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GERMAN INSTITUTE FOR DEVELOPMENT EVALUATION

# The BMZ‘S Multilateral Engagement

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# Context

- The multilateral system is under pressure
  - Several countries have massively cut their financial contributions
  - Funding for official development assistance (ODA) is declining

Quantity of funding

- Ongoing academic and policy debates on the effectiveness of funding modalities
  - How effective are core and earmarked funding?
  - What are the implications of the increasing shift towards earmarking?

Quality of funding

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- Germany is likely to become the largest contributor to the multilateral system in many areas
  - And: the Federal Ministry for Economic Cooperation and Development (BMZ) has the largest share of the German multilateral portfolio
  - However: there are budgetary constraints in Germany as well, funding is likewise declining

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**Descriptive statistics** – OECD CRS data for 2011-2022
**Strategy analysis** for the 2013, 2020 and 2023 multilateral strategies

# Results – Financing modalities in the BMZ‘s multilateral portfolio

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# Comparing strategy to portfolio

- Geographic priorities
- Thematic priorities
- Institutional priorities

- Constant share of core funding
- Decrease in tightly earmarked contributions

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# Results

- Geographic priorities
  - Countries and regions in Africa received a large proportion of earmarked contributions as intended
- Thematic priorities
  - Earmarked contributions are used to support many sectors with varying intensity and fluctuations – priorities are not clearly recognisable
- Institutional priorities
  - Variations in the distribution of funds to different organisation types – priorities are not clearly recognisable

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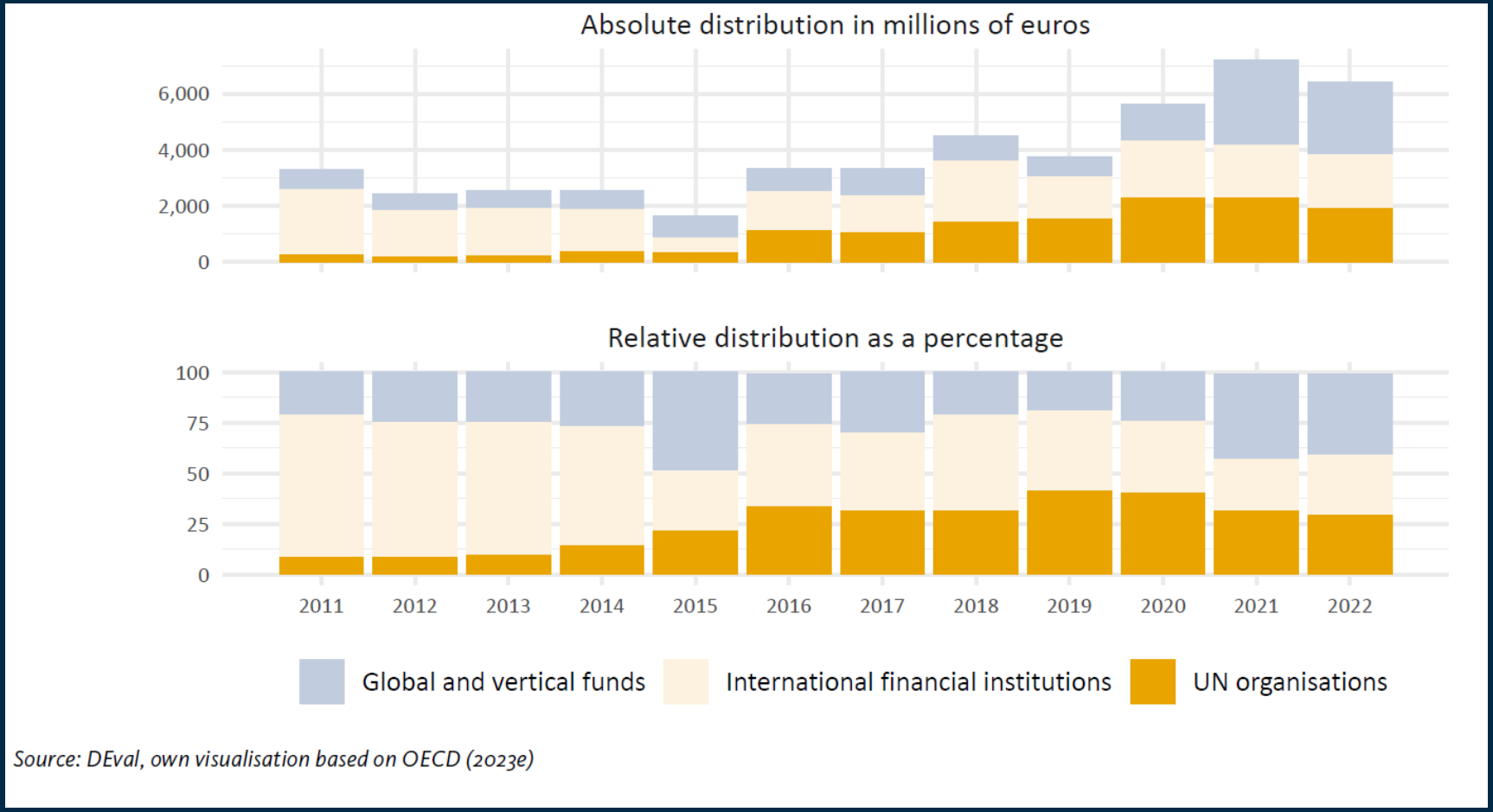
# Institutional priorities: distribution by type of organisation




*Source: DEval, own visualisation based on OECD (2023e)*

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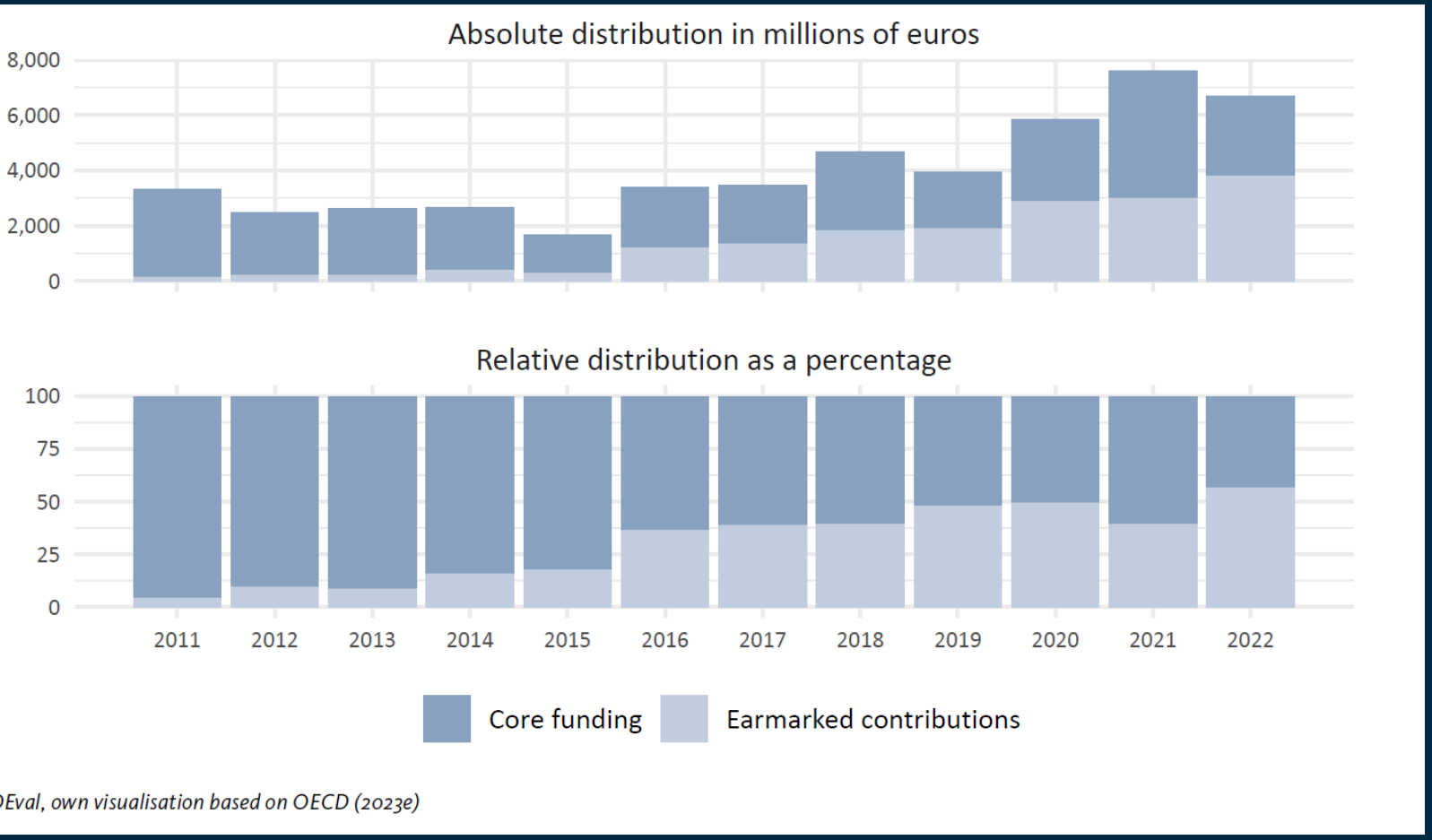
# Distribution of financing modalities




*Source: DEval, own visualisation based on OECD (2023e)*

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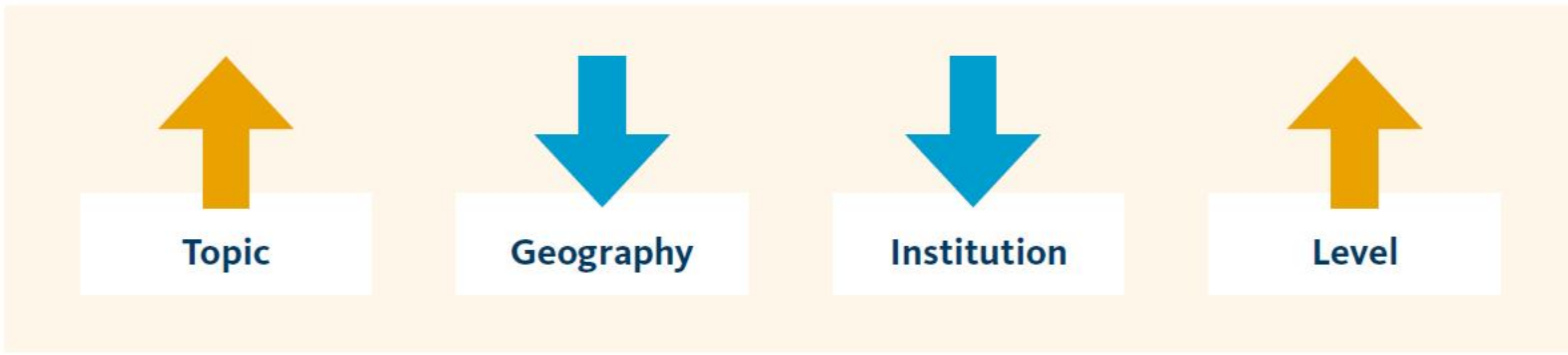
# Development of the share of tight earmarking by dimension




*Source: DEval, own visualisation based on OECD (2023e)*

**Systematic review –** academic literature, 36 articles analysed (2005-2024)

# Results – The effectiveness of core and earmarked funding

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# How effective are core and earmarked funding?

Dimensions

- Process
- Cost
- Outcome

Levels

- Project
- Organisation
- System

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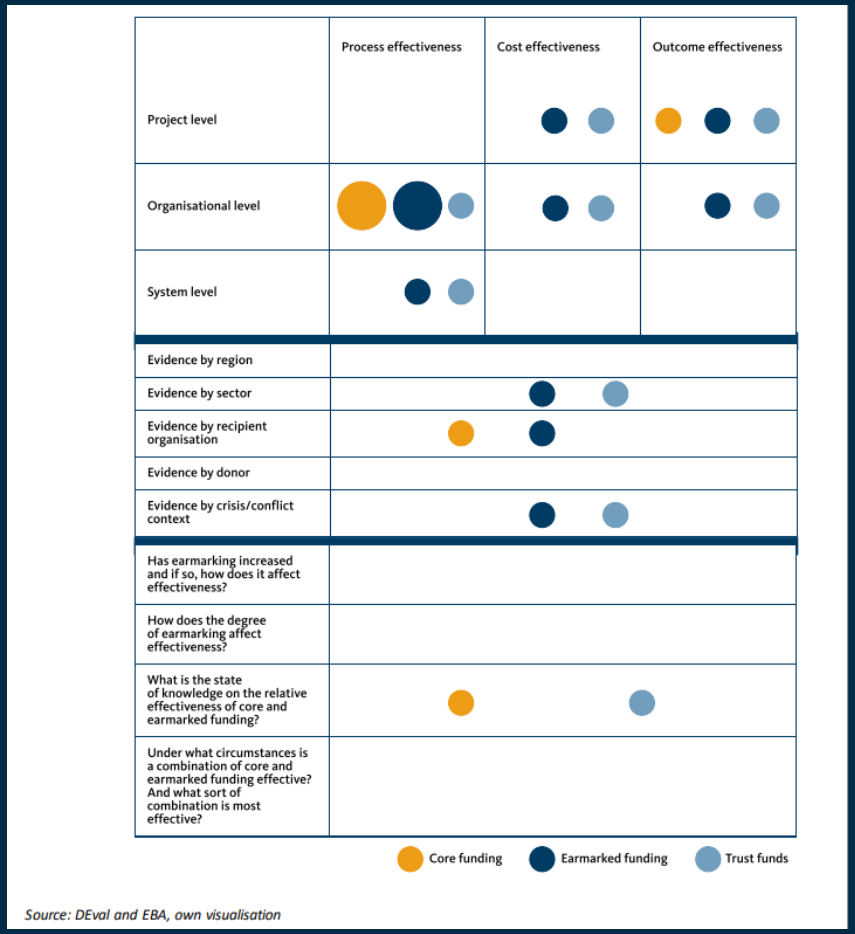
# What do we know?

We don‘t know as much as we should.




*Source: DEval and EBA, own visualisation*

# What we do know – process effectiveness

## Organisational level

- Core funding allows multilateral organisations the most flexibility in the use of funds
- Earmarked funding can undermine the performance of a multilateral organisation

## System level

- Earmarked funding can compromise the UN's ability to address complex issues of long-term impact

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# What we do know – cost effectiveness

## Project level

- Earmarked funding weakens the ability of multilateral organisations to fulfil their mandates cost-efficiently

## Organisational level

- UN organisations regard the high transaction costs as a key problem of earmarked funding

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# What we do know – outcome effectiveness

## Project level

- World Bank projects financed by trust funds are less effective than those projects financed by core contributions

## Organisational level

- Earmarked funds can improve the performance of multilateral organisations if they are used in a targeted way, properly managed and linked to core funding

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# Recommendations

# Recommendations (selected)

*The BMZ should work towards*
*further reducing tight earmarking in the multilateral portfolio*
*and earmark contributions softly, where possible.*

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# Recommendations (selected)

*The BMZ should work towards*
*stable core funding for UN organisations*
*in accordance with the UN Funding Compact.*

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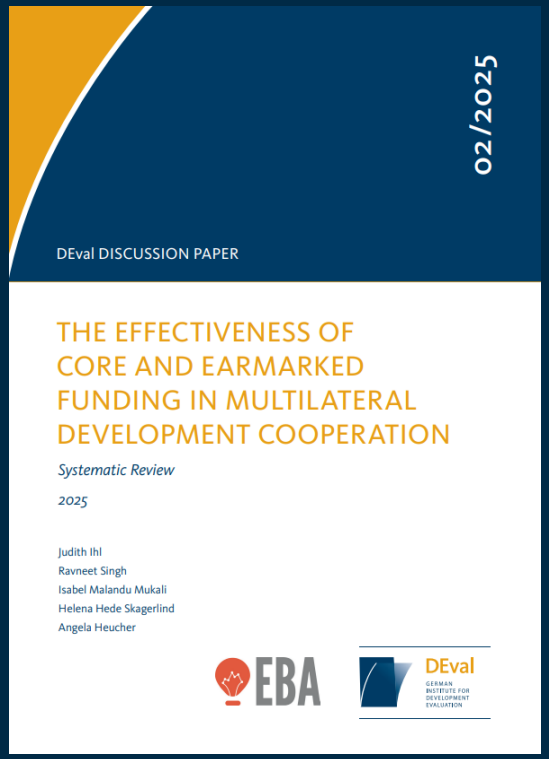
# Publications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