posed few problems, while for poorer and heavily aid-dependent countries, absorbing funds allocated to relatively narrow objectives posed more of a challenge. Discussion of this report at the High Level Forum in Accra that year led to the following conclusion:

> [Special Purpose Funds] had many positive achievements. But particularly where such funds were large and had a tight focus there were some 'side-effects' of earmarking. These needed to be addressed by a good balance between earmarked funds and funds that responded to local needs across the board, and by more integrated approaches, again in line with the Paris Declaration. The aim must be balanced funding within and across sectors and sustainable development at country level (though full sustainability would take an extended period in poorer countries). When new global concerns arose, such as climate change or the food and energy crises, there was a call to 'think twice' before creating new global funds or separate aid channels and to give priority to reforming existing institutions to take on new challenges. There was a danger that new global funds would simply re-route existing aid, rather than deliver real additionality (OECD/DAC (2008).

I continue to feel that this remains a balanced conclusion. Special Purpose Funds can indeed deliver results in areas of focus, not least through their 'upstream pooling' effect, but poor and aid dependent countries should be enabled to implement their own priorities, for which access to more broadly-based funds such as IDA and AfDF remains important. So the bar for new Special Purpose Funds needs to be set appropriately high.

6 Conclusions

To sum up:

- The 2013 replenishments of the African Development Fund, Global Fund and IDA show continued commitment by traditional donors to these institutions even at a time of particular budgetary stringency. Multilateral aid is unlikely to crash. However, with the exception of the Global Fund, there was little evidence of an overall rise in support from this quarter. This is in line with other evidence that aid from traditional donors overall is tending to flat-line, as increases and decreases by individual donors have largely cancelled each other out since the crisis of 2008/09.
- Progress in engaging major 'emerging economies' in support for these funds in a way that reflects their rapidly-growing relative economic weight has been depressingly limited over the past six years. Of course, these countries are still in general much less well-off than most traditional donors, and cannot be expected to contribute so high a share of their GNI to multilateral initiatives. However, the lack of evolution of governance systems, but also in 'voice' more broadly, is probably one significant reason why progress has been so modest. The large cofinancing agreements by China with established International Financial Institutions, and the establishment of the New Development

Bank (and other such initiatives by major emerging economies) also demonstrate the ready availability of funding from such countries on terms that represent an investment outlet as opposed to a direct cost to the budget. This type of funding, offering terms well below capital market rates, is a promising match for countries graduating from heavy reliance on very soft loans and grants. Traditional MDBs need to look carefully at their competitiveness with leaner official suppliers of loan finance.

- The MDB soft funds have a degree of resilience in the increasing flow of repayments on past loans combined with a client base that is gradually shrinking as countries graduate. This is opening up new avenues for more efficient use of scarce donor-supplied capital, the current initiative of the Asian Development Bank to integrate its funding arrangements being of particular interest as a way of leveraging donor grant funding through imaginative use of the institution's overall balance sheet. In Africa, where graduation is not yet a feature, the African Development Bank's move to open hard-window lending for specific investments by creditworthy soft fund borrowers, offers an alternative route to economise on these scarce resources, which would appear to be more widely applicable.
- Concentration of MDB soft funds on the more fragile states is increasing. Performance-based allocation criteria are already shifting in response to this (IDA) or having their scope reduced by earmarked funding for fragile states (AfDF). Non-fragile and creditworthy countries will need to adapt to gradually harder overall blends of official resources.
- The Global Fund, while in principle in a more vulnerable position in the absence of reflows, appears to have a secure funding base, even if mainly still too dependent on traditional official donors, although it too has to concentrate resources increasingly on low- and lower middle-income countries. An interesting test of the special-purpose fund model (in this case one able to offer both loans and grants) will shortly be provided by the first funding round for the Green Climate Fund.
- The balance between general purpose and special purpose multilateral funds has evolved in favour of the latter over the past 15 years (including the growth of special-purpose 'non-core' trust funds at the MDBs). Both types of fund have their place, but for aid-dependent countries too large a share of special-purpose funding does not sit easily with local ownership. A 'think-twice' approach to proposed new special purpose funds remains appropriate.

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Appendices

Appendix 1: Pledges to the replenishments of IDA, African Development Fund and the Global Fund in 2007, 2010, and 2013

		SDR million			SDR million			US$ million			
Donor	**IDA15**	**IDA 16**	**IDA 17**	**AfDF 11**	**AfDF 12**	**AfDF 13**	**GF 2**	**GF 3**	**GF 4**	**2013**	**Total 11-13**
DAC and EU											
EU											
Austria	304	348	344	87	96	93					
Belgium	313	351	361	77	84	90	66	70	52	16	70
Cyprus	4	5									
Czech Republic	11	12	12								
Denmark	218	245	252	51	77	73	92	81	90	25	81
Estonia	2	3	3								
European Commission							409	437	502	142	437
Finland	181	218	227	89	112	110	13	13		3	13
France	1296	1128	1134	403	356	365	1222	1448	1468	495	1448
Germany	*1406*	1448	1396	400	387	403	848	797	876	265	797
Germany, Debt2Health							35	36	6	2	36
Greece	46						1				
Hungary	12	13	14								
Ireland	88		78				120		41		
Italy	758	529	495	195	218	202	535		136		
Latvia	2	2	2								
Lithuania	2	2	2								
Luxembourg	37	42	44				10	10	10.8	3	10
Netherlands	596	671	649	201	226	167	316	210	251	90	210
Poland	6	7	7				0				

Portugal	40	20	9	30	30	9	8				
Romania							0				
Slovak Republic	2	2	2								
Slovenia	6	6	3				0				
Spain	626	689	253	127	123		602				
Sweden	589	664	798	161	178	248	269	298	381	106	298
UK	2802	2696	3001	547	572	612	571	848	1637	205	848
TOTAL, EU	9347	9101	9086	2368	2459	2372	5119	4247	5451	1352	4247
Georgia										0	
Iceland	8	7	7								
Liechenstein							0	0	0		
Monaco							0	0		0	
Norway	296	300	349	167	180	202	182	228	277	77	228
Switzerland	419	472	531	91	101	146	20	28	67	11	28
TOTAL, EUROPE	10070	9880	9973	2626	2740	2720	5321	4504	5795	1440	4503.479
Canada	798	909	904	212	204	216	414	533	612	174	533
US	2430	2713	2569	307	381	388	2766	4000	4096	1650	4000
Australia	320	460	411				114	199	182	94	199
Australia Debt2Health							2	10	12	2	10
New Zealand	24	27	28				1				
TOTAL US/CANZ	3572	4109	3912	519	585	604	3297	4742	4902	1920	4741.708
Korea	183	225	254	32	54	58	9	8	12	4	8
Japan	1994	2442	2310	261	275	293	625	579	800	122	579
TOTAL JAP/KOR	2177	2667	2564	293	329	351	634	587	812	126	587
TOTAL, DAC and EU	15819	16656	16449	6876	7308	7350	18504	19665	23019	5620	15417
EURASIA											

Kazakhstan		2									
Russia	70	116	127				141	60	60	20	60
S&E ASIA											
Brunei											
China	20	107	199	80	84	84	6	14	15	5	14
India				6	9	12	7	3	14	3	3
Indonesia			12								
Malaysia			18				0				
Philippines		8									
Singapore	17	33	35				0				
Thailand			3				3	2	5		2
MIDDLE EAST											
Egypt	1	1	2		1	1					
Iran		12									
Israel	15	16									
Kuwait	34	52	37	7	7	8	2	2	2	1	2
Libya						25					
Saudi Arabia	48	74	78	16	20	20	18	25	25	17	25
Tunisia								2			2
Turkey	10	13	27								
AFRICA S/S											
Kenya									2		
Malawi									1		
Namibia								1	1	1	1
Nigeria								10	30		10
Rwanda								1			1

South Africa	21	23	20	7	9	16	0	2	2	2	2
Zimbabwe									1		
W HEMISPHERE											
Argentina		45	5		10						
Bahamas		3	3								
Barbados	0	0									
Brazil	123	67	66	7	10	10					
Chile		23									
Mexico	10	66	67								
Peru		10									
TOTAL, NON-DAC	369	671	699	123	150	176	178	121	157	49	121
MEMO ITEM: BRICS TOTAL	234	313	412	100	112	122	154	79	91		
PRIVATE DONORS											
Anglo American								3		1	3
Bank of America									10		
BHP Billiton									10		
Chevron							30	25	5	9	25
Comic Relief							3		7		
Comunitas Foundation							1				
Ecobank									3		
Gates Foundation							300	450	500	150	450
Gift from Africa								3		1	3
Good Bye Malaria									3		
Idol Gives Back							13.6				
Lutheran Malaria Initiative								2		1	2
MAC AIDS Fund							1				
Merck									5		
RED								60	42	20	60

Takeda Foundation							1	3	3	1	3
Tahir Foundation									39		
United Methodist Church								6	20	3	6
Vale									3		
TOTAL PRIVATE DONORS							349.9	552	650	186	552
GF Annual Pledges										3520	
TOTAL, Europe	10070	9880	9973	2626	2740	2720	5321	4504	5795	1440	4503
TOTAL, US/CAN/ANZ	3572	4109	3912	519	585	604	3297	4742	4902	1920	4742
TOTAL, JPN/KOR	2177	2667	2564	293	329	351	634	587	812	126	587
TOTAL, DAC and EU	15819	16656	16449	3438	3654	3675	9252	9833	11509	3486	9832
TOTAL, NON-DAC	369	671	699	123	150	176	178	121	157	49	122
TOTAL, PRIVATE							350	552	650	186	552
GRAND TOTALS	16188	17327	17148	3561	3804	3851	9780	10506	12316	3721	10506

Source: for IDA and AfDF, Deputies' reports; for GF, as explained in the text.

Appendix 2: DAC Members' GNI per head and ODA/GNI

Country	GNI per head	ODA/GNI	
	Column1	Column2	
Poland	12,960	0.1	POL
Slovak Republic	17,200	0.09	SVK
Czech Republic	18,060	0.11	CZE
Portugal	20,670	0.23	PRT
Greece	22,530	0.13	GRC
Slovenia	22,830	0.13	SVN
Korea	25,920	0.13	KOR
Spain	29,180	0.16	ESP
Italy	34,400	0.16	ITA
New Zealand	35,520	0.26	NZL
Ireland	39,110	0.45	IRL
UK	39,110	0.72	UK
France	42,250	0.51	FRA
Iceland	43,930	0.26	ISL
Belgium	45,210	0.45	BEL
Germany	46,100	0.38	GER
Japan	46,140	0.23	JPN
Finland	47,110	0.55	FIN
Netherlands	47,440	0.67	NLD
Austria	48,590	0.28	AUT
Canada	52,200	0.27	CAN
US	53,670	0.19	USA
Sweden	59,130	1.02	SWE
Denmark	61,110	0.85	DNK
Australia	65,520	0.34	AUS
Luxembourg	71,810	1	LUX

Switzerland	80,950	0.47	SUI
Norway	102,610	1.07	NOR

Source: For ODA/GNI, OECD/DAC; for GNI per head, World Bank (various years).

Appendix 3: DAC members' shares of DAC GNI and of major replenishments

	2013	GNI Share		IDA17	% of DAC	AfDF13	% of DAC	GF4	% of DAC
	World Bank Atlas Method		(PPP-for comparison)						
Austria	412	0.9	0.5	344	2.1	93	2.5		
Belgium	506	1.1	1	361	2.2	90	2.4	52	0.5
Czech Republic	190	0.4	0.6	12	0				
Denmark	343	0.7	0.5	252	1.5	73	2	90	0.8
(EC)								502	4.4
Finland	256	0.5	0.4	227	1.4	110	3		
France	2790	6.1	5.7	1134	6.9	365	9.9	1468	12.8
Germany	3717	8.2	8.2	1396	8.5	403	11	882	7.7
Greece	249	0.5	0.6						
Ireland	179	0.3	0.3	78	0.5			41	0.4
Italy	2058	4.5	4.7	495	3	202	5.5	136	1.2
Luxembourg	38			44				11	
Netherlands	797	1.8	1.7	649	3.9	167	4.5	251	2.2
Poland	499	1.1	1.9	7					
Portugal	216	0.4	0.6	9		9	0.2		
Spain	1361	3	3.4	253	1.5				
Sweden	567	1.2	0.9	798	4.9	248	6.7	381	3.3
UK	2506	5.5	5.6	3001	18.3	612	16.7	1637	14.2
Norway	522	1.1	0.8	349	2.1	202	5.5	277	2.4
Switzerland	647	1.4	1	531	3.2	146	4	67	0.6
Canada	1835	4	3.5	904	5.5	216	5.9	612	5.3
US	16968	37.3	39.3	2569	15.6	388	10.6	4096	35.6
Australia	1515	3.3	2.3	411	2.5			194	1.7
New Zealand	157	0.3	0.3	28	0.2				
Korea	1302	2.9	3.6	254	1.5	58	1.5	12	0.1
Japan	5875	12.9	11	2310	14	293	8	800	7

TOTAL	45505	16416	3675	11509

Source: GNI shares are from World Bank (various years); replenishment shares are author's calculations from Appendix 1.

Appendix 4: GNI in PPP, 2006 and 2012, EU/non-EU DAC members and BRICS

	GNI, US$ billion, PPP, current	
	2006	2012
Austria	299	370
Belgium	363	444
Bulgaria	83	113
Croatia	73	86
Cyprus	19	26
Czech Republic	226	260
Denmark	199	243
Estonia	24	30
Finland	176	203
France	2025	2413
Germany	2816	3458
Greece	291	287
Hungary	174	206
Ireland	158	164
Italy	1795	2005
Latvia	33	94
Lithuania	54	70
Luxembourg	28	32
Malta	9	11
Netherlands	638	730
Poland	557	816
Portugal	235	261
Romania	235	359
Slovak Republic	96	134
Slovenia	50	56
Spain	1315	1464

Sweden	328	419
UK	2162	2361
TOTAL, EU	14461	17115
Canada	1189	1484
US	14142	16515
Australia	679	982
New Zealand	106	132
TOTAL USCANZ	16116	19113
Korea	1175	1549
Japan	4173	4631
TOTAL JPN/KOR	5348	6180
Russia	2067	3261
China	6220	12205
India	2813	4832
South Africa	433	563
Brazil	1654	2291
TOTAL BRICS	13187	23152

	2006	2012
EU	14461	17115
CAN/US/ANZ	16116	19113
KOR/JPN	5348	6180
BRICS	13187	23152

Source: World Bank (various years).