



Comments from the Federal Ministry for Economic Cooperation and Development on the DEval Evaluation Report: “The BMZ’s multilateral engagement”

Summary

The Federal Ministry for Economic Cooperation and Development (BMZ) welcomes the report “The BMZ’s multilateral engagement” submitted by the German Institute for Development Evaluation (DEval). The **aim** of the evaluation was to gain insights into how **the BMZ’s multilateral portfolio is structured**, how the BMZ uses the various **financing modalities** available and what **relationship** and interplay exists between multilateral and **bilateral activities**, thus providing a basis for evidence-based decision-making.

Based on the OECD/DAC evaluation criteria of relevance, coherence and efficiency, the evaluation focuses on how far the BMZ’s strategic priorities were reflected in its multilateral portfolio between **2014 and 2022**, how far its **bilateral development cooperation interlinks constructively with its multilateral development cooperation**, and to what extent various financing modalities were implemented efficiently.

Findings of the evaluation

The evaluation **concludes** that **multilateral development cooperation** makes an **essential contribution** to achieving the **Sustainable Development Goals** and protecting **global public goods**. In the context of the growing number of global crises, the multilateral system plays an increasingly important role. However, it is also currently under significant pressure due to various developments. Ensuring that individual multilateral organisations retain their **ability to operate efficiently** and **strengthening the**

multilateral system as a whole are therefore among the BMZ’s core goals. However, this cannot be achieved without adequate support from other relevant donors. DEval sees a **progression** in the BMZ’s multilateral development policy strategies from 2013, 2020 and 2023 **regarding the precise identification of targets and instruments**, for example when it comes to the strategic deployment of core contributions and earmarked contributions. However, DEval concludes that the BMZ’s choice of financing modalities has not been fully effective in contributing to its strategic goals. It considers the embedding of cross-cutting issues (gender and climate) to have been achieved for the most part.

The **BMZ’s multilateral portfolio reflects clear regional priorities**; those priorities serve to strengthen its bilateral portfolio, in particular when it comes to earmarked funds. In DEval’s view, better use could be made of the **potential that lies in the interplay between bilateral and multilateral cooperation**.

Relevance of the findings

The evaluation offers many findings that are of relevance to the BMZ with regard to shaping its multilateral development cooperation during the current legislative period. The start of this legislative period has coincided with the emerging prospect of fundamental changes to the multilateral system – which may result in greater readiness to implement reforms.

The evaluation period ends in 2022 and therefore **does not include the BMZ’s new 2023 multilateral strategy** and its implementation.

Against this backdrop, the BMZ particularly welcomes DEval's observations and recommendations regarding strategic focus and the interplay between bilateral and multilateral development cooperation. These support and underscore the guidelines set out in the strategy, which are already being implemented. The evaluation exclusively addresses the BMZ's portfolio, whose share in the multilateral portfolio of the federal government and the Länder has sunk from 90 per cent in 2011 to 58 per cent in 2022.

DEval recommendations and BMZ conclusions

DEval has issued **five recommendations** for the BMZ and its implementing organisations. The first two recommendations concern the targeted and **strategic focus of the earmarked multilateral portfolio** (in relation to the bilateral portfolio and the mandates of multilateral organisations). The third and fourth recommendations urge the BMZ to work towards **the most open possible financing** by reducing tight **earmarking** in favour of softer earmarking and ensuring **stable core funding for the UN system**. The fifth recommendation suggests that the BMZ and the implementing organisations GIZ and KfW work together in a structured way to identify **barriers to a good interplay between bilateral and multilateral cooperation** and gradually remove them.

The BMZ sees these recommendations by DEval **as an endorsement** of the **steps** it has taken to strengthen the strategic focus of multilateral activities and the interplay between bilateral and multilateral cooperation since adopting its **multilateral strategy** in 2023. The **BMZ will take these recommendations into account in its multilateral activities going forward**.

DEval recommends that the BMZ define more clearly the strategic role of its earmarked multilateral portfolio in relation to its bilateral portfolio (**recommendation 1**).

Further, DEval recommends that Germany work towards providing stable core funding for UN organisations in accordance with the UN Funding Compact, aligning (additional) earmarked

contributions more closely with the thematic portfolios of multilateral organisations, and ensuring earmarking is as soft as possible in order to lower transaction costs and increase organisations' capacity to act (**recommendations 4, 2 and 3**). **Recommendation 5** is aimed at the BMZ, GIZ and KfW. Key barriers to constructively interlinking bilateral and multilateral development cooperation need to be jointly identified in a structured way and removed in order to make better use of the potential offered by the interplay between bilateral and multilateral cooperation.

Strategic multilateral portfolio design

Recommendation 1: The BMZ **generally agrees with this recommendation**. The BMZ already takes a strategic approach to the allocation of resources in a multilateral context. However, a **clearer formulation** and communication of its **strategic portfolio design** in the area of multilateral cooperation could sharpen the focus in this new legislative period. Especially for outside observers, this could make the **strategic planning and allocation of multilateral funding clearer**, including as it relates to bilateral cooperation. Where the strategic allocation of earmarked multilateral funds requires fundamental changes to the German government's budgetary system, the BMZ is not the right recipient for this recommendation. Changes of this kind would need to be made in consensus with the German Federal Ministry of Finance and implemented across ministries.

The **BMZ agrees in part with recommendation 2** regarding a stronger alignment of earmarked funds with the thematic portfolios of multilateral organisations. The BMZ will continue to weigh up all development policy goals in order to find the best possible balance between strengthening multilateral organisations and their capacity to act, taking sectoral considerations into account and achieving other political goals – particularly in light of the prioritisation within its multilateral activities.

Multilateral financing modalities

Recommendation 3: The BMZ agrees with this recommendation, with the **qualification** that, firstly, **conflicting goals** need to be identified and resolved and, secondly, making soft earmarking the top priority would disproportionately restrict the BMZ in the political **flexibility** it requires. The BMZ generally strives for the softest possible earmarking. However, conflicting goals sometimes arise when other considerations mean there is a need for tighter earmarking. The BMZ will assess measures for further reducing the proportion of tightly earmarked funds and will specify what development policy factors can lead to tighter earmarking in order to create a transparent basis for decision-making.

Recommendation 4: The BMZ understands this recommendation to refer **only to the UN organisations** for which the **BMZ is the lead ministry within the German government**. The BMZ will continue to promote stable core funding within the scope of its available funds.

Based on this interpretation, the **BMZ agrees with this recommendation with the qualification** that the UN80 reform process, which has since begun, also needs to be taken into account in addition to the UN Funding Compact. Ultimately, stable and adequate core funding also depends on the financial commitments of other donors.

Interplay between bilateral and multilateral development cooperation

Recommendation 5: The BMZ agrees with this recommendation and will reach out to GIZ, KfW and multilateral organisations in order to jointly identify relevant barriers to the interlinking of bilateral and multilateral cooperation and – where feasible and useful – gradually remove them. To this end, the BMZ will combine findings – including those from this evaluation – identify

the most effective instruments and take appropriate measures (e.g. offering advisory services, encouraging cooperation within the donor community, presenting best practices).

The complete report *The BMZ's multilateral engagement. Financing and Interplay* is available for PDF download at <https://www.deval.org/en/publications>.

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