

February 2023

# Trends in ODA through multilateral organisations

Factsheet

# Introduction and key facts

## Introduction

Countries which give aid fund the work of multilateral organisations in two distinct ways: core and earmarked funding. Core funding is to be used entirely at the discretion of the recipient organisation. Conversely, earmarked funding, also known as multi-bi aid, is given on condition that it is used in a manner specified by the donor. Donors may specify its general purpose, the geographical location or particular project it should be used for or impose other restrictions.

Some forms of earmarking are less restrictive than others and a certain amount of earmarking is inevitable in cases where donors are responding to appeals for funding in specific areas. However, it appears that earmarked funding generally leads to negative consequences across institutions. Donor-imposed earmarking increases transaction costs and makes multilateral organisations behave in a less strategic and independent manner. They are less able to bring their multilateral assets and comparative advantages to bear on issues that matter for lower-income countries.<sup>1</sup>

Ultimately this approach risks a 'hollowing out' of multilateral organisations as staff capacity is diverted from core activities, and power and accountability shifts away from the collective toward a narrower set of contracting relationships with wealthy donors.<sup>2</sup>

Official development assistance (ODA) disbursed by multilateral organisations from their core funds is also much more likely to go directly to the governments of lower income countries than bilateral ODA from Development Assistance Committee (DAC) donors. In 2021, 58% of ODA disbursed by multilateral organisations from their core funds was channelled via lower income country governments, as opposed to 22% of bilateral ODA from DAC members.

This factsheet unpacks the recent trends in funding of the multilateral system, focusing on the balance between core and earmarked funding. It uses the latest data on ODA, published by the Organisation for Economic Co-operation and Development (OECD) in December 2022.

To find out more about the methodology we use for our analysis, see the [Appendix](#).

## Key facts

- Despite evidence suggesting inefficiencies and other issues with earmarked funding (and requests from multilateral organisations for more core funding), the proportion of support to multilaterals that is subjected to earmarking by DAC

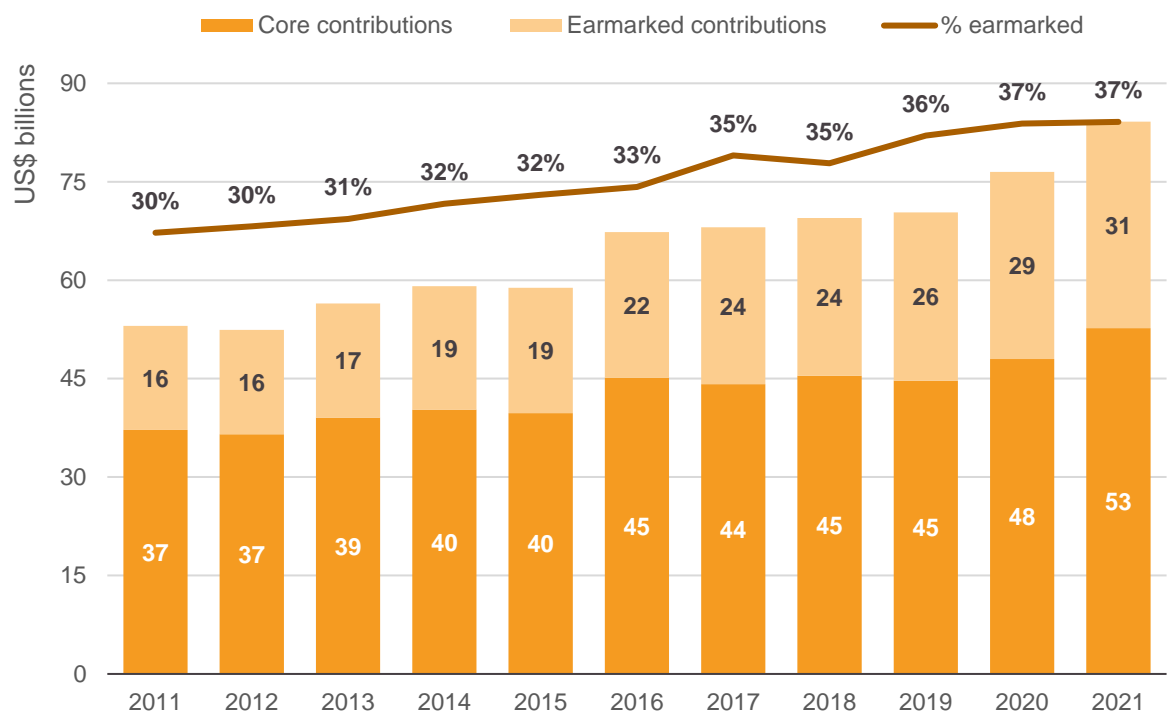
donors has risen steadily over the past few years – from 30% in 2011 to 37% in 2021 ([Figure 1](#)).

- Earmarking is disproportionately used in the funding of UN agencies. This has left some large agencies, such as the World Food Programme (WFP), almost entirely dependent on earmarked funding ([Table 1](#)).
- Most DAC donors have increased their use of earmarking over the past decade, with the most striking increase being the case of Germany, which increased the proportion of its multilateral support that is subject to earmarking from 7% in 2011 to 45% in 2021 ([Figure 2](#)).
- Humanitarian interventions are highly dependent on earmarked funding via multilaterals, with two-thirds of humanitarian ODA disbursed in this form ([Figure 3](#)).

# Earmarked funds are a growing proportion of multilateral ODA

**Figure 1: Earmarking has increased steadily as a proportion of ODA via multilaterals**

Trend in ODA from DAC donors to multilateral organisations 2011–2021



Source: OECD DAC data.

Notes: Gross disbursements, constant 2020 prices.

- Despite the inefficiencies and risks associated with earmarking of multilateral ODA, there has been a steady increase in the proportion of earmarked funding over the last decade.

- Between 2011 and 2021, core funding to multilateral organisations from DAC member countries rose by just over 40% – however, in the same period earmarked funding virtually doubled.
- This has meant that the proportion of funds given via multilaterals that was subject to earmarking rose from 30% in 2011 and 2012 to 37% in 2020 and 2021.

# UN agencies receive the lowest proportion of core funding

**Table 1: Almost three quarters of ODA to UN agencies in 2021 was earmarked**  
Core versus earmarked funding in 2021 by type of multilateral organisation

Donor	Core funding (US\$ million)	Earmarked funding (US\$ million)	% Earmarked
UN	7,811	21,572	73%
Other	15,133	5,446	26%
RDBs	3,636	1,179	24%
World Bank	8,225	2,605	24%
IMF	1,435	294	17%
EU institutions	16,457	372	2%

Source: OECD DAC data.

Notes: Calculated from gross disbursements, constant 2020 prices.

Earmarking does not affect all multilateral organisations equally.

## ODA to UN agencies

The United Nations Development System (UNDS) organisations face the greatest issue with earmarked funding. In 2021, 73% of funding for UNDS agencies was earmarked – in 2011 this figure stood at 60%.

There are wide variations in the levels of earmarking experienced by different agencies within the UNDS. By its nature, the Central Emergency Response Fund (CERF) is almost entirely funded through core contributions; for UN Peacekeeping operations, just 8% of funding was earmarked in 2021.

The other large UNDS agencies all face high levels of earmarking (percentage figures all from 2021):

- Food and Agriculture Organization (FAO) – 56%
- Office for the Coordination of Humanitarian Affairs (UN-OCHA) – 73%
- United Nations Development Programme (UNDP) – 74%
- Office of the United Nations High Commissioner for Refugees (UNHCR) – 85%
- World Health Organization (WHO) – 86%
- United Nations Children’s Fund (UNICEF) – 87%
- World Food Programme (WFP) – 94%

The WFP has always relied heavily on earmarked funding, but recently the situation has intensified – in 2011, earmarked funding to the WFP accounted for 86% of the total but, by 2021, this had risen to 94%. This shift to almost exclusively funding WFP through earmarked contributions led the WFP to argue for more core funding in its latest strategic review, stating that: “Earmarking of contributions can make it difficult for WFP to flexibly respond to identified priorities.”<sup>3</sup> This strategic review also found that earmarking had become more restrictive and that donors are increasingly imposing additional reporting and compliance requirements.

## ODA to other multilateral organisations

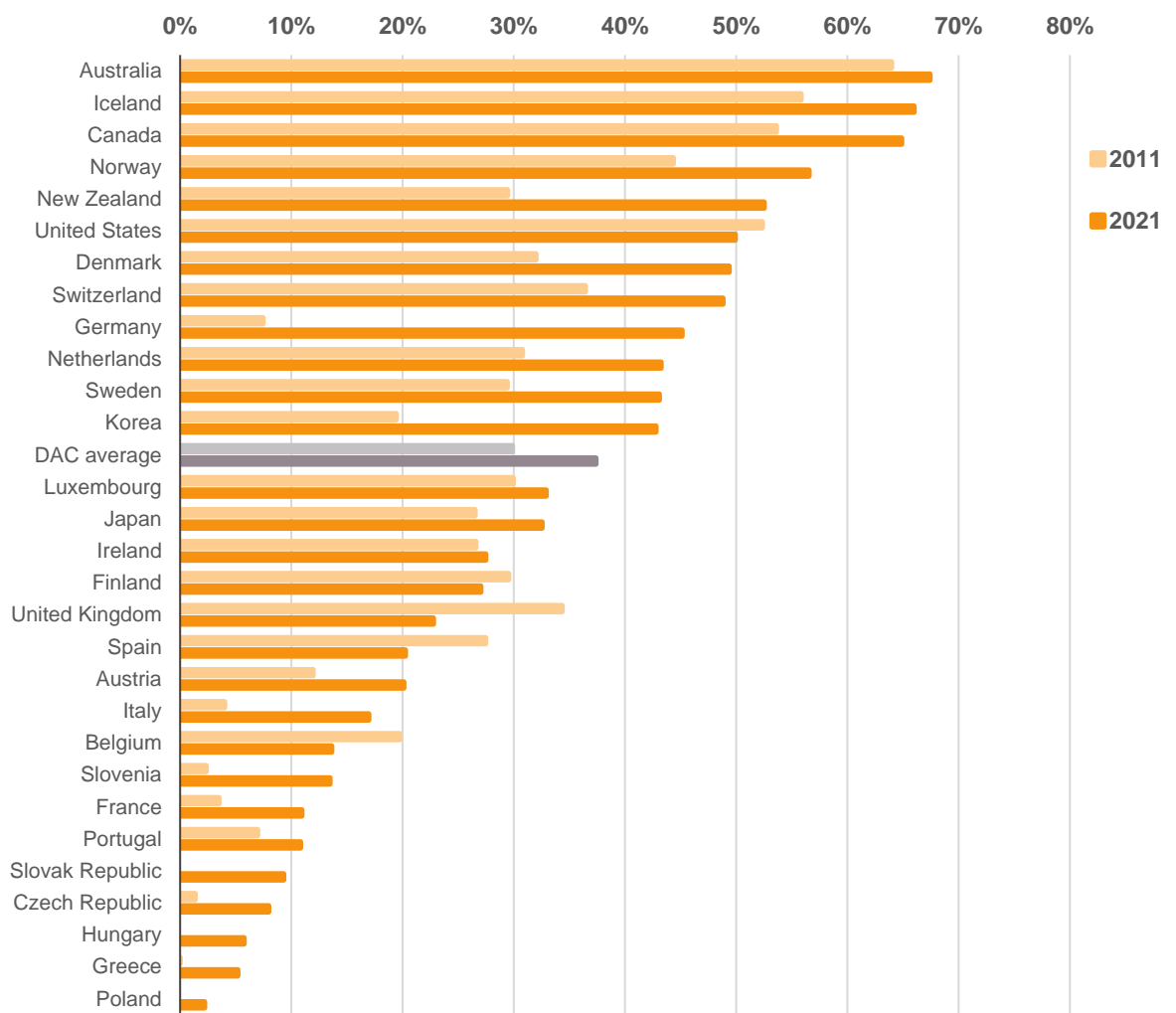
EU institutions effectively receive mandatory core funding from all EU member states, meaning that virtually all the funding received by EU development institutions is core.

Earmarked funding for international financial institutions (IFIs) is also lower than the average. In 2021, the IMF received just 17% of its funding in an earmarked form. For the World Bank and regional development banks (RDBs), earmarking accounted for around a quarter of funding from DAC members.

Similarly, for other (non-UN) multilateral organisations, earmarking applied to around a quarter of funding in 2021. Although many smaller organisations in this group rely heavily on earmarked funding, large vertical funds such as the Global Fund, GAVI and the Green Climate Fund receive the vast majority of their support in the form of core funding.

# Some donors have greatly increased their use of earmarking

**Figure 2: The majority of DAC donors have increased their use of earmarking**  
Comparison of level of earmarking between 2011 and 2021, by donor



Source: OECD DAC data

Notes: Calculated from gross disbursements, constant 2020 prices.



## Trends in earmarked contributions

Of the 29 DAC countries, all but five increased the share of contributions to multilaterals that was earmarked between 2011 and 2021.

Several donors who have historically employed high levels of earmarked funding to multilateral organisations increased this proportion further over the past decade:

- Between 2011 and 2021, Australia increased its proportion of earmarked funding from 64% to 67%, Iceland from 56% to 66%, Canada from 54% to 65%, and Norway from 44% to 57%.
- Germany massively increased its use of earmarking during the period, with earmarked contributions to multilateral organisations forming just 7% in 2011 but 45% in 2021.
- Other donors showing a very marked increase in the use of earmarking were New Zealand (from 29% to 53%), Korea (from 19% to 43%), Denmark (from 32% to 49%), Sweden (from 29% to 43%), Switzerland (from 36% to 49%), and Netherlands (from 31% to 43%).

Over the same period, the UK reduced its proportion of earmarked ODA to multilaterals from 34% to 23%, but this is likely to be at least partly due to the wider cuts to UK bilateral ODA arising from its abandonment of the 0.7% ODA/GNI target. The US also made a slight reduction in its proportion of earmarked funding over the decade, but the figure still stood at 50% in 2021.

Both France and Italy significantly increased their use of earmarking, but from a very low base and both remain well below the average proportion of earmarking among DAC donors.

## Trends in core contributions

Most donors followed the general trend of increasing core contributions, but not in pace with the more rapid increase in earmarked funds.

- For example, Norway increased its core contributions to multilateral organisations from US\$768 million in 2011 to US\$968 million in 2021 (up by US\$170 million or 22%) but increased its earmarked contributions from US\$612 million to US\$1.2 billion (up by US\$609 million or 100%).
- Similarly, Sweden increased its core contributions from US\$1.6 billion to US\$1.8 billion (up by US\$216 million or 13%) but increased its earmarked contributions from US\$668 million to US\$1.4 billion (up by US\$710 million or 106%).
- Germany significantly increased its total contributions to multilateral organisations over the period. Core contributions from Germany rose from US\$5.1 billion in 2011 to US\$7.9 billion in 2021 – a US\$2.8 billion or 55% increase. However, over the same period, earmarked contributions from Germany rose almost 16-fold, from US\$413 million to over US\$6.5 billion. The majority of this greater

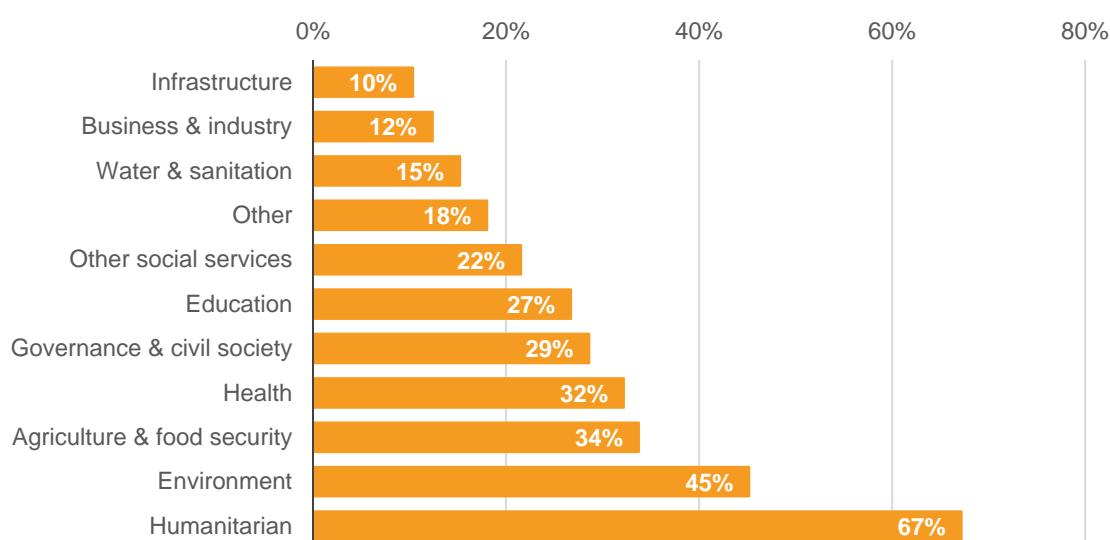
earmarked contribution went to the main UN development agencies such as UNICEF, UNDP, WFP and WHO.

Just two donors reduced their core contributions. Australia reduced both core and earmarked contributions, with core funding falling from US\$526 million in 2011 to US\$416 million in 2021 (down 21%) and earmarked funding falling from US\$935 to US\$860 (down 8%). The Netherlands reduced core funding from US\$1.9 billion to US\$1.4 billion (down 25%) whilst increasing earmarked funding from US\$835 million to US\$1.1 billion (up 29%).

# Humanitarian interventions are the most dependent on earmarked funding

**Figure 3: Multilateral support to humanitarian crises is heavily dependent on earmarked funds**

Earmarked funding as a proportion of total multilateral ODA to each sector in 2021



Source: OECD DAC data

Notes: Calculated from gross disbursements, constant 2020 prices.

Two thirds of ODA disbursements from multilateral organisations to humanitarian interventions in 2021 were in the form of earmarked funding given via multilateral agencies. The level of earmarking of humanitarian ODA has stayed consistently high over the past decade. Although it is not possible to determine the exact nature of the earmarking in each case – and a certain amount of earmarking is inevitable in humanitarian aid due to donors’ responses to specific appeals – this trend does seem to run counter to the aims of the Grand Bargain which called for a reduction in earmarking of humanitarian aid.<sup>4</sup> It does however explain in part the predominance of earmarking of contributions to UN organisations relative to other multilaterals: the UN is much more involved in humanitarian response.

Projects targeting environmental protection also rely heavily on earmarked multilateral ODA. The projects that rely least on this form of funding are in water and sanitation, business and industry, and infrastructure.

# Conclusion

Although there are many different ways in which support to multilateral organisations can be earmarked – some of which are less onerous for recipients than others – the general increase in use of earmarking by donors seems to run in opposition to evidence on the issue and to international commitments including the Grand Bargain. The issues faced by UNDS agencies are especially acute and there is a real risk that the efficiency of these agencies is being compromised by increased transaction costs and organisational burdens.

The continued heavy reliance of humanitarian spending (much of it passing through the humanitarian agencies of the UNDS) on earmarked multilateral ODA also poses risks for the effectiveness of assistance to people in crisis situations, as multilateral organisations delivering this aid lose autonomy and are forced to divert staff capacity to meeting the demands of donors.

# Appendix

## Our analysis

We use constant prices. This means our analysis shows the changes in ODA without the impacts of inflation.

We use gross disbursements, rather than grant equivalent. The difference between gross disbursements and the grant-equivalent measure is how ODA loans are accounted for. Gross disbursements means the full face value of the loan is reported, whereas the grant equivalent measure means only a percentage of the loan is counted as ODA. This percentage depends on how concessional the loan is – the softer the loan, the higher the percentage counted as ODA. Gross disbursements are used in this analysis as that is more reflecting of the amount of money actually transferred in the year concerned.

# Notes

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<sup>1</sup> Weinlich, et al (2020). Earmarking in the Multilateral Development System, Many Shades of Grey. Available at: [https://www.idos-research.de/uploads/media/Study\\_101.pdf](https://www.idos-research.de/uploads/media/Study_101.pdf)

<sup>2</sup> Barder, Richie & Rogerson, 2019. "Contractors or Collectives?" Earmarked Funding of Multilaterals, Donor Needs, and Institutional Integrity: The World Bank as a Case Study. Available at: [https://www.cgdev.org/sites/default/files/contractors-or-collectives-earmarked-funding-multilaterals-donor-needs-and\\_0.pdf](https://www.cgdev.org/sites/default/files/contractors-or-collectives-earmarked-funding-multilaterals-donor-needs-and_0.pdf)

<sup>3</sup> WFP 2020. Strategic Evaluation of Funding WFP's Work. Available at: <https://www.wfp.org/publications/strategic-evaluation-funding-wfps-work>

<sup>4</sup> IASC 2016. The Grand Bargain – A Shared Commitment to Better Serve People in Need. Available at: <https://interagencystandingcommittee.org/grand-bargain>

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