



Deutsches Institut für  
Entwicklungspolitik



German Development  
Institute

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# Multilateral development financing and the 2030 Agenda: Getting the right mix

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# 1. Why do we need multilaterals for the Agenda 2030?



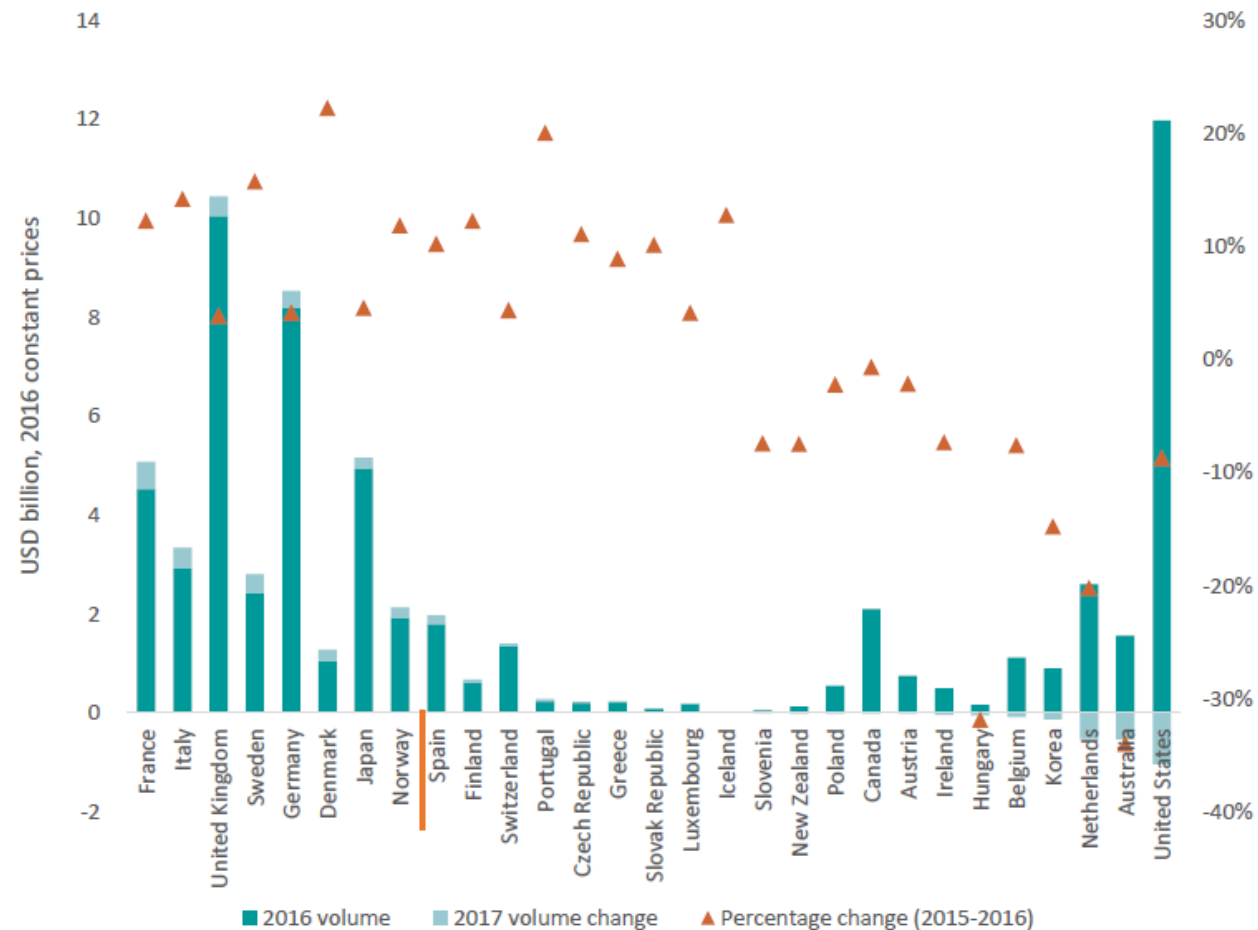
- Global challenges require global action. The SDGs provide a framework.
- Multilateral development organisations have unique assets: scope and scale, link of operational and normative work, convening power, trusted partners, knowledge...
- The world needs strong multilateral institutions grounded in universal norms and standards for upcoming challenges



Source: UN Photo Cia Pak



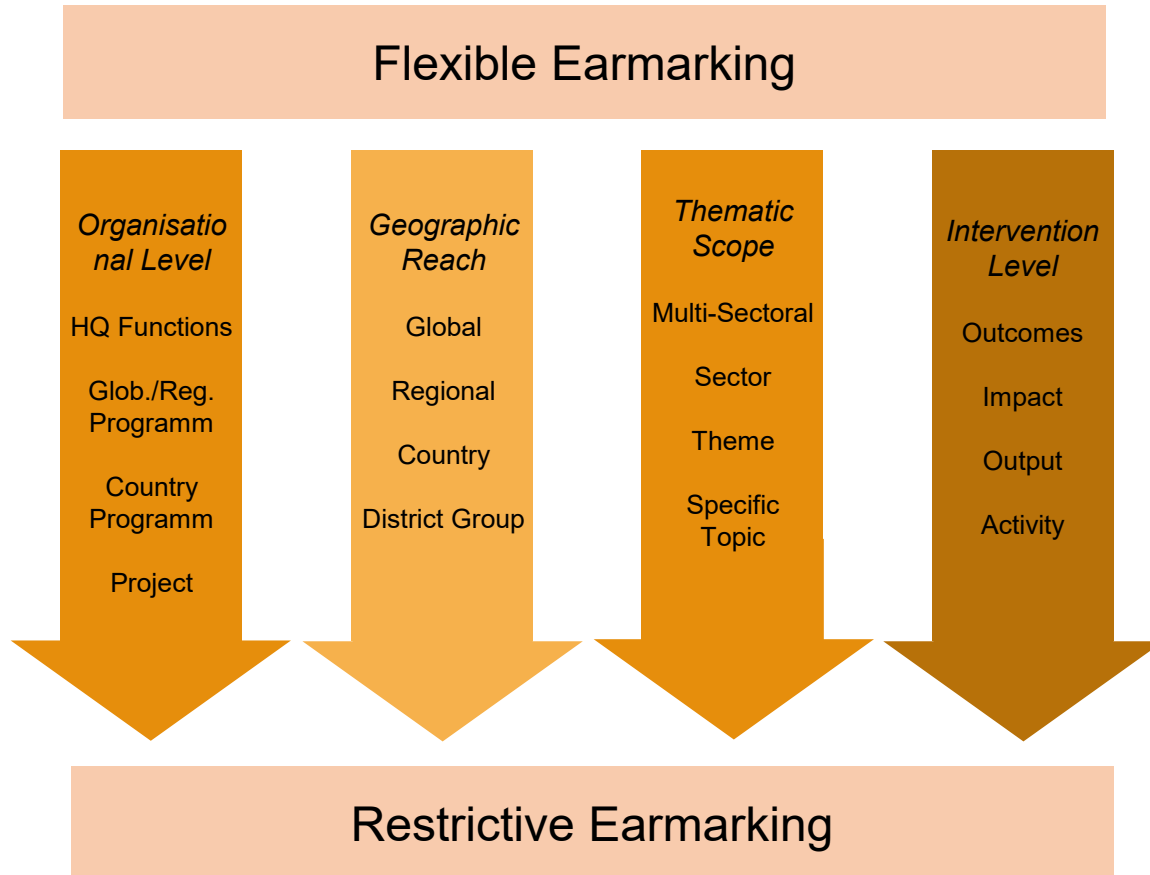
## 2. Earmarked funding to multilateral organisations continues to rise



Note: Countries are sorted by volume increase to the multilateral system

Source: OECD, updated from 2018 Multilateral finance report

### 3. There are many forms of earmarking



- ...some with generally more disruptive characteristics
- ...some with generally more conducive characteristics – and potential for catalytic SDG action

-> e.g. UN Pooled Funds

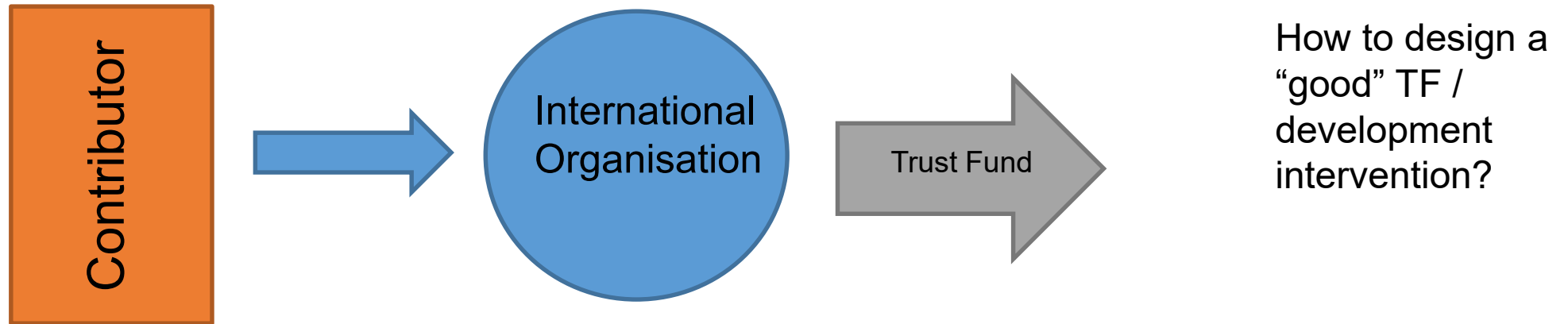
WB pooled funds / FIFs ?

How can we improve the effectiveness and efficiency of Trust funds, in achievement of the 2030 Agenda?



# **Effectiveness and efficiency gains and losses: Three perspectives**

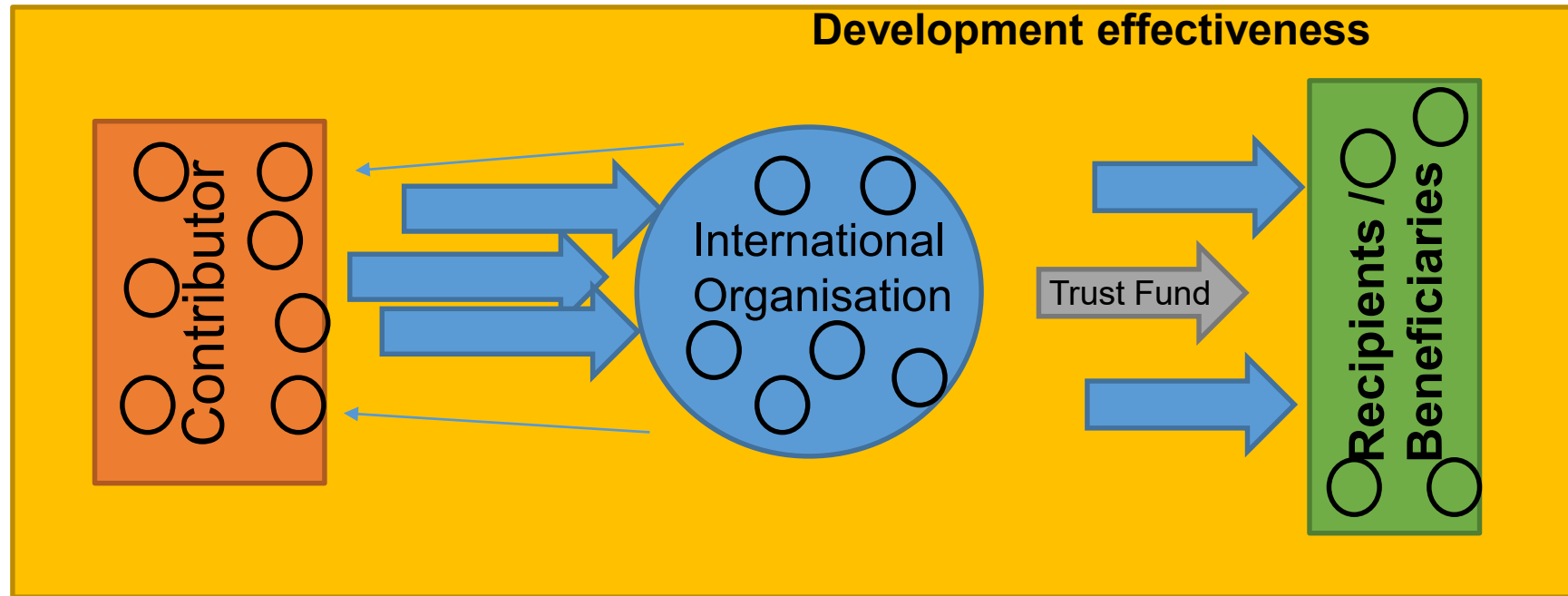
# 1. Perspective : Dyadic Relation



## Where to look for effectiveness and efficiency gains and losses?

- Sound design of **Trust Fund** (results framework etc) , also in light of SDGs (scale, scope, innovation, leveraging)
- **Contributor**: Administrative and policy capacities for co-design, technical and results monitoring
- **IO**: Administrative and policy capacities, alignment with overall mandate/portfolio/ country coordination framework, standardised approach to reporting etc., full cost recovery, more restrictive earmarking allowed within fund?

## 2. Perspective: Complex Setting

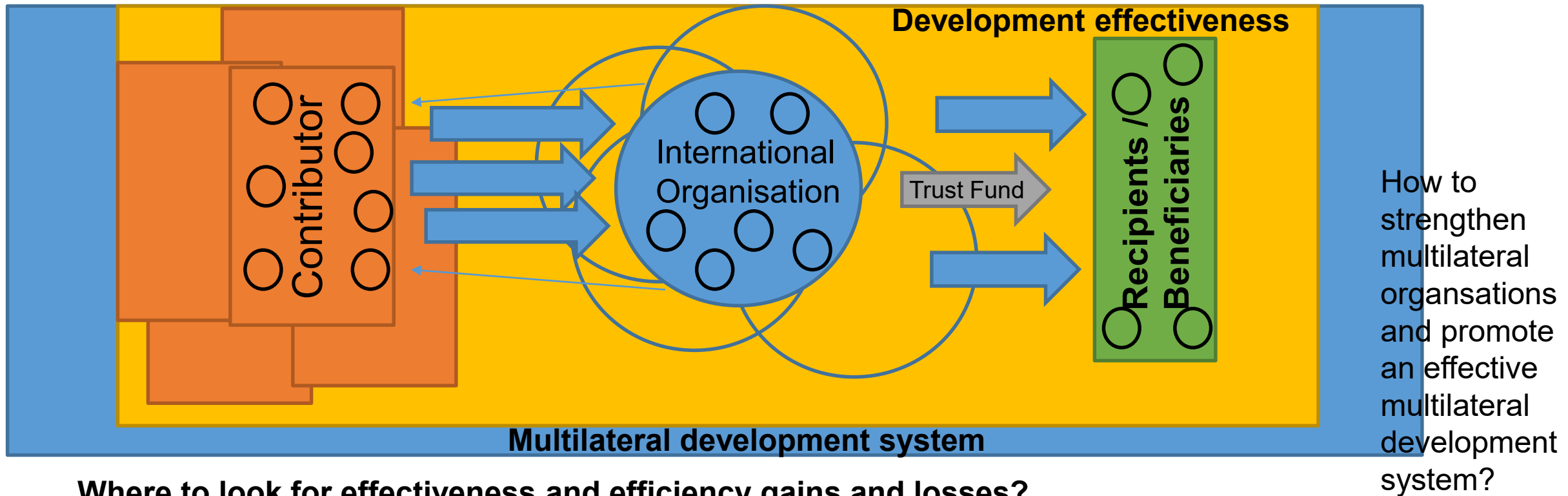


How to inform allocation decisions with aid & development effectiveness considerations and national thematic strategies in a complex setting?

### Where to look for effectiveness and efficiency gains and losses?

- **Contributor:** coordination, internal coherence: government-wide strategy for multilateral partner, thematic/country strategies, usage and contribution of evidence on TFs, fit with current IO reforms?
- **IO:** coordination, internal policy and administrative coherence (mandate fit, cost recovery),
- **Recipients:** Fit with national plans, ownership, predictability, mutual accountability etc.

### 3. Perspective: Hypercomplex setting



#### Where to look for effectiveness and efficiency gains and losses?

- **Donor:** Aspired division of labor between IOs, fit with overall funding mix, coordination with and impact on other (potential) contributors,
- **IO:** Fit with overall funding, underfunding/overfunding? furthering competition or cooperation, donor relations
- **Multilateralism:** Fragmentation or helpful competition? IO strengthened in core functions? IO can deliver?



# Conclusions and recommendations

- In order to define the right mix of multilateral development financing and increase effectiveness/efficiency, different concerns need to be taken into account and weighted – and inform many decision-makers
- It is about an active balancing of considerations:
  - for innovative and effective SDG-Funding
  - for domestic priorities, visibility and accountability
  - for development effectiveness concerns more broadly
  - for strong and principled multilateral development organisations and a well functioning multilateral system
- For more holistic approaches:
- Explore ways to better reconcile thematic and institutional considerations, as well working across organisations
- Narrow down data and knowledge-gaps on earmarked funding and its effects
- Explore how to better integrate earmarked funds into multilateral/institutional processes
- Be more transparent on transaction costs and factor them in when taking allocation decision

# Thank you!

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## 2. Positive effects of earmarking & earmarked instruments on UNDS

- **Earmarked funds have allowed UNDS to keep its overall share of ODS, thus **stay relevant** and enabled a broad expansion of activities**
- **Earmarking has pushed the UNDS towards greater transparency, accountability and innovation**
- **Close involvement of donors might amplify UNDS activities and provide support in difficult circumstances**
- **Pooled funding brings the system together**
- **Trust funds allow more risk-taking, help coordinate stakeholders at country-level.**



***It's about the “right” mix of funding***

# Other effects of two decades of high shares of earmarked funding



## On agencies

- Changes in staff composition (non-traditional contracts, consultants)
- Changes in staff competencies, decentralization
- Insufficient funding for multilateral core-functions

## On the way they work

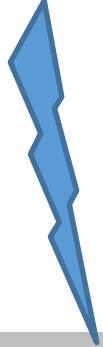
- Push for operational activities, service delivery
- Fragmented and piecemeal approach
- Administrative burden, inefficiencies
- Overlap and competition

## On development interventions

- Donor-driven and supply-oriented
- Insufficient alignment to national priorities and weak ownership
- Low-hanging fruits and tyranny of the urgent instead of transformative approach

## On multilateralism

- Bilateral interests undermine multilateral principles



**At odds with requirements of 2030 Agenda for transformative, collaborative and integrated actions at scale - and unique UNDS answers that are badly needed**