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THE EFFECTIVENESS OF CORE AND EARMARKED FUNDING IN MULTILATERAL DEVELOPMENT COOPERATION

Systematic Review

2025

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Abstract

Amid pressing global challenges, multilateral organisations are delivering a substantial and increasing part of official development assistance (ODA). Multilateral organisations receive funding from member states via two different financing modalities: core funding and earmarked funding, including trust funds. In these times of tightened spending and budgetary cuts, questions regarding the effectiveness of different financing modalities have become highly relevant. Yet, current research and policy discussions on these questions do not provide a clear overall picture, and empirical evidence on different financing modalities is scattered. Therefore, this systematic review analyses the state of knowledge on the effectiveness of core and earmarked funding. This entailed a systematic identification of literature that presents empirical evidence on the effectiveness of different financing modalities. Following a strict search process and quality assessment, 36 publications were included and analysed. The analysis draws on a nuanced, three-dimensional conceptualisation of effectiveness (covering “process”, “outcome” and “cost”) and three intervention levels (“project”, “organisation” and “system”). The review demonstrates, among other things, that core funding appears to be more effective than earmarked funding with regard to outcome effectiveness at the project level. Importantly, the review identifies several evidence gaps, primarily concerning the system level.

Keywords: core funding, earmarked funding, trust funds, financing modalities, effectiveness, multilateral organisations

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ABBREVIATIONS AND ACRONYMS

| | |
|---------------|--|
| DAC | Development Assistance Committee of the OECD |
| DEReC | DAC Evaluation Resource Centre |
| DEval | German Institute for Development Evaluation |
| EBA | Expert Group for Aid Studies |
| FAO | Food and Agriculture Organization of the United Nations |
| GPE | Global Partnership for Education Fund |
| GPEDC | Global Partnership for Effective Development Co-operation |
| HDI | Human Development Index |
| IBRD | International Bank for Reconstruction and Development |
| IOM | International Organization for Migration |
| IDA | International Development Association |
| IEG | Independent Evaluation Group of the World Bank |
| IFAD | International Fund for Agricultural Development |
| ILO | International Labour Organization |
| MDTF | Multi-donor trust fund |
| MOPAN | Multilateral Organisation Performance Assessment Framework |
| ODA | Official development assistance |
| ODF | Official development finance |
| OECD | Organisation for Economic Co-operation and Development |
| PICOS | Population, intervention, comparator, outcome and study design |
| SDGs | Sustainable Development Goals |
| SDTF | Single-donor trust fund |
| UN | United Nations |
| UNDP | United Nations Development Programme |
| UNEP | United Nations Environment Programme |
| UNFPA | United Nations Population Fund |
| UNHCR | United Nations High Commissioner for Refugees |
| UNICEF | United Nations International Children's Emergency Fund |
| WFP | United Nations World Food Programme |
| WHO | World Health Organization |

1. INTRODUCTION

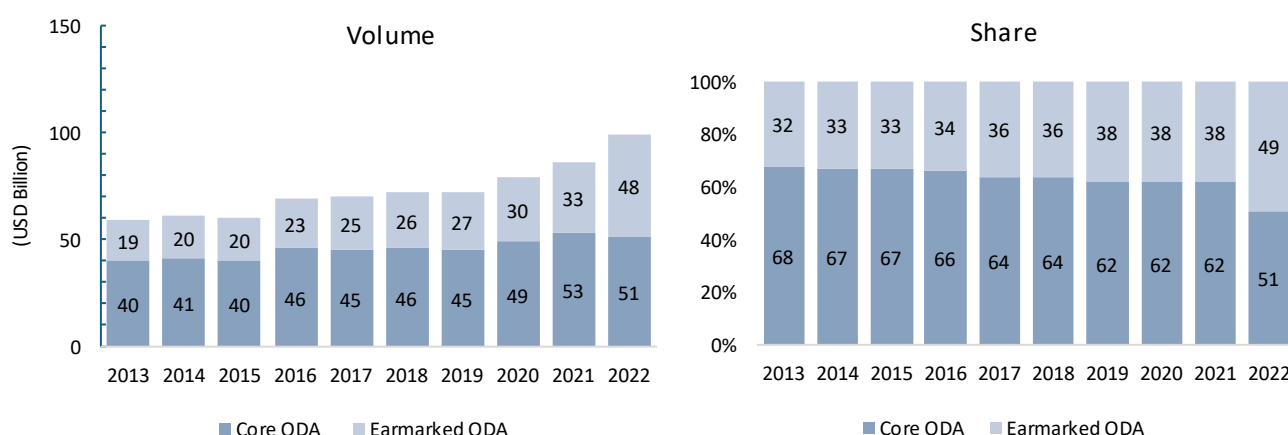
Multilateral organisations have a pivotal role to play in achieving the Sustainable Development Goals (SDGs), as shares of funding (inflows) to and financing by the multilateral development system (outflows) are continuously increasing (OECD, 2024a). Multilateral organisations address global challenges, such as international development, climate change, protection of human rights, and peace and security (OECD, 2024a). Importantly, member states use them as a channel for official development assistance (ODA).¹ Notably, the share of total ODA funding channelled from the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) countries to or through multilateral organisations rose from 37% in 2010 to 43% in 2022 (OECD, 2024a). Overall, multilateral organisations deliver almost two-thirds of official development finance (ODF) (OECD, 2024a). At the same time, the prospects for achieving the SDG targets set in 2015 are dim, with the mid-term results in 2023 painting a sobering picture. Alarming, half of the 140 evaluated targets show moderate or severe deviations from the desired trajectory, with over 30% showing no progress, or even regressing since 2015 (UN, 2023). According to the United Nations (UN), this is because of the ongoing challenges posed by climate change, biodiversity loss, pollution, and wars and conflicts, which have significantly hindered progress towards the SDG targets (UN, 2023). Additionally, the multilateral development system is currently under major pressure, particularly in light of recent cuts to US development aid budgets. Against this backdrop, the effectiveness of multilateral finance is a pressing issue.

There has been a shift towards providing earmarked funding to multilateral organisations in the past two decades (OECD, 2020a). Multilateral organisations receive financing in the form of core funding and earmarked funding. Core funding is incorporated into the financial assets of the multilateral organisation and allocated as deemed appropriate within the limits of their mandates. In other words, this funding goes directly into the budgets of multilateral organisations (OECD, 2024a). Earmarked funds, which include trust funds as a sub-form, are intended for a specific purpose. That is to say that funding is generally restricted to a certain project, region or country (OECD, 2022a; Reinsberg et al., 2024). In recent years, many bilateral donors have made greater use of earmarked contributions (OECD, 2024a).² Between 2013 and 2022, earmarked funding rose steadily in absolute terms, as well as in relation to core funding (from 32 to 49%). Meanwhile, although core funding has increased in absolute terms, it has declined in relative terms compared to earmarked funding (OECD, 2024a; OECD, 2024b) (see Figure 1). In this context, earmarking is often equated with the “bilateralisation” of multilateral organisations; one can also see it as the “multilateralisation” of otherwise bilateral resources (Baumann et al., 2020).

¹ ODA is a measure of donor effort, including grants and grant equivalents of concessional loans. ODA can be categorised as follows: (a) bilateral ODA flows to recipient countries; (b) multilateral ODA flows, which are core contributions to ODA-eligible multilateral organisations; (c) earmarked ODA channelled through multilateral organisations to a specific recipient; (d) other official flows; and (e) private flows originating in the donor country (OECD, 2024c).

ODF is a broader measure, which includes all official flows to developing countries, including: (a) bilateral ODA; (b) grants and concessional and non-concessional development loans from multilateral financial institutions; and (c) other official flows for development purposes (including refinancing loans) that have too small a grant element to qualify as ODA (UNESCWA, n.d.).

² At the same time, bilateral expenditure fell slightly between 2015 and 2020, while core contributions barely increased over the same period (OECD, 2024a).

Figure 1 DAC countries' core and earmarked ODA allocations

Source: DEval and EBA, own visualisation, using data from OECD (2024a, 2024b)

Note: Calculations are based on disbursements in 2022 constant prices (OECD, 2024a; OECD 2024b).

While core funding gives multilateral organisations more flexibility in how to allocate their resources, earmarking can be favourable for donors, as it allows them greater control over their funding and makes their contributions more visible. Core funding gives multilateral organisations flexibility to allocate resources based on strategic priorities and emerging needs (Dag Hammarskjöld Foundation and MPTFO, 2019; Gulrajani and Lundsgaarde, 2023). Conversely, earmarked funding, which is designated for specific sectors, regions, institutions or programme levels, provides donors with greater control and visibility over how their contributions are used (Reinsberg, 2017; Reinsberg et al., 2015). The increase in earmarked funding is due in part to many donors facing demands in their own countries to tighten spending and implement more inward-looking agendas (Baumann, 2020).

Various scholars and policy makers are currently debating the relative effectiveness of core versus earmarked funding, as well as the implications of the shift towards the increased use of earmarking. Discussions on how multilateral development cooperation can be made more effective and what role multilateral financing should play are ongoing (Lindoso and Hall, 2016; Michoud and Hafner, 2021; OECD, 2024a; Weinlich et al., 2020). This includes questions on whether core or earmarked financed projects are more effective (Heinzel et al., 2024; Heinzel and Reinsberg, 2024). The reasons for the shift to earmarking and the impact of increased earmarking on donors and multilateral organisations are also up for debate (Baumann et al., 2020; Eichenauer and Reinsberg, 2017; Schmid et al., 2021). Furthermore, researchers and policy makers are questioning how multilateral organisations can be financed in the most effective way (from the perspective of an individual donor as well as from a system perspective).

The existing literature does not provide a clear overall picture of the effectiveness of the different financing modalities. The effectiveness of multilateral development cooperation is already a broad subject, and the literature on it is scattered because it deals with different topics, such as different financing modalities or multilateral organisations. In addition, the extent to which effectiveness is centred as a topic varies. Furthermore, different methodologies are used. While many publications make references to or claims regarding effectiveness, actual empirical evidence on the effectiveness of different financing modalities is scarce. This also has a bearing on the quality and soundness of the existing studies' methodological design. As things stand, it is difficult to directly compare findings from different sources because they have different conceptualisations of "effectiveness", and the findings relate to different levels (project, organisation or system level).

This systematic review sheds light on evidence regarding the effectiveness of core and earmarked funding.³

It examines and synthesises the current state of research, with the primary research question being: ***What is the state of knowledge on the effectiveness of core and earmarked funding to multilateral organisations?*** We conceptualise the effectiveness of the financing modalities according to different effectiveness dimensions and intervention levels. Based on a structured literature search, quality assessment and detailed analysis, grounded in this multidimensional conceptualisation, this review seeks to provide a clear and comprehensive overview of the evidence and identify pertinent research gaps.

By shedding light on the empirical evidence, this discussion paper provides valuable insights for policy makers and researchers on the effectiveness of core and earmarked funding in multilateral development cooperation. Understanding the effectiveness of different financing modalities is crucial for maximising the impact of multilateral organisations and thereby fostering sustainable development. Therefore, this paper aims to inform stakeholders and decision makers in donor and partner countries and ministries, as well as in multilateral organisations about existing evidence to enable them to make evidence-based decisions. The review also provides guidance to academics by identifying pertinent research gaps in this field.

The discussion paper is structured as follows. Chapter 2 opens with a definition of the two financing modalities, core funding and earmarked funding, including trust funds. In the rest of Section 2.1, effectiveness is defined and operationalised. Then, Section 2.2 provides an overview of the systematic review's methodological process. Subsequently, Chapter 3 presents the results. This is followed by a discussion of the findings in Chapter 4 and finally a conclusion in Chapter 5.

³ On the part of the German Institute for Development Evaluation (Deutsches Evaluierungsinstitut der Entwicklungszusammenarbeit, DEval), this review has been carried out in the context of a wider DEval evaluation, “The BMZ’s Multilateral Engagement: Financing and Interplay” (Heucher et al., 2025), which analyses multilateral financing modalities, strategic portfolio design and the interplay of bilateral and multilateral development co-operation.

2. METHODOLOGY

This chapter first presents the conceptualisation of the systematic review including definitions of the financing modalities, the intervention levels and the effectiveness dimensions (Section 2.1). Then, the systematic review process is described (Section 2.2). Section 2.3 focuses on the limitations of the methodological design.

2.1 Conceptualisation

2.1.1 Definition of financing modalities

Member states finance multilateral organisations via two different financing modalities: core funding and earmarked funding.

Core funding refers to (a) mandatory and regular membership contributions, (b) non-earmarked voluntary contributions and (c) capital increases and replenishments (Dag Hammarskjöld Foundation and MPTFO, 2019; Gulrajani and Lundsgaarde, 2023; OECD, 2011). Core funding flows directly into the budget of a multilateral organisation and is used in accordance with its mandate – that is, in line with the standard business procedures of the multilateral organisation (Weinlich et al., 2020).

Earmarked funding is made on a voluntary basis, often through funds covered by separate agreements between the donor(s) and the multilateral organisation (Reinsberg et al., 2015). Contrary to core funding, earmarked funding is administered separately from the organisation's core assets, which is usually done by establishing separate agreements and accounts (Reinsberg et al., 2024). Earmarking⁴ can be either soft or tight, which means that funding can be tied to more or less strict conditions with regard to how funds are used (OECD, 2020b; Reinsberg et al., 2015). To a certain extent, earmarked funds are under the control of the bilateral donor (Reinsberg, 2017). Earmarked funding can be tied in four dimensions (see Table 1): topic, geography, institution and level (OECD, 2020b; Reinsberg et al., 2024). For instance, funds may be earmarked for a wide topic area (such as climate change) or for a concrete topic (such as responding to loss and damage due to climate change); they may also be tied to a region as a whole (such as Asia) or a single country (such as India), an entire sub-organisation or specific personnel, and a wider programme or an individual project (OECD, 2020b; Reinsberg et al., 2024).

Table 1 Degrees of earmarking

| Dimension | Degree | Soft earmarking | Tight earmarking |
|-------------|--------|------------------|----------------------------|
| | | | |
| Topic | | Topic area | Concrete topic |
| Geography | | Regional | Country-specific |
| Institution | | Sub-organisation | Institutional actor; staff |
| Level | | Programme | Project |

Source: DEval and EBA, own visualisation OECD (2020b) and Reinsberg et al. (2024)

⁴ The OECD defines these flows as bilateral contributions (OECD, 2022b).

Trust funds represent a sub-form of earmarking that has become increasingly common in multilateral financing (Weinlich et al., 2020). In multilateral development cooperation, trust funds are an important financial instrument for pooling and allocating funding for various purposes. Trust funds are usually pooled funds from several donors (though this is not always the case, as we will explain below). They have their own management systems but are part of multilateral organisations.⁵ As such, for each trust fund, the multilateral development bank and the donor(s) make agreements between themselves to specify the trust fund governance (usually consisting of the bank and donor) and the purposes of the fund (Weinlich et al., 2020). Donors' financing decisions for trust funds are made on a continuous basis; that is, the funds remain open for investment over a longer term (Weinlich et al., 2020).

Notably, there are differences between a single-donor trust fund (SDTF) and a multi-donor trust fund (MDTF). While an SDTF is only financed by one donor, an MDTF pools the resources of several donors. MDTFs are primarily used in humanitarian aid, while SDTFs generally support a development policy programme area (Weinlich et al., 2020). Since trust funds have their own management systems and often contain very large amounts of money⁶ (Reinsberg et al., 2015; Weinlich et al., 2020), they are considered separately from earmarked funds in this review. In addition, the academic literature typically treats trust funds as a distinct category. Therefore, we have generated specific findings on trust funds that are valuable for policy makers and academics.

2.1.2 Intervention levels

In our analysis, we differentiate between three intervention levels: project, organisation and system.

The project level refers to an individual development intervention implemented by a multilateral organisation with the purpose of achieving a development goal (Klingebiel, 2014). Studies exploring effectiveness at this level may investigate one or several projects, with a project constituting the unit of analysis.

The organisational level refers to a multilateral organisation. Multilateral development cooperation is conducted by various multilateral organisations, which receive funding from bilateral donors to implement interventions. Their mandates, tasks and sectoral or geographical orientation generally differ (Klingebiel, 2014). Studies exploring effectiveness at this level investigate one or several multilateral organisations as the main unit of analysis. Organisational effectiveness refers to how the performance of a multilateral organisation's projects affects the organisation's overarching performance (Gutner and Thompson, 2010).

The system level refers to the multilateral development system as a whole. The multilateral development system consists of a multitude of organisations, including UN organisations, the World Bank and regional development banks (OECD, 2024a). The system is massively diversified, both due to the large number of actors and the different financing modalities. This heterogeneity has further increased in recent years for two reasons. First, there has been a marked increase in the number of trust fund organisations (Besada and Kindornay, 2013).⁷ Second, the growth in earmarked funding has increased the fragmentation of contributions (OECD, 2022b). In our analysis, the entire "system" of multilateral development constitutes the third level. The system level relates to questions of overall governance and aggregate effects (OECD, 2024a).

⁵ For example, the World Bank establishes and manages trust funds to complement International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) financing. By managing a trust fund and holding the trust fund resources, the World Bank acts in a fiduciary capacity, in accordance with the terms of the trust fund agreement (WBG, 2023).

⁶ For example, 10.1 billion dollars were disbursed from trust funds within the World Bank in fiscal year 2024 (WBG, 2024a).

⁷ Large funds are defined as organisations – so-called pass-through organisations (Reinsberg et al., 2015).

2.1.3 Effectiveness dimensions

The systematic review explores the effectiveness of different multilateral financing modalities and highlights three effectiveness dimensions. Building on the academic literature on multilateral organisations, these three dimensions of effectiveness are process, outcome and cost.

The “process” effectiveness dimension encompasses the drivers behind effectiveness at the operational or managerial level, and considers the functionality of a multilateral organisation’s policies and procedures (Gutner and Thompson, 2010; Heinzl et al., 2023; Lall, 2023; Reinsberg and Siau Wijaya, 2024). Process effectiveness, also referred to as “performance”, refers to whether the given project is managed well and operates effectively (at the project level). At the organisational level, process effectiveness refers to the internal operations of multilateral organisations, and the efficiency and quality of their processes (Reinsberg and Siau Wijaya, 2024). Importantly, projects or organisations may function well but still be ineffective in terms of goal achievement due to external factors or circumstances (Gutner and Thompson, 2010; Lall, 2017). In this context, the Multilateral Organisation Performance Assessment Framework’s (MOPAN’s) assessments of the effectiveness of multilateral organisations are of pivotal importance. Finally, at the multilateral system level, this dimension refers to the way the system functions overall. This includes, for example, findings on the effective coordination and division of labour within the multilateral system, as well as internal and external factors that affect the effectiveness of the system.

The “outcome” dimension deals with the question of whether set goals have been achieved. For the project level, this entails the extent to which project objectives have been attained (Gutner and Thompson, 2010). For example, in the case of a vocational training programme, this might mean increased employment among project beneficiaries. At the organisational level, outcome effectiveness relates to specific multilateral organisations’ achievement of organisational goals that are related to their areas of work and mandates. It emphasises “an organisation’s ability to achieve agreed-upon objectives” (Gutner and Thompson, 2010: 231). Finally, at the system level, this dimension refers to the ability of the multilateral system to fulfil its tasks and achieve high-level development policy goals (IISD, 2023; UN, n.d.).

The “cost” dimension combines the process and the outcome dimensions, in that it asks whether the intended development outcomes were achieved at a reasonable cost and through efficient organisational or system-level processes (IEO, 2022; Lall, 2017). Cost effectiveness has been increasingly emphasised in international development policy and within academia, mostly at the project or programme level (Evans and Popova, 2016).⁸ At the project level, this entails asking whether the costs incurred are reasonable given the benefits (Kaplan, 2022; IEO, 2022). At the organisational level, cost effectiveness encompasses the operational results in their entirety in relation to the costs. Finally, at the system level, cost effectiveness refers to the achievement of development goals in relation to the costs of the multilateral system as a whole.

2.2 Systematic review process

To systematically analyse the state of knowledge on the effectiveness of different financing modalities, we conducted a systematic review. The purpose of a systematic review is to provide a structured overview of existing literature, including academic research and grey literature. It requires researchers to adopt a scientific, replicable and transparent approach while conducting literature searches based on predefined inclusion criteria and a quality assessment to answer the research question (Lasserson et al., 2024; Mengist et al., 2019). The inclusion criteria ensure that relevant publications are included in the review, and the quality assessment ensures that the included publications are subject to methodological robustness. The

⁸ The distinction between cost effectiveness and efficiency lies in their respective focuses. Cost effectiveness asks whether the desired outcomes are achieved at the lowest possible cost, whereas efficiency emphasises the cost–benefit ratio – in other words, how well resources (time, money, labour) are used to produce outputs (DIW ECON, 2025).

transparent and systematic procedures and predefined selection criteria help to minimise biases for the empirical sample in the study (Lasserson et al. 2024; Mengist et al. 2019; Shaheen et al., 2023).

Prior to conducting the review, a concept note was developed that contains information about the steps described below. The systematic review was conducted using the following five steps (Lasserson et al., 2024; Mengist et al., 2019):

1. A research question was developed and criteria for relevant publications were defined.
2. A search strategy containing guidelines for finding literature was developed and search strings were formulated.
3. Literature searches in various databases were made.
4. Publications were coded in MAXQDA according to a predefined code tree, reflecting the research question.
5. Coding outputs were analysed qualitatively according to the conceptualisation of effectiveness.

Step 1: Development of research question and criteria

The research question was formulated with the objective of including a comprehensive range of evidence on the effectiveness of different financing modalities (Thomas et al., 2024). The population, intervention, comparator, outcome and study design (PICOS) selection criteria (see Table 2) were then used to specify the research subject, delineate the focus of the review and identify relevant elements to consider when selecting publications for the research question (Methley et al., 2014; McKenzie et al., 2024).

Table 2 PICOS selection criteria

| Population | Intervention | Comparator | Outcome | Study design |
|---|---|------------------|--|--|
| Multilateral organisations in development cooperation | Multilateral organisations within development cooperation that are funded by core AND/OR earmarked funding AND/OR trust funds | N/A ⁹ | Effectiveness of core funding, earmarked funding and trust funds for multilateral organisations in development cooperation | Qualitative and quantitative designs, syntheses, meta-analyses and mixed-design approaches |

Source: DEval and EBA, own visualisation

⁹ The “comparator” aspect of the PICOS framework means that different interventions can be compared; for instance, a group that experienced an experimental intervention can be compared to a comparison group that was not exposed to the treatment. However, it is not necessary to define each component in the criteria (Thomas et al., 2024). In this review, the comparator criterion as used in medicine (treatment/no treatment) could not be applied. This would have meant, for instance, distinguishing “core funding” (treatment) from “no core funding” (no treatment), which is not possible in practice. In order to analyse the evidence on the relative effectiveness of core and earmarked funding, a sub-question was formulated.

The review includes literature published in English between 2005 and 2024.¹⁰ The assumption is that relevant literature published in other languages is (also) published in English.¹¹ The start of the study period marks the point at which the use of earmarking in development cooperation significantly increased (Lefebvre et al., 2024; OECD, 2022a; Reinsberg et al., 2015; Weinlich et al., 2020). The inclusion and exclusion criteria (see Table 7 in Annex) were developed to ensure that only relevant publications (which contribute to answering the research question) are included in the review. Furthermore, questions for a quality assessment were also defined to ensure that the included publications upheld high standards in terms of methodological robustness (see Annex 7.1) (Lasserson et al., 2024; Mengist et al., 2019). It is important to note that only empirical evidence was included in the review – that is, only results based on a sound methodological design were considered.

Step 2: Search strategy

The search strategy details which databases to explore for relevant publications and how to identify relevant literature for the review (Lefebvre et al., 2024; Mengist et al., 2019, see Annex 7.2). Search strings were developed to capture common concepts for core and earmarked funding, including trust funds,¹² used in the literature and by various multilateral organisations. The search strings for academic and grey literature varied (see Table 8 and Table 9 in the Annex) because of the different publication types and the various syntaxes of the databases.

Different databases were used to search for academic and grey literature. EBSCO and Scopus were used for identifying academic literature. The use of these two databases in tandem allowed us to avoid possible biases, which would have been a risk when using only one database (Martín-Martín et al., 2020). In addition, the high number of duplicates (see Figure 2) indicates that a significant proportion of the relevant literature is likely to be covered by these two databases. For grey literature, we used the publication pages of the DAC Evaluation Resource Centre (DEReC), Expert Group for Aid Studies (EBA), German Institute of Development and Sustainability (IDOS), Independent Evaluation Group of the World Bank (IEG), MOPAN, Overseas Development Institute (ODI) and International Initiative for Impact Evaluation (3ie). This ensured that literature sources that are not included in academic databases but that are still relevant were included (Paez, 2017). Overall, the chosen databases represent and capture a broad spectrum of publications, evaluations and reports from peer-reviewed journals, independent research institutes, UN organisations and the World Bank, as well as from bilateral donors and other development actors.

Step 3: Search process

Literature searches in the different databases were conducted based on the search strings specified in the search strategy. We recorded the search process with the help of a search protocol for replicability and transparency purposes (Lefebvre et al., 2024; Mengist et al., 2019) (see Table 10 in Annex). Initially, 4,427 publications were excluded due to being duplicates. A further 1,695 were excluded after screening the titles for relevance. The inclusion and exclusion criteria, as well as the quality assessment defined in Step 1, were applied to each individual publication by reading the abstract or summary. We excluded in total 160 publications for not meeting the inclusion criteria and the quality assessment; as such, they were regarded as irrelevant for the research question.

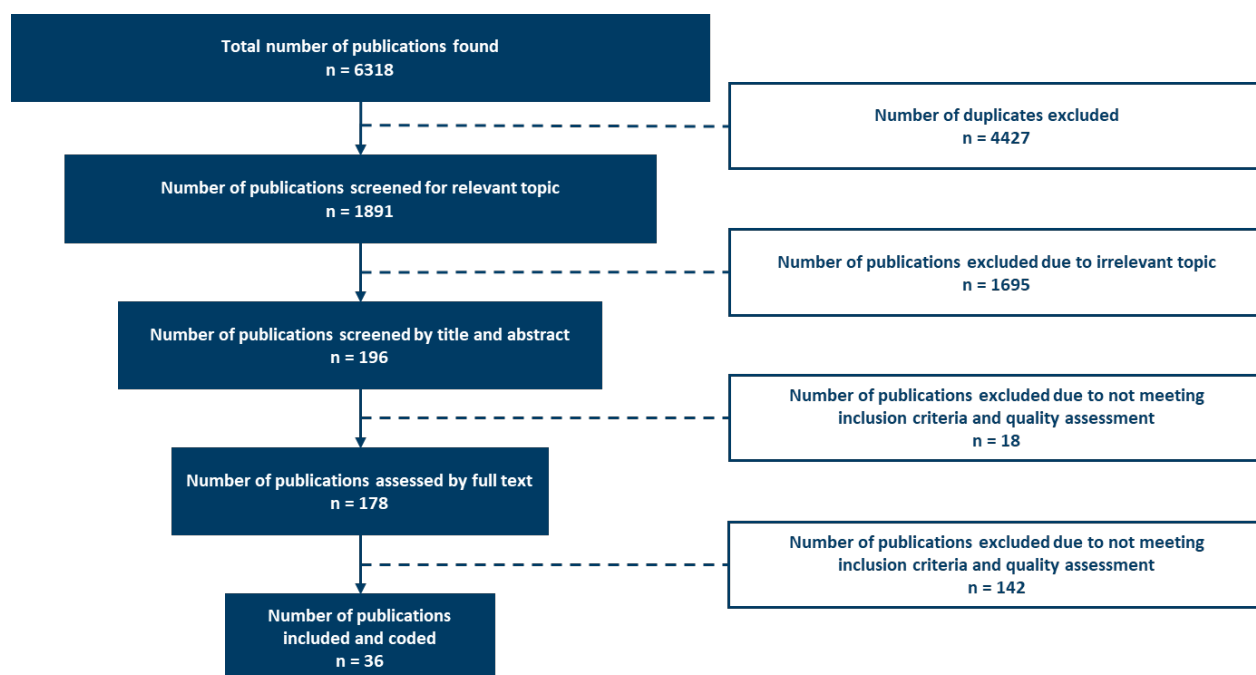
¹⁰ Specifically, this means 1 January 2005 to 30 April 2024.

¹¹ During the development of the search strategy, it was checked whether relevant sources were only available in German and Swedish. It was found that all literature sources were predominantly published exclusively in English and otherwise also in English. For the literature search, individual publications in German, French or Spanish could have been included, if they had abstracts in English and were identified as relevant during the literature search in accordance with the quality criteria. In the course of the review, however, it became apparent there was no need to take into account publications in other languages, thus reinforcing the assumption that all literature was available in English.

¹² The majority of the publications had a strong focus on UN organisations. To mitigate this, the search process also included literature searches for multilateral development banks. The following search strings were used: replenishments, global funds and capital increase/increase in capital. The searches were conducted in Google Scholar.

Figure 2 below illustrates the search process.

Figure 2 Selection process of the systematic review



Source: DEval and EBA, own visualisation

Step 4: Coding

The coding process is based on a predefined code tree, with specified codes and variables used to code the publications (see Table 11 in the Annex). The code tree reflects the research question, the conceptualisation of effectiveness and the intervention level, among other factors. It includes the following codes: financing modality (core, earmarked and trust fund), effectiveness dimensions (process, outcome and cost) and the intervention level at which effectiveness is measured or observed (project, organisation and system). In addition, it includes the following variables: multilateral organisation, study design (qualitative, quantitative or a mix), sample size (coverage of interventions analysed in the publication), academic or grey publication and time period covered in the study.

A total sample of 36 publications were coded and included in the review. To confirm that only original empirical evidence was included in the review, we ensured that the coded segments referred to original empirical results rather than referencing other publications, as these external sources had not been subject to the inclusion criteria and quality assessment.

Step 5: Analysis of coding outputs

We analysed 36 publications, based on the conceptualisation of effectiveness. Questions such as “What is the state of knowledge on the effectiveness of core funding, earmarked funding and trust funds?”, which were modified by the various effectiveness dimensions and intervention levels, guided the analysis and helped with synthesising the evidence for each financing modality (see Table 12 in the Annex).

2.3 Limitations

Even though systematic reviews are robust, transparent and structured, they have limitations. Despite using predefined criteria, it is possible that we inadvertently missed relevant publications and did not include them in the review. Due to resource constraints, only a selection of databases was used, which could imply that other publications existed in other databases and had been missed (see Section 2.2). However, the high number of duplicated publications (see Figure 2) indicates that the majority of relevant publications were identified using the selected databases. Nonetheless, to minimise these risks, two external experts in the research area were asked to cross-check the sample of included publications to ensure that relevant publications had not been omitted. After this external check, two publications were added to the review which met the inclusion criteria and the quality assessment.

Sample size and methodological robustness differ across publications, with implications for the quality of the evidence, which can make it difficult to determine how reliable the findings are (Shaheen et al., 2023). To circumvent these limitations, we used a quality assessment to determine the publications' methodological robustness. Only studies that passed the quality assessment were included.

The approach used to code and analyse the publications was detailed, yet information may have been missed. As described above, a code tree that captures codes and variables relevant for the research question and that also incorporates our conceptualisation of effectiveness was used to analyse the publications. Still, despite a rigorous coding scheme, information could have been missed due to human error.

3. ANALYSIS RESULTS

This chapter first presents an overview of the scope of the evidence base about each financing modality (core funding, earmarked funding and trust funds). Then, the results are structured according to the effectiveness dimensions: Section 3.1 focuses on process effectiveness, 3.2 on outcome effectiveness and 3.3 on cost effectiveness. Each section is also broken down by intervention level.

Core funding: 11¹³ out of 36 publications contain empirical evidence on the effectiveness of core funding for multilateral organisations. The empirical evidence is based on quantitative studies (n = 2) and studies combining qualitative and quantitative approaches (n = 9). The sample is dominated by studies exploring UN organisations (n = 7).

Earmarked funding: 21 out of 36 publications contain empirical evidence on the effectiveness of earmarked funding. The empirical evidence is based on quantitative studies (n = 4), qualitative studies (n = 3) and studies using mixed methods (n = 14). The sample is dominated by studies exploring UN organisations (n = 14).

Trust funds: 10 out of 36 publications contain empirical evidence on the effectiveness of trust funds. The evidence is based on quantitative studies (n = 2), qualitative studies (n = 3) and studies combining qualitative and quantitative approaches (n = 5). The sample is dominated by studies exploring UN organisations (n = 5).

3.1 Results – process effectiveness

Table 3 Distribution of literature on process effectiveness according to the financing modalities and intervention levels

| Financing modality | Project level | Organisational level | System level |
|--------------------|---------------|----------------------|--------------|
| Core funding | No evidence | 9 sources | No evidence |
| Earmarked funding | No evidence | 16 sources | 3 sources |
| Trust funds | No evidence | 7 sources | 3 sources |

Source: DEval and EBA, own visualisation

Note: Some sources provide evidence for more than one financing modality and intervention level, and are therefore counted more than once in the table. A total of 30 sources were considered when analysing the process dimension (see Table 13 in Annex).

3.1.1 Organisational level

At the organisational level, flexibility is described as an advantage of core funding, in contrast to earmarked funding. Schmid et al.'s (2021) study, based on 30 expert interviews¹⁴ with representatives of multilateral organisations, concludes that staff believe core funding allows organisations to work flexibly. This means that core funding enables multilateral organisations to work in a manner that fits their mandate; by contrast, this becomes more challenging with earmarked funding, because it has strict funding mechanisms and rules (Schmid et al., 2021).

¹³ This includes publications that were coded under the categories “Relative effectiveness of core and earmarked funding” and “Combination/when complementary”. See sub-questions for core funding in Table 12 in the Annex.

¹⁴ The authors interviewed representatives from three groups: staff of state ministries and parliaments of various donor states, staff of multilateral organisations, and independent experts and scholars. The authors conducted a trend analysis of core funding and earmarked funding to the United Nations Development Programme (UNDP) and the United Nations International Children's Emergency Fund (UNICEF) between 2003 and 2016, as well as assessing the effects of earmarked funding.

A MOPAN assessment of the International Labour Organization (ILO), covering the period 2015–16, which draws on internal documentation and interviews with staff members,¹⁵ identifies that core funding allows the ILO to respond strategically to development issues and needs. It also enables the organisation to overcome constraints connected to earmarked projects by offering increased flexibility (MOPAN, 2017c). An evaluation of the Swedish Country Programme Support to the United Nations Population Fund (UNFPA), UNICEF and UN Women suggests that this also applies to soft earmarking. The evaluation finds that the Swedish support, classified as soft earmarking, has enabled strategic and agile planning and use of funds by the UN organisations due to its longer-term and predictable character (Ljungman et al., 2022). Similarly, three MOPAN assessments – one of the World Health Organization (WHO) from 2019, one of the United Nations High Commissioner for Refugees (UNHCR) from 2024 and one of UNHCR from 2019 – conclude that earmarked funding and tightly earmarked funding have a negative impact on the organisations' flexibility. This is mainly because programme budgets cannot be used flexibly for other needs when they are earmarked to specific disease areas or regions. The assessments also state that earmarked funding makes the process of aligning funding with WHO's and UNHCR's priority areas more challenging (MOPAN, 2019b; 2019d; 2024). In their study of financial inflows to several UN organisations, based on document analysis, interviews and country visits, Migliorisi et al. (2012) argue that earmarked funding has a negative impact on multilateral organisations' ability to implement programmes flexibly and address organisational priorities.

Lower levels of core funding have resulted in a shift from long-term to short-term contracts for staff.

According to MOPAN, reductions in core funding have forced multilateral organisations to cut costs connected to permanent staff and concurrently increase temporary or short-term contracts (MOPAN, 2017d, 2017c). This creates management problems (MOPAN, 2017e). A study by Ege and Bauer (2017) supports these findings. Based on an analysis of financial and staff data from 15 UN agencies between 2002 and 2015, the authors show that earmarked contributions lead to an increase in staff. However, the more the organisation relies on earmarked funds, the more it reduces the proportion of employees on permanent contracts (Ege and Bauer, 2017).

There are indications that core funding stimulates collaboration between UN organisations. A study conducted by the Global Partnership for Effective Development Co-operation (GPEDC), based on interviews with different GPEDC partners (from the CSO Partnership for Development Effectiveness),¹⁶ suggests that core funding enables collaboration among UN organisations. Representatives of several multilateral organisations assert that adequate levels of core funding incentivise UN staff to work more collaboratively on thematic and country-level issues (Carrington et al., 2022).

Gavi and the Global Fund to Fight AIDS, Tuberculosis and Malaria have been shown to be effective organisations. A MOPAN assessment of Gavi, which draws on a survey¹⁷ concludes that Gavi has been highly effective in leading coordinated efforts to develop and supply vaccines at the global level, as well as in reducing vaccine costs through market-shaping strategies. These efforts have improved cost-effectiveness and resource efficiency. Gavi aligns well with national priorities, however, its impact at the country level has varied, especially in reaching populations that are vulnerable and live in remote areas (MOPAN, 2017a). Similarly, a MOPAN assessment of the Global Fund to Fight AIDS, Tuberculosis and Malaria – drawing on

¹⁵ The MOPAN assessment of ILO between 2015 and 2016 is based on a document review, survey, interviews and consultations. The survey yielded 234 responses drawn from 16 countries (Afghanistan, Brazil, Burkina Faso, Colombia, Haiti, India, Iraq, Liberia, Moldova, Mozambique, Nepal, Nigeria, Solomon Islands, Somalia, Tajikistan and Vietnam).

¹⁶ Partners that were interviewed for the study include representatives from countries (for example, Peru, Republic of Korea and United Kingdom), multilateral banks (for example, Inter-American Development Bank and World Bank Group) and UN organisations (for example, UNDP).

¹⁷ An online survey gathered 64 responses from stakeholders across 12 countries (Afghanistan, Burkina Faso, Haiti, India, Liberia, Moldova, Mozambique, Nepal, Nigeria, Solomon Islands, Tajikistan, and Vietnam), including representatives from donor agencies, national governments, UN agencies, and INGOs/NGOs. Additionally, interviews and consultations were conducted with 34 Gavi staff members at the organisation's headquarters in Geneva, Switzerland.

documents, surveys, and interviews¹⁸ — finds that the fund has internal systems and policies in place that support the efficient functioning of its operations (MOPAN 2017b).

While core funding offers more flexibility overall, there is also evidence that earmarked funding can give multilateral organisations more flexibility in crisis contexts. Migliorisi et al. (2012) assert that for humanitarian multilateral organisations – such as the UN World Food Programme (WFP) and the UNHCR, whose main tasks are to respond to emergencies through targeted resource mobilisation and response – earmarked funding is inherent to the organisation’s line of work and is therefore often sufficient. The fact that earmarked funds are relatively stable and predictable in this type of context also allows for strategic planning. In addition, trust funds have proved to be a flexible way for multilateral organisations to engage in situations where lending is not possible, such as emergencies, fragile and conflict-affected situations, or situations where access to funds from the International Development Association (IDA) or the International Bank of Reconstruction and Development (IBRD) is restricted (IEG, 2011; Tortora and Steensen, 2014).¹⁹

However, the overall unpredictability of earmarked funding constrains multilateral organisations’ capacity to plan and operate strategically. Based on qualitative case studies of the Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD) and WFP, Reinsberg asserts that earmarked funds reduce multilateral organisations’ process performance (Reinsberg, 2023). The unpredictability associated with earmarked funding poses a serious challenge for organisational planning and priority-setting, which has a negative impact on multilateral organisations’ wider process performance (Reinsberg, 2023). While the timing and amount of core funding are largely determined by the institutional environment, namely donor budget cycles (Schmid, Reitzenstein and Hall, 2021; MOPAN, 2021a, 2021b), timing varies considerably for earmarked funding: it can be provided at any time of the year and for any duration of time. Therefore, earmarked funding makes it more difficult for multilateral organisations to plan for longer time periods and pursue an organisational strategy, when compared with core funding (MOPAN, 2021a, 2021b; Schmid et al., 2021). This is further corroborated by several other MOPAN assessments, which affirm that insufficient levels of core funding impede multilateral organisations’ ability to make long-term plans, in accordance with their mandates. This in turn affects their ability to carry out their operational work and achieve organisational objectives (MOPAN, 2017d; 2017e; 2019c; 2020, 2024; 2019d), as it limits their financial flexibility (MOPAN, 2020). An overarching analysis of the extent to which earmarked funding affects the performance of international organisations was conducted by Reinsberg and Siau Wijaya (2024). Through a quantitative analysis of 64 MOPAN assessments, the authors show that earmarked funding is negatively associated with process performance (but not outcome performance). This result is not driven by differences such as organisational autonomy or the type of organisation (Reinsberg and Siau Wijaya, 2024).

Earmarked funding can cause operational fragmentation. Unpredictable earmarked funds often undermine organisations’ ability to achieve results (Reinsberg, 2023). For instance, unpredictable earmarking may indicate that there is scope for multilateral organisations to receive funding for an unexpected emergency. However, this means that other pressing development needs might receive less funding. This can cause operational fragmentation, have a negative impact on operational results and promote principally short-term interventions (Reinsberg, 2023). Notably, with the majority of its budget coming from earmarked contributions, the FAO faces challenges in ensuring that project funding is aligned with its own strategic objectives (MOPAN, 2019a).²⁰ Similarly, a MOPAN assessment of the International Organization for Migration

¹⁸ An online survey was carried out which received 56 responses from stakeholders across 14 countries (Afghanistan, Burkina Faso, Haiti, India, Iraq, Liberia, Moldova, Mozambique, Nepal, Nigeria, Solomon Islands, Somalia, Tajikistan, and Vietnam), including representatives from donor agencies, national governments, and both international and national NGOs. In addition, 32 interviews were conducted with Global Fund staff members.

¹⁹ It should be noted that findings about the flexibility of earmarked funding in crisis contexts are not derived from a direct comparison between earmarked funding and core funding.

²⁰ FAO has engaged in discussions about its strategic framework and is actively seeking to strengthen and realign this to ensure that earmarked funding is coherent with FAO’s strategy (MOPAN, 2019c).

(IOM), based on documents, an online survey and interviews²¹ concludes that the reliance on earmarked funding forces it to pursue short-term projects. Moreover, it limits the organisation's capacity to strategically allocate funding to operations in line with its mandate. Furthermore, IOM's reliance on earmarked funding also leads to underfunding of central functions and hampers long-term planning, including early warning and emergency preparedness (MOPAN, 2023b). A MOPAN assessment of the UN Environment Programme (UNEP), which is based on document reviews, an online survey and interviews²² also emphasises that the reliance on earmarked funding constrains the organisation's flexibility and ability to work towards its mandate (MOPAN 2021c).

Multilateral organisations with high levels of earmarked funds may need to use core funding to subsidise administrative costs for earmarked projects. Schmid et al. (2021) argue, based on interviews with representatives of various multilateral organisations, that multilateral organisations often need to use core funding to cover administrative costs for projects financed through earmarked contributions. According to staff, this occurs because donors typically provide insufficient funds to cover administrative expenses incurred by earmarked projects. As a result, multilateral organisations rely on their discretionary core funding to bridge the funding gap. This reduces the total share of core funding available for other needs, as it is redirected to support the earmarked project administration (Schmid et al., 2021; Tortora and Steensen, 2014).

Trust funds are associated with a lower administrative burden than other forms of earmarked funds for both donors and recipient countries. Trust funds often entail less administrative work for recipient countries compared with earmarked funding, as the recipient countries do not have to manage the administration of funds from several donors. Donors may also perceive trust funds as more efficient, since they involve less bureaucracy and remove the need to negotiate funding contracts (Weinlich et al., 2020). Tortora and Steensen (2014) argue, in their study based on quantitative data, a desk review and interviews with both donors and multilateral organisations,²³ that earmarked funding increases the administrative costs for both donors and multilateral organisations. In interviews, representatives of multilateral organisations raised the issue of high costs associated with administering earmarked funds as a concern. In line with this, Reinsberg (2023) argues, based on case studies of FAO, IFAD and WFP, that earmarked funding increases the administrative burden of multilateral organisations due to donor requirements. Regarding trust funds dedicated to addressing climate change, Reinsberg et al. (2020)²⁴ find that there are different results depending on the orientation of the funds: those dedicated for climate adaptation/disaster seem to be suitable due to their structure, as they provide a balance between flexibility, synergy potential and cost reduction as they are set up under an umbrella programme. By contrast, the authors question the co-existence of many trust funds that are dedicated to carbon (Reinsberg et al., 2020).

Trust funds are a growing proportion of the World Bank's portfolio; however, to a certain extent, trust funds elude the World Bank's procedural structures. The World Bank has established structures to ensure that all activities directly support the objectives and needs of the World Bank and its partner countries. However, some trust funds have been created outside of these structures. As a result, the World Bank has to balance trade-offs in its trust fund portfolio and procedures against the flexibility offered by this approach to partnerships. Notably, the World Bank usually adheres to a tightly regulated and planned strategy, but it may be inclined to establish trust funds that are responsive to member demands (MOPAN, 2017e).

²¹ 239 people responded to an online survey constituting a mix of representatives of bilateral donor governments, member states, recipient governing bodies, peer organisations and national and local implementing organisations. In total 59 interviews were conducted with IOM staff and external partners.

²² 334 people responded to an online survey. They were representatives of different donors, government, governing body (for instance the United Nations Environment Assembly, UNEA), other UN agencies and international financial institutions, NGOs, private sector, academia and research institutes.

²³ Semi-structured interviews were conducted with representatives of DAC members and multilateral organisations.

²⁴ This analysis is based on a document review, database analysis, interviews and case studies.

World Bank trust funds contribute more effectively to a country's capacity development when capacity development is a core objective of the trust fund and is delivered by the partner country. A World Bank evaluation²⁵ concludes that trust fund programmes that use their own internal structures for project implementation, rather than partner country systems, lead to less effective capacity building for partners (IEG, 2011).

3.1.2 System level

Earmarked funding can limit long-term impact and partner country ownership. A study by Weinlich et al. (2020), based on a literature review, analysis of policy documents and 187 semi-structured interviews with donor countries, bureaucracies and multilateral organisations,²⁶ reveals that earmarked funding to the UN is largely associated with short-term projects. It is also often accompanied by a lack of coordination in the UN system, which can undermine the effectiveness of the multilateral network. However, there is evidence that softly earmarked funds perform better in terms of efficiency, coordination and ownership. By contrast, tightly earmarked funds that are geared towards short project durations can undermine UN partners' ownership of the projects and ability to address complex problems in a sustainable way (Weinlich et al., 2020).²⁷ Based on interviews with national and local government representatives and donor agencies, Chasukwa and Banik (2019) find that earmarked funding channelled via the Constituency Development Fund intensified competition amongst central government and local leaders. This often resulted in projects being driven by political interests rather than community needs (Chasukwa and Banik, 2019).

Multilateral organisations seek strategic partnerships with donors to secure higher shares of core and flexible funding. Weinlich et al. (2020) also show that individual UN organisations want to collaborate more with donors to increase their influence, among other things. The organisations also actively encourage donors to distribute more flexible forms of funding. Other remedial measures include the Funding Compact, which includes all UN organisations and member states in the field of development. It aims to increase the UN's total number of contributors as well as the share of core contributions in order to provide more flexible funding. Among multilateral development organisations, the World Bank arguably has the most advanced approach to consolidating small trust funds into a programmatic umbrella structure. This improves management oversight and ensures strategic alignment with its priorities (Weinlich et al., 2020).

Trust funds are useful instruments for closing financing gaps in the multilateral system for certain countries and issues. According to a World Bank report, trust funds make it possible to promote innovative financing and governance arrangements (IEG, 2011). MOPAN's assessment of the World Bank from 2021–22 (focusing on IDA and IBRD) identifies that trust funds provide a predictable, multi-year source of funding for activities such as knowledge work, technical assistance, project preparation support, impact evaluations and institutional support for debt management (MOPAN, 2023). The MOPAN assessment also suggests that trust funds are good platforms for knowledge sharing and partnerships between donors, partner countries and other stakeholders at the global, regional and country level (MOPAN, 2023). This is also true for climate finance as Reinsberg et al. (2020) show in their study of climate change-related trust funds at the multilateral development banks.

Trust fund governance structures are subject to administrative rules and performance frameworks that encourage organisational staff to minimise outcome and fiduciary risks and maximise the efficiency and effectiveness of development cooperation. In their quantitative study of donor participation in trust funds,

²⁵ The evaluation reviewed 36 trust fund programmes and interviewed donors, recipient countries' governments, other stakeholders and World Bank staff.

²⁶ Donors include Germany, the United Kingdom, Sweden and the European Union (EU). Several different staff members from multilateral organisations and multilateral development banks were interviewed.

²⁷ Further information on the effect of umbrella programmes on the cost-effectiveness of the World Bank can be found in Section 3.3.2.

Dietrich et al. (2022) reveal that the World Bank's trust fund agreements include different financial accounting and outcome reporting frameworks based on specific indicators. Trust funds can also be used to minimise information asymmetries between donors and multilateral organisations. Moreover, Dietrich et al. (2022) affirm that trust funds have diverse organisational objectives and different time horizons, which are often overlooked in the literature.

3.2 Results – outcome effectiveness

Table 4 Distribution of literature on outcome effectiveness according to the financing modalities and intervention levels

| Financing modality | Project level | Organisational level | System level |
|--------------------|---------------|----------------------|--------------|
| Core funding | 2 sources | No evidence | No evidence |
| Earmarked funding | 2 sources | 1 source | No evidence |
| Trust funds | 2 sources | 2 sources | No evidence |

Source: DEval and EBA, own visualisation

Note: Some sources provide evidence for more than one financing modality and intervention level, and are therefore counted more than once in the table. A total of six sources were considered when analysing the outcome dimension (see Table 13 in Annex).

3.2.1 Project level

World Bank projects financed by trust funds are less effective than World Bank projects financed by core contributions. Using statistical analysis, Heinzl and Reinsberg (2024) investigate the effectiveness of different World Bank projects targeting economic development that are financed either through core funding or trust funds. Overall, the World Bank's projects had a positive effect on local economic development, which represented the central objective of the projects. However, the level of effectiveness varied depending on financing modality. Projects financed by core funding increased the total sum of economic activity by 3% and generated 10.3% economic growth, compared to a 1.6% increase in economic activity and 5.5% increase in economic growth as a result of projects financed by earmarked funds. The authors therefore conclude that donors should consider allocating a greater share of core funding to multilateral organisations, if the aim is to achieve development impact (Heinzl and Reinsberg, 2024).

The literature shows mixed results regarding the extent to which trust funds achieve effects at the outcome level. An IOB review of nine evaluations of global funds shows that funds pursue relevant objectives and achieve the intended outputs. However, there are weaknesses in achieving effects at the outcome and impact level (IOB, 2013). In contrast, an evaluation of the Global Partnership for Education Fund (GPE)²⁸ – based on a desk review and interviews – shows that overall, the targets of the fund are well met at output and outcome level (Zuijderduijn et al., 2020).

Projects relying to a greater extent on core funding mobilise less money overall for the same number of project objectives, but perform better in terms of outcome and impact (Heinzl et al., 2024). Heinzl et al. (2024) assess how the autonomy of multilateral organisations influences their performance, particularly when it comes to core funding. The results show, first, that UNDP projects which rely to a greater extent on core funding mobilise fewer resources for the same number of objectives. Second, outcome and impact performance (achievement of objectives and improvement of the subnational Human Development Index

²⁸ GPE is the largest fund for education in low-income countries (GPE, 2025). The fund is classified as earmarked funding in the Common Reporting Standard (CRS) of the OECD (OECD, 2024d).

[HDI]) increases when a project receives a larger share of core funding. Third, these results also generate different effects: The impact of projects with core funding on the subnational HDI is larger due to better outcomes, while earmarked resources only lead to small improvements in the subnational index. As UNDP is one of the most heavily earmarked multilateral organisations, the overall impact of UNDP is much smaller, as earmarked resources only lead to small improvements in the subnational index (Heinzel et al., 2024).

3.2.2 Organisational level

Earmarked funds can improve the outcome performance of multilateral organisations if they are targeted, properly managed and linked to core funding (Reinsberg, 2023). Outcome performance has been shown to improve, for instance, when there is a clear and purposeful division of tasks for the two financing modalities within an organisation: for example, core funding might be used for normative work and earmarked funding for country-level projects (Reinsberg, 2023). Therefore, earmarking can have a positive impact on the mainstreaming of cross-cutting issues at the organisational level. Earmarked funding can also encourage an organisation to prioritise issues that are within its mandate but that the organisation would not have pursued on its own, such as climate change (Reinsberg, 2023).

The effectiveness of the World Bank's trust funds is dependent on the number of donors and recipients (see Table 5). MDTFs that target several recipient countries achieve moderate results in terms of effectiveness, aid coordination and efficiency (IEG, 2011). However, they are most effective when dealing with one recipient country. SDTFs with one recipient country are also among the most effective, as they are better aligned with national needs. By contrast, they are least effective overall with several recipient countries (IEG, 2011). According to interviews with staff of multilateral organisations, SDTFs are more costly.²⁹ However, they can enable direct negotiations between donors and the multilateral organisation where the donors can have an influence on, for instance, the design of projects (Tortora and Steensen, 2014).

Table 5 Effectiveness of trust funds by the number of donors and recipient countries

| | Several donors | One donor |
|-----------------------------|----------------------|-----------------|
| Several recipient countries | Moderately effective | Least effective |
| One recipient country | Most effective | Most effective |

Source: Table created according to IEG (2011)

²⁹ However, the cost of SDTFs have not been compared to those of MDTFs.

3.3 Results – cost effectiveness

Table 6 Distribution of literature on cost effectiveness according to financing modalities and intervention levels

| Financing modality | Project level | Organisational level | System level |
|--------------------|---------------|----------------------|--------------|
| Core funding | No evidence | No evidence | No evidence |
| Earmarked funding | 1 source | 1 source | No evidence |
| Trust funds | No evidence | 1 source | No evidence |

Source: DEval and EBA, own visualisation

Note: A total of three sources were considered when analysing the cost dimension (see Table 13 in Annex).

3.3.1 Project level

Compared to core funding, earmarked funding weakens multilateral organisations’ ability to fulfil their mandates in a cost-efficient manner. Heinzl et al. (2023) conducted a study of projects run by the Asian Development Bank, the African Development Bank, the Caribbean Development Bank and the World Bank; in this, they relied on data on the performance of 7,571 projects between 1990 and 2020. According to the authors’ analysis, earmarked projects are around 1.5 times more expensive than core projects.³⁰ This is due to increased costs for supervision. The authors conclude that, under the same conditions, earmarked projects perform worse than comparable projects financed by core funding. For earmarked projects to achieve the same performance as core projects, donors and multilateral organisations will need to make larger financial investments (Heinzl et al., 2023).

3.3.2 Organisational level

UNDP and UNICEF consider the high transaction costs associated with earmarked funding to be a major disadvantage. Schmid et al.’s study (2021) concludes, based on interviews with various stakeholders,³¹ that high transaction costs are viewed as a problem with earmarked funding. In addition, earmarked funding requires extra time and human resources, as different teams in the organisations and focal points need to be involved in earmarked funding agreements (Schmid et al., 2021).

The World Bank’s ongoing trust fund reform has reduced the administrative costs for trust funds (MOPAN, 2023). The aim of the reform is for trust funds to be used strategically to complement the core financing of IBRD and IDA. As part of the reform, in 2019 the World Bank introduced “umbrella” programmes that combine trust funds on strategic topics. Each programme has a unified governance and management structure and a fixed results framework (MOPAN, 2023). According to the World Bank Group, the introduction of umbrella programmes has increased the overall flexibility and strategic focus of trust funds, all while reducing fragmentation and transaction costs (WBG, 2024b). The successful reduction of administrative costs for trust funds has been confirmed by a MOPAN assessment (2023). As recently as fiscal year 2019, 70% of the World Bank’s 529 trust funds accounted for 7% of total trust fund resources (MOPAN, 2023). The reform, alongside adjustments to the cost recovery framework for trust funds, has contributed to the World Bank’s ability to cover 90% of total costs for the administration of trust fund activities annually (MOPAN, 2023).

³⁰ Even though this finding relates rather loosely to cost effectiveness, it was included in this review due to the strong evidence base (a quantitative study with a sample of 7,571 projects) and its close connection to the research question.

³¹ A series of interviews were conducted with representatives of the ministries of several donor states, members of their parliaments, and staff members of multilateral organisations. In addition, independent experts and scholars were also consulted (Schmid et al., 2021).

4. DISCUSSION

This chapter analyses the main findings presented in Chapter 3, discusses the evidence base and highlights gaps.

4.1 Discussion of the main findings from the review

Overall, the evidence presented in the review points to core funding offering more advantages than earmarked funding and trust funds. The evidence highlights that core funding gives multilateral organisations greater flexibility compared to earmarked funding and trust funds. Core funding allows multilateral organisations to allocate resources at their discretion, based on organisational and development needs (MOPAN, 2017c; Schmid et al., 2021). Following on from this, greater flexibility also arguably enhances the efficiency and effectiveness of multilateral organisations' internal processes and procedures. By contrast, earmarked funding ties resources to predetermined, donor-driven purposes, limiting the multilateral organisation's ability to reallocate funds in response to urgent development or organisational needs. This restriction can hinder the multilateral organisation's capacity to adapt to changing priorities and limits its flexibility to use resources at its discretion. When multilateral organisations have greater control over how and where funding is allocated, this appears to make internal processes more efficient and thus increases organisational effectiveness. However, multilateral organisations having greater control over how funding is spent does not necessarily imply that they work in an efficient manner or achieve development goals. For instance, even if internal processes, such as organisational planning, are functioning well, it does not necessarily follow that the multilateral organisation is achieving its development goals in a project (Gutner and Thompson, 2010).

The review indicates that core funding is more effective than earmarked funding and trust funds when it comes to outcome effectiveness – that is, achieving set development goals. Projects relying on core funding mobilise less funding compared to earmarked projects. However, core projects outperform earmarked projects in terms of achieving stated intervention goals (Heinzel et al., 2024). This is also true for projects financed through trust funds (Heinzel and Reinsberg, 2024). In the case of the World Bank, trust fund projects are less effective than projects financed by core contributions. This implies that core projects are better at achieving development goals – and with greater cost-efficiency – than earmarked and trust fund projects (Heinzel et al., 2024; Heinzel and Reinsberg, 2024). It is important to note that bilateral projects implemented by donor countries could theoretically be less effective than projects financed through trust funds. However, this is not something that this review has analysed. To the best of our knowledge, there is no study that has compared the relative effectiveness of core funding, earmarked funding and trust funds with that of bilateral aid from donor countries.

Core funding is used to subsidise administrative costs for earmarked projects. Tortora and Steensen (2014) and Schmid et al. (2021) find, based on interviews with representatives from multilateral organisations, that multilateral organisations are obliged to use core funding to cover administrative costs for projects financed through earmarked contributions. Administrative costs are regulated by formal agreements or contracts between donors and multilateral organisations. However, Weinlich et al. (2020) argue that when projects are funded through earmarked contributions, multilateral organisations still have to rely on their institutional infrastructure, such as staff, facilities and administration, which is primarily funded by core contributions. In turn, this creates a financial gap, since the costs of running these institutions are not fully covered by earmarked funds. This can be attributed to two issues. First, donors put pressure on multilateral organisations to cut their administrative costs and are generally unwilling to cover large administrative costs (Weinlich et al., 2020; Schmid et al. 2021). However, on the other hand, Weinlich et al. (2020) affirm that multilateral organisations also deliberately reduce their administrative budgets to compete for earmarked funding, in the hope that this could in turn attract more donor funding, as they appear to be cost-efficient (Weinlich et al., 2020). As such, it could be argued that donors that distribute a larger share of core funding indirectly finance multilateral organisations' institutional infrastructure, which other donors that offer earmarked funding then benefit from. A harmonised cost recovery fee of 8% has been introduced to decrease administrative costs as well as competition among multilateral organisations. However, multilateral organisations' administrative costs vary greatly, making it difficult to maintain this harmonised rate (Weinlich et al., 2020).

There are indications that core funding stimulates collaboration between multilateral organisations on common thematic and country-level issues (Carrington et al., 2022). Since multilateral organisations have the flexibility to allocate core funding as they see fit, it may be easier to collaborate on core projects where there is, for example, a shared interest in certain thematic issues. By contrast, earmarked funding can hinder cooperation because of its specific requirements in terms of how funding is used (Carrington et al., 2022). This can make it difficult for different multilateral organisations to collaborate if they do not share the same sort of donor requirements. Nonetheless, donors could also choose to facilitate cooperation between multilateral organisations, if cooperation is one of their requirements for disbursing earmarked funding to multilateral organisations. Moreover, more competition among multilateral organisations resulting from an increase in earmarking does not necessarily have to be negative. It could, for instance, foster more results-driven and specialised multilateral organisations and, in turn, increase the effectiveness of the multilateral system. However, earmarked funding could also increase competition between different stakeholders, such as central and local representatives, which could lead to projects being driven by political interests rather than community needs (Chasukwa and Banik, 2019).

Nonetheless, the evidence also suggests that earmarked funding and trust funds can provide flexibility for multilateral organisations in certain conditions, namely crisis contexts, thereby enhancing organisational effectiveness (IEG, 2011; Migliorisi et al., 2012; Tortora and Steensen, 2014). Migliorisi et al. (2012) assert that for humanitarian multilateral organisations such as WFP and UNHCR, whose main tasks are to respond to emergencies through targeted resource mobilisation and response, earmarked funding is inherent to the organisation's line of work and can therefore be sufficient. The fact that earmarked funds have proven to be relatively stable and predictable in these contexts facilitates strategic planning. Furthermore, earmarked funding can also encourage an organisation to prioritise issues that lie within its mandate but that the organisation would not have pursued on its own, such as climate change (Reinsberg, 2023). Therefore, it can be argued that flexibility depends on the predictability of funding and alignment with the given multilateral organisation's priorities, as well as the organisation's capacity to operate effectively in its specialised area. Additionally, trust funds, particularly MDTFs, have proven to be flexible tools that enable multilateral organisations to respond in crisis situations where traditional loans are not available (IEG, 2011; Tortora and Steensen, 2014).

Still, the overall unpredictability of earmarked funding constrains planning and priority-setting for multilateral organisations, unlike core funding, which follows regular donor budget cycles. Overall, earmarked funding is negatively associated with process performance (Reinsberg and Siauwijaya, 2024). The irregularity of earmarked funding hinders long-term planning, strategic alignment and internal efficiency, negatively affecting overall organisational performance (MOPAN, 2021a, 2021b, 2023b, 2021c; Reinsberg, 2023; Schmid et al., 2021). Additionally, coordinating diverse donor requirements increases the administrative burden and supervision costs, further straining earmarked resources when compared with core funding (Heinzel et al., 2023; Reinsberg, 2023). When managing multiple earmarked projects, it becomes challenging for multilateral organisations to align donor expectations with their mandates, undermining their ability to achieve organisational goals and leading to operational fragmentation (Heinzel et al., 2023; Reinsberg, 2023). Earmarked funding thus appears to impede multilateral organisations' capacity to work in a (cost-)efficient manner, which in turn has a negative impact on their overall effectiveness.

The review suggests that softly earmarked funds are more likely to enhance efficiency, foster better coordination and strengthen the sense of ownership among UN organisations than tightly earmarked funds. Tightly earmarked funds are often tied to short-term initiatives, which can undermine partner ownership and limit long-term impact (Weinlich et al., 2020; Ljungman et al., 2022; MOPAN 2023b). Therefore, earmarked funding arguably becomes more effective when it loosens its restrictions on how a multilateral organisation can use the funding. This corroborates the statement made above: when multilateral organisations have greater control over how funding is used, this can increase organisational efficiency.

Trust funds can decrease the administrative burden for both multilateral organisations and donors. By using trust funds, multilateral organisations and donors avoid the need to negotiate several different contracts. In addition, the multilateral organisation has fewer donor requirements to consider, which lowers the administrative burden for both the multilateral organisation and donor(s) (Weinlich et al., 2020). Less

administrative work for the multilateral organisation has several positive knock-on effects: it leads to smoother and more coherent processes, which can have a positive impact on the multilateral organisation's internal process efficiency, which overall makes the organisation more effective. In addition, trust funds targeting one recipient country have been shown to perform better than trust funds targeting several recipient countries. Furthermore, SDTFs with one recipient country are better aligned with national needs compared to trust funds that receive funding from multiple countries (IEG, 2011). An SDTF's mandate and the donor's requirements are also more likely to be aligned, enabling the fund to work more efficiently. This could be due to the fact that SDTFs have fewer donor demands and requirements to adhere to, making them more effective than a trust fund that has multiple donors.

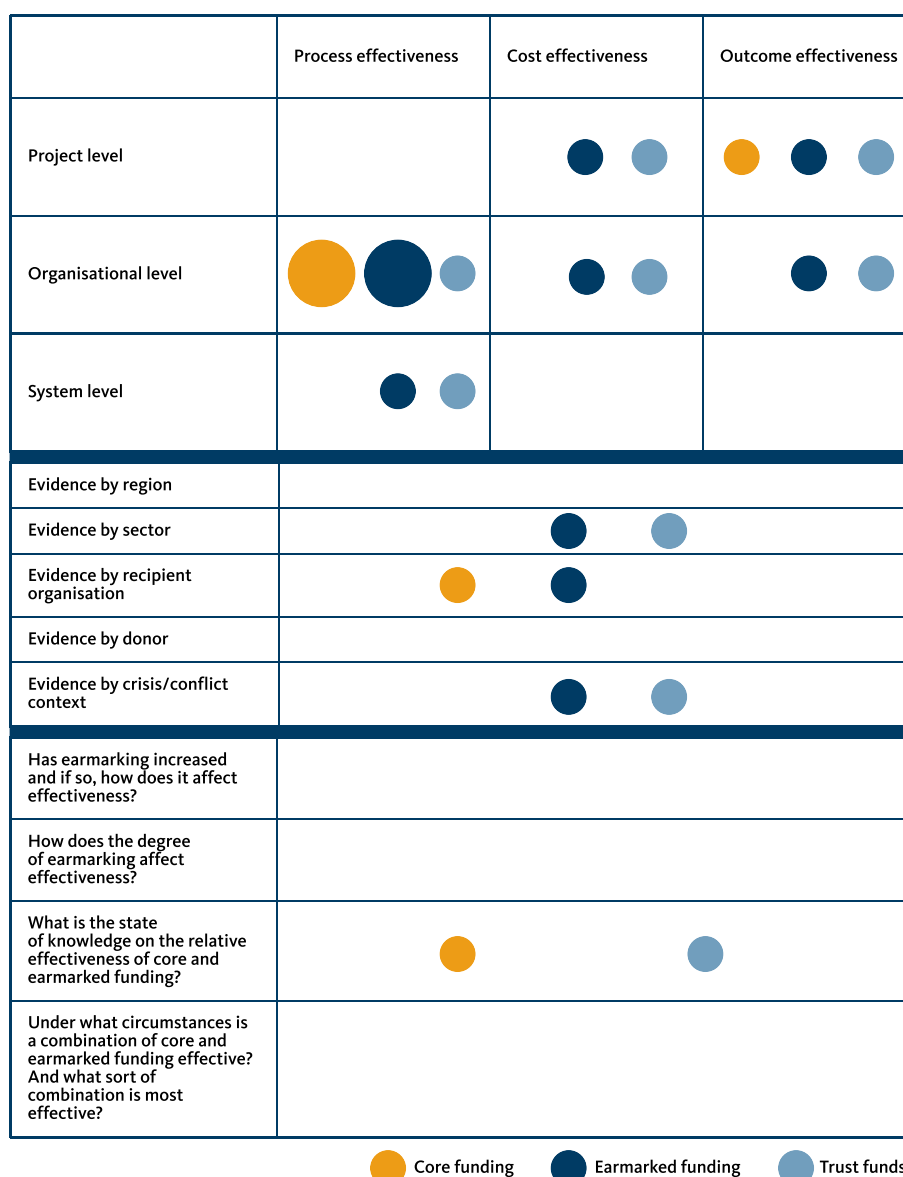
4.2 Evidence base and evidence gaps

The evidence base varies considerably across the effectiveness dimensions and levels of intervention, with the greatest amount of evidence being available on process effectiveness at the organisational level. There are fewer but nevertheless empirically strong results regarding cost effectiveness and outcome effectiveness at the project and organisational level.

The evidence base for earmarked funding (including trust funds) is larger than for core funding. The causes of this discrepancy remain unclear. A possible reason could be that donors have incentives, due to accountability concerns, to learn about the effectiveness of interventions they have financed. Another reason could be that the effects of tightly earmarked funds – which often occur at the project level with well-defined interventions and shorter timelines (see Sections 3.1.1 and 3.1.2) – are easier to measure than those of core contributions. It is also conceivable that there is a more competition for earmarked funds among multilateral organisations, resulting in the generation of more evidence.

Despite our broadly formulated research question, we consider the number of studies containing empirical evidence on the effectiveness on different financing modalities to be low. While there was a large number of publications at the outset, their number was significantly reduced when the inclusion criteria and quality assessment were applied (see Figure 2). Most importantly, very few studies contained actual empirical evidence regarding the effectiveness of different financing modalities. Despite the scope of the review's research question and its political significance (due to the high volume of multilateral development funding), relatively few researchers empirically study the topic, which we find surprising. The exact reasons for this limited evidence base remain unclear. It may be that the effectiveness of different financing modalities is a relatively new subject of research.

Evidence gaps exist primarily at the system level (see Figure 3). We have primarily identified evidence gaps when it comes to (1) process effectiveness at the project level and (2) outcome and cost effectiveness at the system level. Evidence gaps at the system level almost certainly exist because of methodological difficulties in measuring the effectiveness of or influences on the entire multilateral system. It has also become apparent that the available results concerning process effectiveness at the system level deal with empirical evidence on a subordinate level (for example, exploring how trust funds act as an instrument to close financing gaps in the multilateral system). However, these offer fewer revelations as to what extent and exactly how the effectiveness of the whole system is influenced by the financing modality.

Figure 3 Evidence gap map

Source: DEval and EBA, own visualisation

There is a paucity of evidence regarding the relative effectiveness of core and earmarked funding. Only one publication presents evidence on the sub-questions (see Section 3.2.1) regarding the state of knowledge on the relative effectiveness of trust funds and core funding (Heinzel and Reinsberg, 2024).

Evidence gaps exist concerning potential variations in the effectiveness of financing modalities across different regions, countries or sectors (see Figure 3). A differentiated analysis according to specific categories (such as by region, sector, donor and crisis/conflict context) is not possible, as the evidence base is not large enough. Further research in this area would benefit policy makers, as it would enable them to take more evidence-based decisions on whether to provide funding to an organisation as core or earmarked funding.

There is no empirical evidence on policy-relevant aspects, such as the effect of an increasing earmarked share on effectiveness. Further evidence gaps include how the degree of earmarking affects effectiveness; under what circumstances a combination of core and earmarked funding is effective and what sort of combination is most effective.

5. CONCLUSION

What do the findings mean for the multilateral system? This review set out to answer the following research question: what is the state of knowledge on the effectiveness of core and earmarked funding to multilateral organisations? Our analysis demonstrates that the number of studies containing empirical evidence on the effectiveness of different financing modalities is limited. Saying this, while the evidence base is limited and also scattered across different effectiveness dimensions and intervention levels, the evidence presented in this review points to key advantages of core funding compared with earmarked funding and trust funds. Overall, the existing evidence indicates that core funding is more effective than earmarked funding and trust funds. More specifically, core funding appears to be more effective at the organisational and project level compared to the other financing modalities. Core funding gives multilateral organisations greater autonomy, and its predictability also enables strategic and long-term planning, which can increase organisational effectiveness. Nonetheless, the evidence also suggests that, under certain conditions, earmarked funding and trust funds can provide multilateral organisations with flexibility in crisis contexts. The review also shows that softer forms of earmarking, as opposed to tight earmarking, can increase organisational effectiveness. In addition, trust funds can lower the administrative burden for both donors and multilateral organisations. Still, core funding appears to be a more effective financing modality than earmarked funding, especially from the multilateral organisation's point of view – but more empirical evidence is needed to establish correlations and causalities for the effectiveness of different financing modalities.

What should researchers focus on going forward? While there are existing studies on the effectiveness of core and earmarked funding, the review demonstrates that empirical evidence is missing – and also highlights where the biggest gaps lie. Going forward, researchers should focus on the differences between the financing modalities (for example, the different impacts they bring about or the different ways they are managed in multilateral organisations), why a certain financing modality is more effective than another and under what circumstances (that is, country, sector, context and multilateral organisation). These were some of the questions that this review could not answer. In addition, we noted several evidence gaps at the system level, which suggests there is a need for more research in this area. Furthermore, this review did not cover aspects such as incentives for donor countries to distribute a certain type of funding. This could be an interesting avenue to develop a deeper understanding of the motives and drivers behind donor funding. Moreover, further research could shed light on the advantages and disadvantages of different financing modalities from various stakeholder perspectives (for example donors, multilateral organisations and especially partner countries), which would contribute to increasing our understanding of the effectiveness as well as advantages and disadvantages of different financing modalities.

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7. ANNEX

7.1 Step 1: Development of research question and criteria

Table 7 Inclusion and exclusion criteria

| Inclusion criteria | Exclusion criteria |
|---|--|
| Relevant subject (population) Multilateral organisations in development cooperation | Irrelevant subject (population) Evidence on other types of organisations that are not multilateral organisations within development cooperation |
| Relevant interventions Core funding (assessed core funding, voluntary funding, replenishments, capital increase) AND/OR Earmarked funding (tied funding or untied funding if channelled through pass-through organisations) AND/OR Trust funds (including both core and earmarked trust funds) Including different types of funds (such as global funds, trust funds, etc.), regardless of whether they are funded by core or earmarked funds | Irrelevant interventions Not core funding Not earmarked funding Not trust funds Multilateral development cooperation interventions not clearly funded via core funding, earmarked funding or trust funds Multilateral development cooperation interventions that do not have a clear funding source Bilateral development cooperation interventions |
| Relevant outcome Core funding is (not) effective across the various effectiveness dimensions (process, cost and/or outcome) and intervention levels (project, organisation and/or system level) Earmarked funding is (not) effective across the various effectiveness dimensions (process, cost and/or outcome) and intervention levels (project, organisation and/or system level) Trust funds are (not) effective across the various effectiveness dimensions (process, cost and/or outcome) and intervention levels (project, organisation and/or system level) A core intervention is more effective than an earmarked and/or trust fund intervention (or vice versa) across the various effectiveness dimensions (process, cost and/or outcome) and intervention levels (project, organisation and/or system level) | Irrelevant outcome / |

| Inclusion criteria | Exclusion criteria |
|---|--|
| Relevant study design Qualitative and quantitative designs, syntheses, meta-analyses ³² All countries/regions Literature in English; individual studies in German, French and Spanish could be added if found during the literature search | Irrelevant study design Ongoing studies Unpublished data Descriptive studies Studies lacking a methodology or design Other languages than those mentioned in the left column |

Source: DEval and EBA, own visualisation

Quality assessment

The quality assessment ensured that all publications included in the review meet methodological criteria concerning validity and reliability (Shaheen et al., 2023). The validity criteria ask whether the measures used in the study are appropriate for what the publication intends to measure and how well they do so. The reliability criteria question whether the measurement used in a study yields consistent results over time – in other words, if the same research were to be conducted again under the same conditions, it should lead to similar outcomes (Mohajan, 2017). Only studies that passed the quality assessment were included in the review. The quality assessment was guided by the questions below.

1. Validity:

- Are the research design, method(s) and empirical material transparently described?
- Do the results of the study address the research question?
- Are the findings based on empirical evidence from the publication included in the review?

2. Reliability:

- Based on the research design and method, how reliable are the findings?

7.2 Step 2: Search strategy

Due to the databases' different specifications and how search strings can be used, the search strategy was individually adapted to the academic and grey databases. Therefore, the search strings for the two types of literature are presented in two separate tables, Table 8 and Table 9 below. We used Boolean operations which describe a relationship between keywords in a search string and contain operators such as "AND", "OR" and "NOT". Combining these operators in a search either yields a broad or narrow search, depending on the purpose. The operator "AND" in a search term – for instance "core funding" AND "effectiveness" – ensures that all searches include the words core funding and effectiveness (Shaheen et al., 2023; Jahan et al., 2016).

Search process – academic literature

Table 8 shows the search strings for academic literature. These search strings were used in the EBSCO and Scopus databases, with some minor adjustments depending on the individual search syntax rules of the respective database.

³² This may include grey literature which was not subject of a traditional academic peer-review process. Examples are reports, discussion papers, briefings, guides, conference papers, submissions, evaluations, working papers, theses, blogs and social media, procedures, and policies (Adams et al., 2016; Lawrence et al., 2014). These were included if they passed the quality assessment.

Table 8 Search strings for academic literature

| | English |
|--------------|---|
| Core funding | <p>multilateral OR international AND assessed contribution OR core contribution OR non*earmarked contribution OR regular contribution OR voluntary contribution OR voluntary core contribution OR un*earmarked contribution OR unearmarked contribution AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> <p>multilateral OR international AND assessed flow OR core flow OR non*earmarked flow OR regular flow OR voluntary flow OR voluntary core flow OR un*earmarked flow OR unearmarked flow AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> <p>multilateral OR international AND assessed fund* OR core fund* non*earmarked fund* OR regular fund* OR voluntary fund* OR voluntary core fund* OR un*earmarked fund* OR unearmarked fund AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> <p>multilateral OR international AND assessed resource OR core resource OR non*earmarked resource OR regular resource OR voluntary resource OR voluntary core resource OR un*earmarked resource OR unearmarked resource AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> <p>multilateral OR international AND assessed development assistance OR core development assistance OR non*earmarked development assistance OR regular development assistance OR voluntary development assistance OR voluntary core development assistance OR un*earmarked development assistance OR unearmarked development assistance AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> <p>multilateral OR international AND assessed ODA OR core ODA OR non*earmarked ODA OR regular ODA OR voluntary ODA OR voluntary core ODA OR un*earmarked ODA OR unearmarked ODA AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> <p>multilateral OR international AND assessed aid OR core aid OR non*earmarked aid OR regular aid OR voluntary aid OR voluntary core aid OR un*earmarked aid OR unearmarked aid AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> |

| | |
|-------------------|--|
| English | <p>multilateral OR international AND assessed development cooperation OR core development cooperation OR non*earmarked development cooperation OR regular development cooperation OR voluntary development cooperation OR voluntary core aid OR un*earmarked development cooperation OR unearmarked development cooperation AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> <p>multilateral OR international AND assessed support OR core development support OR non*earmarked support OR regular support OR voluntary support OR voluntary core support OR un*earmarked support OR unearmarked support AND effect* OR performance OR outcome* OR result* OR cost* OR efficien*</p> |
| Earmarked funding | <p>multilateral OR international AND earmark* contribution OR multi*bi contribution OR non*core contribution* OR noncore contribution AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> <p>multilateral OR international AND earmark* flow OR multi*bi flow OR non*core flow OR noncore flow AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> <p>multilateral OR international AND earmark* fund* OR multi*bi fund* OR non*core fund* OR noncore fund* AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> <p>multilateral OR international AND earmark* resource OR multi*bi resource OR non*core resource OR noncore resource AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> <p>multilateral OR international AND earmark* development assistance OR multi*bi development assistance OR non*core development assistance OR noncore development assistance AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> <p>multilateral OR international AND earmark* ODA OR multi*bi ODA OR non*core ODA OR noncore ODA AND effect* OR performance OR outcome* OR result* OR cost* OR efficien* ---</p> |

English

multilateral OR international
 AND
 earmark* aid OR multi*bi aid OR non*core aid OR noncore aid
 AND
 effect* OR performance OR outcome* OR result* OR cost* OR efficien*

 multilateral OR international
 AND
 trust fund*
 AND
 effect* OR performance OR outcome* OR result* OR cost* OR efficien*

Source: DEval and EBA, own visualisation

Search process – grey literature

Table 9 shows the search strings for grey literature. The search for grey literature required us to select search strings carefully, informed by a nuanced understanding of each database's content and organisation (Shaheen et al., 2023). Unlike academic databases, grey databases typically do not enable the use of complex search strings, and so they require fewer and more precise keywords. The search term "international" was therefore excluded, because adding "international" yielded an abundance of often irrelevant publications. Excluding "international" and only using the search string "multilateral" yielded fewer but more relevant publications for the review.

Table 9 Search strings for grey literature

| | English |
|--------------------------|---|
| Core funding | <p>multilateral AND assessed contribution OR core contribution OR unearmarked contribution AND effect OR efficien ---</p> <p>multilateral AND assessed aid OR core aid OR unearmarked aid AND effect OR efficien ---</p> <p>multilateral AND assessed fund OR core fund OR fund AND effect OR efficien</p> |
| Earmarked funding | <p>multilateral AND earmark contribution OR multi-bi contribution OR noncore contribution AND effect OR efficien* ---</p> <p>multilateral AND earmark aid OR multi-bi aid OR noncore aid AND effect OR efficien ---</p> <p>multilateral AND earmark fund OR multi-bi fund AND effect OR efficien*</p> |
| Trust funds | <p>multilateral AND earmark fund OR multi-bi fund core contribution AND trust fund AND effect OR efficien ---</p> <p>multilateral AND assessed fund OR core fund OR unearmarked fund AND trust fund AND effect OR efficien ---</p> <p>multilateral AND vertical fund OR global fund AND trust fund AND effect OR efficien</p> |

7.3 Step 3: Search process

Table 10 Search protocol

The search strings and databases, including filters used for finding relevant publications, were recorded in a search protocol. A search protocol was applied to all documentation to ensure transparency and reproducibility (Lefebvre et al., 2024; Mengist et al., 2019).

| Name of person searching | Date of search | Filters: time period (2005–2024)/ language (English) | Search string | Database: academic/ grey | Total number of findings | Number of excluded findings based on the inclusion/ exclusion criteria | Title of articles | Comments |
|--------------------------|----------------|--|---------------|--------------------------|--------------------------|--|-------------------|----------|
|--------------------------|----------------|--|---------------|--------------------------|--------------------------|--|-------------------|----------|

Source: DEval and EBA, own visualisation

7.4 Step 4: Coding

In an initial phase of the literature review, the idea was to code the publications and capture information about the effectiveness of the different financing modalities related to the following categories: sector, country/region, crisis/fragile context and multilateral organisation (see Table 11). However, we found little evidence to distinguish any clear patterns and variations based on these categories. Therefore, in the end, the review concentrated on coding the literature according to the conceptualisation of effectiveness (dimensions and intervention levels) and the different financing modalities, as well as study design, publication type, sample size and time period.

Table 11 Code tree

| Variable | Values |
|----------|--|
| Sector | Agriculture/food security Biodiversity Climate protection Education Democracy/rule of law/good governance Health Sexual and reproductive health and rights Private sector development Urban development Water Gender equality Migration Peace and security Humanitarian aid |
| Region | Africa Asia Eastern Europe Latin America |

| | |
|---|--|
| Recipient organisations | EU FAO IFAD ILO Unspecified multilateral organisation UNDP United Nations Population Fund (UNFPA) UNICEF UN Women WHO World Bank |
| Conflict | Yes |
| Effectiveness dimension | Process Cost Outcome |
| Level of intervention | Project level Organisation level System level |
| Study type | Qualitative approach Quantitative approach Syntheses Meta-analyses Mixed-design approaches |
| Sample size | <i>e.g.</i> “10 projects” |
| Time period covered in the study | <i>e.g.</i> “2005–2010” |
| Academic/grey literature | Academic literature Grey literature |
| Donor | <i>e.g.</i> “Germany” |

Source: DEval and EBA, own visualisation

Based on the conceptualisation of effectiveness described in the methodology section, the following conceptual framework was applied to structure and analyse the literature.

Table 12 Conceptual approach – effectiveness dimensions, intervention levels and financing modalities

| Financing modalities | | Effectiveness dimensions | | |
|----------------------------|--|-------------------------------------|-------------------------------------|-------------------------------------|
| | | Process | Outcome | Cost |
| | Intervention levels | Project/ organisation/ system | Project/ organisation/ system | Project/ organisation/ system |
| Core funding | What is the state of knowledge on the effectiveness of core funding ? | | | |
| Earmarked funding | What is the state of knowledge on the effectiveness of earmarked funding ? | | | |
| | (If applicable) Has earmarking increased and if so, how does it affect effectiveness? | | | |
| | (If applicable) How does the degree of earmarking affect effectiveness? | | | |
| Core and earmarked funding | (If applicable) What is the state of knowledge on the relative effectiveness of core and earmarked funding? | | | |
| | (If applicable) Under what circumstances is a combination of core and earmarked funding effective/ complementary? What sort of combination is most effective? | | | |
| Trust funds | What is the state of knowledge on the effectiveness of trust funds? | | | |

Source: DEval and EBA, own visualisation

It should be noted that we found insufficient evidence to be able to answer the following sub-questions: “Under what circumstances is a combination of core and earmarked funding effective/complementary?” and “What sort of combination is most effective?”. In addition, two other sub-questions on earmarking could not be answered due to a lack of empirical evidence. These were: “Has earmarking increased and if so, how does it affect effectiveness?” and “How does the degree of earmarking affect effectiveness?”.

7.5 Step 5: Analysis of coding outputs

Table 13 Publications included in the systematic review

| Title | Author | Publication year | Study design and sample size | Multilateral organisation(s) | Financing modality (or modalities) | Dimension(s) | Intervention level(s) |
|--|---|------------------|--------------------------------------|--|------------------------------------|------------------|-----------------------|
| “A Space for change: Partner perspectives on an effective multilateral system” | Carrington, G., R. Mamudi, L. Forcella and C. Varin | 2022 | Qualitative and quantitative methods | N/A | Core funding | Process | Organisation |
| “Bypassing Government: Aid Effectiveness and Malawi’s Local Development Fund” | Chasukwa, M. and D. Banik | 2019 | Qualitative methods | World Bank, African Development Bank and German Economic Group | Earmarked funding | Process | System |
| “Donor bureaucratic organization and the pursuit of performance-based aid through multilateral trust funds” | Dietrich, S., B. Reinsberg and M. C. Steinwand | 2022 | Quantitative study | World Bank | Trust funds | Process | System |
| “How Financial Resources Affect the Autonomy of International Public Administrations” | Ege, J. and M. Bauer | 2017 | Quantitative descriptive comparison | UN organisations | Earmarked funding | Process | Organisation |
| “Earmarked funding and the control–performance trade-off in international development organizations” | Heinzel, M.; Cormier, B.; Reinsberg, B. | 2023 | Quantitative study | N/A | Earmarked funding | Cost | Project |
| “Trust funds and the sub-national effectiveness of development aid: Evidence from the World Bank” | Heinzel, M. and B. Reinsberg | 2024 | Quantitative study | World Bank | Core funding, trust funds | Outcome, process | Project |

| Title | Author | Publication year | Study design and sample size | Multilateral organisation(s) | Financing modality (or modalities) | Dimension(s) | Intervention level(s) |
|--|---|------------------|--|------------------------------|------------------------------------|------------------|-----------------------|
| “Core funding and the performance of international organizations: Evidence from UNDP projects” | Heinzel, M., B. Reinsberg and G. Zaccaria | 2024 | Quantitative study | UNDP | Core funding, earmarked funding | Outcome | Project |
| “Trust fund support for development: An evaluation of the World Bank trust fund portfolio” | IEG World Bank | 2011 | Qualitative case study | World Bank | Trust funds | Process, outcome | Organisation |
| “IOB Evaluation. Working with the World Bank. Evaluation of Dutch World Bank policies and funding (2000-2011)” | IOB | 2013 | Qualitative methods | World Bank | Trust funds | Outcome | Project |
| “Evaluation of Country Programme Support to UNFPA, UNICEF and UN Women. Final Report” | Ljungman, C. M., C. Connal, A. Zivanovic and Y.K. Alemayehu | 2022 | Qualitative methods – document review and interviews | UNFPA, UNICEF and UN Women | Earmarked funding | Process | Organisation |
| “Activity-based financial flows in UN system: A study of selected UN organisations” | Migliorisi, S., I. Alikhani, N. B. Tallroth, M. Cramer, M. Ashouripour and G. di Dio. | 2012 | Qualitative case study | UN system | Earmarked funding | Process | System |
| “MOPAN 2015–16 Assessments. MOPAN 2015–16 Assessments. Gavi, the Vaccine Alliance. Institutional Assessment Report” | MOPAN | 2017 | Qualitative and quantitative methods | Gavi, Vaccine Alliance | Core funding | Process | Organisation |

| Title | Author | Publication year | Study design and sample size | Multilateral organisation(s) | Financing modality (or modalities) | Dimension(s) | Intervention level(s) |
|--|--------|------------------|--------------------------------------|---|------------------------------------|--------------|-----------------------|
| “MOPAN 2015–16 Assessments. Global Fund to Fight AIDS, Tuberculosis and Malaria (The Global Fund). Institutional Assessment Report” | MOPAN | 2017 | Qualitative and quantitative methods | Global Fund to fight AIDS, Tuberculosis and Malaria | Core funding | Process | Organisation |
| “MOPAN 2015–16 assessments: International Labour Organization” | MOPAN | 2016 | Qualitative and quantitative methods | ILO | Core funding | Process | Organisation |
| “MOPAN 2015–16 assessments: United Nations Development Programme (UNDP)” | MOPAN | 2016 | Qualitative and quantitative methods | UNDP | Earmarked funding | Process | Organisation |
| “MOPAN 2015–16 assessments: United Nations Human Settlements Programme (UN-Habitat)” | MOPAN | 2016 | Qualitative and quantitative methods | UN-Habitat | Core funding | Process | Organisation |
| “MOPAN 2015–16 assessments: The World Bank” | MOPAN | 2017 | Qualitative and quantitative methods | World Bank | Trust funds | Process | Organisation |
| “MOPAN 2017–18 assessments: Food and Agriculture Organization (FAO)” | MOPAN | 2019 | Qualitative and quantitative methods | FAO | Earmarked funding | Process | Organisation |
| “MOPAN 2017–18 Assessments: Office of the United Nations High Commissioner for Refugees” | MOPAN | 2019 | Qualitative and quantitative methods | UNHCR | Earmarked funding | Process | Organisation |

| Title | Author | Publication year | Study design and sample size | Multilateral organisation(s) | Financing modality (or modalities) | Dimension(s) | Intervention level(s) |
|--|--------|------------------|--------------------------------------|------------------------------|------------------------------------|--------------|-----------------------|
| “MOPAN 2017 – 18 assessments: World Food Programme (WFP)” | MOPAN | 2019 | Qualitative and quantitative methods | WFP | Core funding | Process | Organisation |
| “MOPAN 2017 – 18 assessments: World Health Organization (WHO)” | MOPAN | 2019 | Qualitative and quantitative methods | WHO | Earmarked funding | Process | Organisation |
| “MOPAN 2019 assessments: United Nations Industrial Development Organization (UNIDO)” | MOPAN | 2019 | Qualitative and quantitative methods | UNIDO | Core funding | Process | Organisation |
| “MOPAN assessment report: United Nations Children’s Fund (UNICEF), 2020 assessment cycle” | MOPAN | 2021 | Qualitative and quantitative methods | UNICEF | Earmarked funding | Process | Organisation |
| “MOPAN assessment report: United Nations Development Programme (UNDP), 2020 assessment cycle” | MOPAN | 2021 | Qualitative and quantitative methods | UNDP | Earmarked funding | Process | Organisation |
| “MOPAN Assessment Report: United Nations Environment Programme (UNEP)” | MOPAN | 2021 | Qualitative and quantitative methods | UNEP | Earmarked funding | Process | Organisation |
| “MOPAN Assessment Report: International Organization for Migration (IOM)” | MOPAN | 2023 | Qualitative and quantitative methods | IOM | Earmarked funding | Process | Organisation |

| Title | Author | Publication year | Study design and sample size | Multilateral organisation(s) | Financing modality (or modalities) | Dimension(s) | Intervention level(s) |
|---|---|------------------|--------------------------------------|---|------------------------------------|---------------|-----------------------|
| “MOPAN assessment report: World Bank (IDA and IBRD), 2021 assessment. PART I. Analysis Summary | MOPAN | 2023 | Qualitative and quantitative methods | World Bank | Trust funds | Process, cost | Organisation |
| “MOPAN Assessment Report: Office of the United Nations High Commissioner for Refugees (UNHCR)” | MOPAN | 2024 | Qualitative and quantitative methods | UNHCR | Earmarked funding | Process | Organisation |
| “Organizational reform and the rise of trust funds: Lessons from the World Bank” | Reinsberg, B. | 2017 | Qualitative case study | World Bank | Trust funds | Process | Organisation |
| “Earmarked funding and the performance of international organizations: Evidence from food and agricultural development agencies” | Reinsberg, B. | 2023 | Qualitative case studies | FAO, IFAD, WFP | Earmarked funding | Process | Organisation |
| “Does earmarked funding affect the performance of international organisations?” | Reinsberg, B. and C. Siauwigaya | 2023 | Quantitative methods | 32 multilateral organisations | Earmarked funding | Process | Organisation |
| “Climate change-related trust funds at the multilateral development banks” | Reinsberg, B., I. Shishlov, K. Michaelowa and A. Michaelowa | 2020 | Qualitative and quantitative methods | World Bank, Asian Development Bank, African Development Bank, Inter-American Development Bank | Trust funds | Process | Organisation |

| Title | Author | Publication year | Study design and sample size | Multilateral organisation(s) | Financing modality (or modalities) | Dimension(s) | Intervention level(s) |
|--|---|------------------|--------------------------------------|---------------------------------|------------------------------------|------------------|-----------------------|
| “Blessing or curse? The effects of earmarked funding in UNICEF and UNDP” | Schmid, L.K., A. Reitzenstein and N. Hall | 2021 | Qualitative and quantitative methods | UNDP, UNICEF | Core funding, earmarked funding | Process, cost | Organisation, system |
| “Making Earmarked Funding More Effective. Current Practices and a Way Forward” | Tortora, P. and S. Steensen | 2014 | Qualitative and quantitative methods | UN organisations and World Bank | Earmarked funding | Process, outcome | Organisation |
| “Earmarking in the multilateral development system: Many shades of grey” | Weinlich, S., M.-O. Baumann, E. Lundsgaarde and P. Wolff | 2020 | Qualitative and quantitative methods | UNDP, UNICEF, UNFPA, UN Women | Earmarked funding, trust funds | Process, cost | Organisation, system |
| “Independent Summative Evaluation of the Global Partnership for Education 2020” | Zuijderduijn, M., I. Alpenidze, G. Ferrari, R.C. Hill, O. Kooijmans, R. Vermeulen and N. Bergmann | 2020 | Qualitative methods | GPE | Earmarked funding | Outcome | Project |

Source: DEval and EBA, own visualisation