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THE BMZ'S MULTILATERAL ENGAGEMENT: FINANCING AND INTERPLAY

Summary

Multilateral development cooperation (DC) helps overcome present-day global challenges such as poverty, hunger and climate protection; it thus contributes to achieving internationally agreed goals, such as the United Nations (UN) Agenda for Sustainable Development. However, since many bilateral donors, led by the US, are cutting their funding for DC and humanitarian aid – in some cases drastically – the multilateral system is under pressure.

The German Institute for Development Evaluation (DEval) has evaluated the multilateral engagement of the Federal Ministry for Economic Cooperation and Development (BMZ), focusing on the criteria of relevance, coherence and efficiency. Among other things, the evaluation analyses the extent to which the BMZ's strategic priorities are reflected in the multilateral portfolio, and whether bilateral and multilateral development cooperation are appropriately interlinked. The aim was to generate learning stimuli for portfolio design, for interlocking bilateral and multilateral DC and for implementing the current BMZ strategy "Strong multilateral development policy for social justice worldwide", which was launched in 2023.

The evaluation shows that the BMZ promotes a wide range of topics with its earmarked multilateral portfolio, including social security, agriculture and forestry as well as economic infrastructure. Furthermore, core funding is increasing for UN organisations defined by the Federal Ministry as strategic priorities.

However, the BMZ's multilateral portfolio is not sufficiently strategically structured, e.g. with regard to the use of different financing modalities in line with their advantages and disadvantages. In addition, the earmarked multilateral portfolio's strategic orientation in relation to the bilateral portfolio is not sufficiently apparent. As a result, the two portfolios neither complement nor reinforce each other. The evaluation therefore recommends that the BMZ should define the strategic role of multilateral funding in relation to bilateral funding, while working towards stable core funding and further reducing the amount of tight earmarking. This makes it possible to promote a more efficient use of funds, strengthen multilateral organisations' ability to act, and achieve development goals.

At the same time, the BMZ, together with the implementing organisations, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the KfW Development Bank, should identify and dismantle the obstacles standing in the way of an improved interplay between bilateral and multilateral DC.

Introduction

Multilateral development cooperation (DC) helps overcome present-day global challenges such as poverty, hunger and climate protection; it thus contributes to achieving internationally agreed goals such as the United Nations (UN) Agenda for Sustainable Development. The multilateral development-policy system is characterised by a complex structure, as well as by its many actors and different financing modalities. The system's heterogeneity is fostered by two aspects: the continuous increase in the number of organisations over the last three decades, especially in the form of funds, and the rise of earmarked contributions as a funding modality, which increases fragmentation.

The multilateral system is under pressure. The United States and other countries have massively cut their financial contributions to multilateral DC. Thus, the Organisation for Economic Co-operation and Development (OECD) expects funding for official development assistance to decline by 9 to 17% in 2025, having already fallen by 9% in 2024 (OECD, 2025). As a result, in absolute terms, Germany is likely to become the largest contributor to the multilateral system in many areas.

The overall decline in funding has led many multilateral organisations – such as the World Bank and the UN – to initiate comprehensive reform processes (for example the UN80 Initiative). With agreements such as the UN Funding Compact, they and their member states are endeavouring to make their funding more reliable and flexible, while raising transparency and accountability. The aim is to boost confidence in the multilateral system.

In view of this challenging environment, the DEval evaluation of the BMZ's multilateral engagement (Heucher et al., 2025) contributes to transparency and accountability. It provides learning stimuli for future portfolio design, for the interplay between bilateral and multilateral DC, and for the implementation of the current BMZ strategy "Strong multilateral development policy for social justice worldwide" (2023).

Geared towards the OECD's evaluation criteria of relevance, coherence and efficiency, the project analyses the extent to which the BMZ implements its strategic priorities with the multilateral portfolio, and the extent to which bilateral and multilateral development cooperation are appropriately interlinked. Furthermore, an assessment of the available international scientific literature provides insights into the effectiveness of multilateral financing modalities (Ihl et al., 2025).

Methodology

The evaluation design comprises three complementary components:

- a portfolio analysis (consisting of descriptive statistics and a portfolio similarity analysis) to review the allocation of funds between 2011 and 2022 against the background of relevant multilateral BMZ strategies, and to compare the bilateral and multilateral distribution of funds;
- a systematic review for the structured summary of research findings on the effectiveness of multilateral financing modalities (see Box 1) and the identification of gaps in the evidence;
- a case study (consisting of a qualitative content analysis of interviews and documents as well as a social network analysis) in order to gain insight into the interplay of bilateral and multilateral development cooperation in a specific core area ("Life without Hunger") in Ethiopia. Factors that are conducive or obstructive to this interplay were also analysed.

Box 1 Multilateral financing modalities

In this evaluation, the BMZ's multilateral engagement comprises the **multilateral financing modalities** of core funding and earmarked contributions.

Core funding refers to mandatory contributions, voluntary contributions without earmarking, as well as capital increases and replenishments by bilateral donors, which are transferred directly to the budget of a multilateral organisation and used by the latter on its own responsibility within the framework of its mandate.

The term **earmarked contributions** refers to voluntary contributions by a donor country to a multilateral organisation which are earmarked for a specific purpose. The earmarking can be in four dimensions (topic, geography, institution and level) and can be tight or soft. Tight earmarking would be, for example, the promotion of the specific topic of 'teacher training', a soft one would be support for the topic of 'education'.

The role of the earmarked portfolio in relation to the bilateral portfolio is not adequately defined

With its earmarked multilateral portfolio, the BMZ promotes a wide range of topics, including social security, agriculture and forestry as well as economic infrastructure. However, a comparison of the multilateral BMZ strategies with the multilateral portfolio between 2014 and 2022 shows that thematic priorities correlating with the strategic priorities are hardly recognisable.

Similarly, a portfolio similarity analysis shows that the earmarked multilateral portfolio neither reinforces nor is complementary to the bilateral portfolio in terms of its thematic focus. This means that no topics of a similar kind are promoted; likewise, few different thematic priorities are set. As a result, there is a lack of a clear strategic direction here, too.

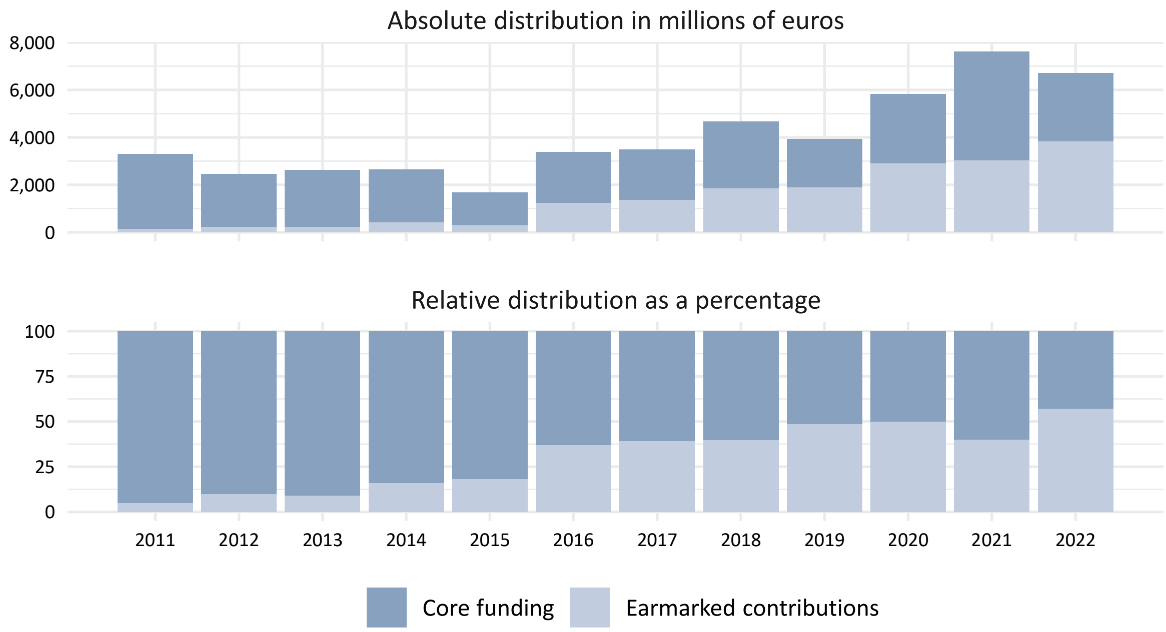
Interplay between bilateral and multilateral DC is challenging

An assessment of the BMZ's multilateral strategies in 2013, 2020 and 2023 shows that the Federal Ministry has long been endeavouring to interlink bilateral and multilateral DC. At the same time, a case study in Ethiopia illustrates that barriers – such as difficult-to-reconcile administrative processes of different actors, a lack of information about the activities of other organisations, or conflicting incentives – make interplay difficult even if there is a high degree of willingness among the parties involved. Not all of these obstacles can be addressed by the BMZ and German DC; multilateral organisations and other actors also have an important role to play in this context.

Multilateral engagement should be (further) designed in view of the advantages and disadvantages of different financing modalities

In the multilateral portfolio, the share of core funding decreases over the period under review (see Figure 1). Earmarked contributions, on the other hand, have been rising, especially since 2016, and made up the majority of the portfolio for the first time in 2022 at 3.8 billion euros.

Figure 1 Absolute and relative distribution of financing modalities in the BMZ's multilateral portfolio



Source: DEval, own visualisation based on OECD (2023), "Members' total use of the multilateral system", OECD.Stat (Dataset), https://stats.oecd.org/Index.aspx?DataSetCode=MULTISYSTEM.

The declining share of core funding in the multilateral BMZ portfolio has disadvantages, as this financing modality enables multilateral organisations to fulfil their mandates independently and to act flexibly. In the meantime, tightly earmarked contributions are associated with high transaction costs and restrict the ability of multilateral organisations to act (Ihl et al., 2025).

However, the portfolio analysis shows a positive development with regard to the most recent multilateral strategy of 2023: core funding is increasing for UN organisations which the BMZ defines as strategic priorities.

Recommendations

The BMZ should **define the strategic role of the earmarked portfolio** in relation to the bilateral portfolio in order to leverage the earmarked portfolio more as part of multilateral engagement.

Furthermore, it should **gear earmarked contributions more to the thematic portfolio of multilateral organisations.** In addition to core funding, this could promote a more efficient use of funds, strengthen the organisations' ability to act, and achieve the BMZ's own development policy goals.

In particular, **tight earmarking in the multilateral portfolio should be (further) reduced,** and the Federal Ministry should – where possible – focus on soft earmarking with the aim of improving the efficiency of the engagement.

In addition, the BMZ should **work towards stable core funding for UN organisations in line with the UN Funding Compact** in order to support multilateral organisations in fulfilling their mandates.

Finally, the evaluation recommends that the BMZ and the implementing organisations, the GIZ and the KfW Development Bank, should **clearly identify barriers that impede the interplay between bilateral and multilateral DC, and gradually contribute to their removal.** In this way, the interlinking of bilateral and multilateral development cooperation could be supported and potential for interplay put to good use.

Literature

Heucher, A., J. Ihl and I. Reinstädtler (2025), *The BMZ's Multilateral Engagement. Financing and Interplay,* German Institute for Development Evaluation (DEval), Bonn.

Ihl, J., R. Singh, I. Malandu Mukali, H. Hede Skagerlind and A. Heucher (2025), *The Effectiveness of Core and Earmarked Funding in Multilateral Development Cooperation – Systematic Review*, DEval Discussion Paper 2/2025, German Institute for Development Evaluation (DEval) and Expert Group for Aid Studies (EBA), Sweden and Bonn, Germany.

OECD (2025), *Cuts in Official Development Assistance: OECD Projections for 2025 and the Near Term*, Organisation for Economic Co-operation and Development, Paris.

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The German Institute for Development Evaluation (DEval) is mandated by the German Federal Ministry for Economic Cooperation and Development (BMZ) to independently analyse and assess German development interventions. Evaluation reports contribute to the transparency of development results and provide policy-makers with evidence and lessons learned, based on which they can shape and improve their development policies.

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