



MINISTRY OF FOREIGN AFFAIRS
OF DENMARK

MARCH 2023

EVALUATION OF DANIDA MULTI-BILATERAL INTERVENTIONS





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mokoro



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DISCLAIMER

The opinions and interpretations presented in the report are those of the study team and do not represent the views of the Ministry of Foreign Affairs of Denmark.

LIST OF ABBREVIATIONS

| | |
|-----------------|---|
| AFSP | Agriculture and Food Security Project |
| AMG | Aid management guideline |
| AMISOM | African Union Mission to Somalia |
| ARTF | Afghanistan Reconstruction Trust Fund |
| AU | African Union |
| CHT | Chittagong Hills Tract |
| COVID-19 | Coronavirus disease |
| CP | Country Programme |
| CRS | Creditor Reporting System |
| CSO | Civil Society Organisation |
| DAC | Development Assistance Committee |
| DDD | Doing development differently |
| DED | Development Engagement Document |
| DKK | Danish Krone |
| ELK | Evaluation, Learning and Quality Department |
| EQ | Evaluation Question |
| ER | Evaluation Report |
| ERG | Evaluation Reference Group |
| EU | European Union |
| FAO | Food and Agriculture Organization of the United Nations |
| GCP | Guidelines for Country Programmes |
| GCSFPP | Guidelines for Country Strategic Frameworks, Programmes and Projects (2020) |
| GDP | Gross domestic product |
| GNI | Gross national income |
| GPP | Guidelines for Programmes and Projects (2017) |
| HACP | High Authority for the Consolidation of Peace (Niger) |
| HDP | Humanitarian, Development, Peace |
| HIC | High-income country |
| IBRD | International Bank for Reconstruction and Development |
| IDP | Internally displaced person/people |
| IFAD | International Fund for Agricultural Development |

| | |
|-----------------|---|
| IFC | International Finance Corporation |
| ILO | International Labour Organization |
| IOM | International Organization for Migration |
| IR | Inception Report |
| KADP | Kenya Accountable Devolution Programme |
| LDC | Least developed country |
| LIC | Low-income country |
| LMIC | Lower middle-income country |
| LTA | Long-term agreement |
| M&E | Monitoring and evaluation |
| MDB | Multilateral development bank |
| MDTF | Multi-donor trust fund |
| MFA | Ministry of Foreign Affairs of Denmark |
| MINUSMA | United Nations Multidimensional Integrated Stabilization Mission in Mali |
| MPF | Multi-partner fund |
| MPTF | Multi-partner trust fund |
| NGO | Non-governmental organisation |
| ODA | Overseas Development Assistance |
| ODI | Overseas Development Institute |
| OECD | Organisation for Economic Cooperation and Development |
| OECD DAC | Development Assistance Committee of the Organisation for Economic Cooperation and Development |
| PFM | Public financial management |
| PSNP | Productive Safety Net Programme (Ethiopia) |
| RPP | Recovery and Peacebuilding Programme |
| SDGs | Sustainable Development Goals |
| SDRF | Somalia Development and Recovery Facility |
| SME | Small-medium enterprise |
| SPEMP | Strengthening Public Expenditure Management Programme (Bangladesh) |
| SRHR | Sexual and Reproductive Health Rights |

| | |
|-----------------|--|
| TOC | Theory of Change |
| TOR | Terms of Reference |
| TP | Thematic Programme |
| UMIC | Upper-Middle Income Country |
| UN | United Nations |
| UN Women | United Nations Entity for Gender Equality and the Empowerment of Women |
| UNDP | United National Development Programme |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| UNFPA | United Nations Population Fund |
| UNHCR | United Nations High Commissioner for Refugees |
| UNHCHR | United Nations High Commissioner for Human Rights |
| UNICEF | United Nations International Children’s Fund |
| UNOCHA | United Nations Office for the Coordination of Humanitarian Affairs |
| UNOPS | United Nations Office for Project Services |
| USD | United States Dollar |
| WB | World Bank |
| WFP | World Food Programme |

DKK PER USD (PERIOD AVERAGE)

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 5.62 | 5.61 | 6.73 | 6.73 | 6.60 | 6.31 | 6.67 | 6.54 | 6.29 |

Source: World Development Indicators 2022.

DEFINITIONS OF KEY TERMS

Multi-bi: Earmarked bilateral contributions to multilateral organisations. Non-earmarked contributions to multilateral organisations are known as core multilateral aid.

Country multi-bi: Multi-bi contributions earmarked for use in a specific country.

Development multi-bi: Multi-bi contributions earmarked for development purposes in line with the Organisation for Economic Cooperation and Development, Development Assistance Committee (OECD DAC) statistical codes. For Denmark this means country multi-bi contributions managed by embassies at country level. Humanitarian aid is managed centrally in Copenhagen. In the report, unless otherwise specified, multi-bi refers to country development multi-bi.

Configuration of multi-bi engagements: Country development multi-bi engagements can be configured along three axes, the partnership structure; the level/strength of further earmarking; and the funding vehicle.

- Multi-bi *partnership configurations* differ. Partnerships can be configured as (i) single-donor engagements where there is only one contributing bilateral donor, or (ii) multi-donor engagements where there are two or more donors supporting a fund, programme or project.
- Further *levels of earmarking* are project-level multi-bi, earmarked to projects with specific inputs, activities and outputs, and programme multi-bi, earmarked at thematic or sector level. Strengths of earmarking are: hard earmarking where the engagement agreement specifies an output-based budget and restricts movement of funds between outputs without contributing donor approval; and soft earmarking where the contributing donor dialogues with the multilateral on themes and specific results, without requiring special activities, results or financial reporting on its priorities.
- Contributions can be directed to different *funding vehicles*. Disbursement can be (i) to a separate, engagement-specific basket fund or trust fund (project and programme-specific or multi-project financial intermediary trust funds), or (ii) directly to the multilateral's donations or contributions account where it is co-mingled with contributions to other projects and programmes.

Administrative or overhead charges: Unspecified administrative costs such as rent, office expenses, management and oversight expenses. In multi-bi engagement administrative charges can be levied at country level, covering multilateral country administrative costs, or at multilateral headquarters level.

Different country contexts: The evaluation distinguishes between fragile, conflict-affected countries, and all other countries (stable countries). Countries on the 2017 World Bank list of fragile and conflict-affected countries, the mid-point of the evaluation period, were deemed fragile for purposes of categorising multi-bi engagements.

Small, large and very large multi-bi: The evaluation arranged the in-depth multi-bi engagement case studies into three percentile groups by size. Small engagements were below DKK 40 million (about USD 6 million), large were between DKK 40 and 100 million (about USD 16 million) and very large were above DKK 100 million. The DKK 40 million cut-off corresponds with the DKK 39 million threshold in the aid management guidelines (AMGs) for more scrutiny of Danish bilateral engagements.

EXECUTIVE SUMMARY

Evaluation context, objectives and approach

Background

For most of its development cooperation history, Denmark's official development assistance (ODA) was provided either as core contributions to multilateral organisations, or as bilateral flows to partner countries for development and humanitarian interventions. Traditionally, bilateral flows were managed directly by Denmark as engagements with country governments (often implemented through third parties), non-governmental organisations, academic institutions, or private-sector-linked partners.

Over the last decade, however, Denmark has channelled an increasing share of its bilateral commitments as earmarked contributions to multilaterals. This aid, known as multi-bilateral or multi-bi funding, increased from 14% of Danish ODA commitments in 2013, to reach 33% (USD 762 million) in 2019.

Other bilateral donors have also grown their multi-bi commitments, although not to the same extent as Denmark. For multilateral organisations, the growth in multi-bi contributions as a share of ODA means a gradual shift in how they are financed. The impact is not the same for all multilaterals: by 2019, for example, United Nations funds and programmes received 84% of contributions through the multi-bi channel whereas the World Bank and other multilateral development banks received less than 30% through this channel. The increased profile of multi-bi aid in global development assistance has raised concerns about the fragmentation of the multilateral system and the adverse effects of multi-bi on the ability of multilateral organisations to operate effectively and efficiently. Studies have found that these effects are worse for tightly earmarked project multi-bi funding, than for multi-bi provided as pooled funding and not tightly earmarked. Although this evaluation draws entirely on Danish experience and did not consider the effects of specifically Danish multi-bi on multilaterals, its findings may be of interest to stakeholders in the global debate on the management and strengths and weaknesses of multi-bi contributions.

Evaluation objectives and approach

In September 2021, Danida commissioned this independent evaluation of the strengths and weaknesses of programme and project-specific, development multi-bi in bilateral Country Programmes (CPs) between

2013 and 2021. The evaluation scope thus focused on earmarked contributions to multilaterals at country level (worth about 30% of total multi-bi aid and equal to USD 228 million in 2019) and excluded all earmarked humanitarian contributions to multilaterals, as well as contributions earmarked for regional and global development programmes and projects.

The evaluation questions focused on understanding the objectives and rationale for the use of multi-bi funding, the role Denmark plays in the management and implementation of multi-bi interventions, and the strengths and weaknesses of the instrument. The objective of the evaluation was to provide lessons learned for future use of the multi-bi instrument in Danish development assistance.

The evaluation was undertaken between October 2021 and August 2022, using mixed methods which included:

- quantitative analysis of Denmark's multi-bi and other flows from 2013 to 2019 using official development statistics kept by the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD DAC)
- review of existing documentation
- interviews with Copenhagen, Danish multilateral representations, multilaterals and other donors
- a survey of 98 Danida posted and national staff at embassies, from which 41 valid responses were received; the responses identified and assessed 100 multi-bi engagements
- in-person country case studies in Bangladesh, Ethiopia, Kenya and Somalia plus desk studies in Afghanistan, Mali, Niger, Palestine and Ukraine. The evaluation reviewed 25 multi-bi engagements from case study countries in depth, of which 12 were in in-person case study countries. While all 25 engagements were reviewed for performance, in one case the evaluation could not confirm its arrangements for performance analysis according to earmarking types.

The evaluation findings were validated through workshops with an Evaluation Reference Group, comprising MFA and external stakeholders, on emerging findings and the draft evaluation report. The final report also incorporates comments from Copenhagen staff, and in-depth case study country embassies.

Strategic and policy context

Relevant Danish development cooperation strategies set out Danish priorities and rationales for country development multi-bi. *The Right to a Better Life* (2012) emphasised Danish multilateralism and how in fragile contexts Denmark would work through civil society or multilateral partners. *The World 2030* (2017-2021) repeated the key role for multilateral support, and stated that “*in many cases, our contribution can most effectively be managed*” by these entities.

Support to fragile states gradually emerged as a significant focus in Danish bilateral assistance, and Africa as a geographic focus. Danish development assistance also experienced major events in the period, including the reduction of ODA from 0.91% of gross national income in 2010 and 0.83% in 2013, to 0.7% in 2016 with commensurate human resource cuts in Copenhagen and the embassies.

Danida is a generous donor to the multilateral system. It has provided a stable level of core funding (on average USD 770 million per year, or 29% of ODA between 2011 and 2019), alongside increasing multi-bi. Denmark sees multilateral organisations as important for the achievement of the Sustainable Development Goals (SDGs), and its development cooperation strategies have been clear about Denmark’s interest in orderly international cooperation and the reform of the multilateral system.

Denmark’s multi-bi assistance is managed in terms of the bilateral aid management guidelines (AMGs) which saw several iterations over the period. Danish country development cooperation is decentralised, which means that most country-level bilateral aid is negotiated and managed by Danish embassies. For most of the period, embassies planned their country priorities as country programmes CPs with thematic priorities, framed by a country strategy. Formal involvement of Copenhagen MFA actors is in the appraisal, approval and review of CPs and engagements.

All the bilateral AMG iterations positioned multilateral organisations as a partnership option for embassies to deliver country programmes, alongside other partners such as civil society, country government institutions and bilateral donors. The 2018 Guideline used stronger language, saying that, where relevant, Denmark *should* work through multilateral and other donors. The bilateral AMGs require multi-bi at country level to be managed in the same way as bilateral support through other partners, apart from allowing for the exemption of multi-bi engagements from some appraisal and procurement requirements. Similarly, Danida’s Financial Management Guidelines do not make a distinction between multi-bi and other bilateral engagements. Some exemptions from financial management requirements were specified in separate guidelines for accounting and auditing of grants channelled through multilateral organisations.

Evaluation findings

Evolution of country development multi-bi

Country development multi-bi more than doubled between 2013 and 2019 in constant dollar terms and grew from 4% to 9% of total Danish ODA commitments, but did not increase as a share of total multi-bi commitments. While increasingly larger shares of Denmark's aid to fragile states have been multi-bi contributions, use of the instrument in non-fragile states grew faster. Danish country development multi-bi commitments were predominantly to the United Nations (UN) agencies and the World Bank, at 50% and 37% of total commitments. The remainder went to regional development banks, European Union institutions, other multilateral institutions and the International Monetary Fund. Amongst the UN agencies, the United Nations Development Programme (UNDP) was the biggest recipient (with 38% of UN commitments), followed by UNICEF and the United Nations Population Fund (UNFPA). More than 91% of country development multi-bi was to the governance and civil society, conflict peace and security and social infrastructure and services sectors over the period. Multi-bi is an important country delivery instrument for Denmark in development food assistance, and in peace and security; for both these sectors it is more than half of country development aid commitments.

Most country development multi-bi engagements between 2013 and 2019 were small. In fact 73% of multi-bi engagements (about 199 engagements) contributed only 20% of the value of country development multi-bi, while committing less than USD 3.5 million each. Commitments in each of the remaining 27% of multi-bi engagements (75 engagements) ranged between USD 3.5 million and USD 56 million.

Context and rationale for using development multi-bi at country level

Three inter-linked factors played into Danish embassies' rationale for selecting multilaterals as bilateral country cooperation partners:

- **Country context.** In fragile, conflict-affected countries Danida strongly preferred multilaterals as partners because of their central convening and financial intermediary roles and capacities to manage risks, and because Denmark's choices were more limited. In these contexts multilaterals were instrumental in the operationalisation of comprehensive, coherent international engagements in which Denmark could participate.
- **Danish embassies' expectations about the unique added value of multilaterals to achieve country or thematic priorities.** In more stable contexts, such as in Bangladesh, Ethiopia, Ukraine and Kenya during the evaluation period, Danish embassies selected multilaterals as partners because of multilaterals' mandate, sector expertise,

operational capacities, convening power or country influence. These factors are not easily replicated by other types of partner, and were relevant also in fragile and conflict-affected countries. The strength of past in-country relationships also played a role.

- **Limited and reduced Danish embassy capacities for development cooperation.** These constraints drove the choice away from direct bilateral engagement, especially with recipient country governments, to multi-bi engagements due to contracting ease, multilaterals' staffing on the ground and recognised systems of appraisal, monitoring, reporting and evaluation.

The shift at Danida policy level to encourage partnerships with multilaterals and larger engagements, furthermore, created an enabling environment for country-level selection of multi-bi engagements. Danish development cooperation strategy and the successive iterations of the bilateral AMGs encouraged multilateral partnerships and larger engagements more explicitly over the period.

Context and the rationale for selecting the specific partnership and earmarking modalities

The configuration of specific multi-bi engagements reflected a complex interplay between Denmark's country priorities and needs, the country and sector context, and the multilateral partner's rules and systems. Multi-donor engagements were selected when Denmark wanted more coherent and efficient aid for the recipient or improved reach and sustainability for Denmark's aid. Large, comprehensive and multisector multi-donor partnerships were prevalent in fragile, post-conflict contexts where Denmark wanted to enable coherent interaction with authorities. Multi-donor engagement contributions were usually managed through single project or financial intermediary multi-donor trust funds (MDTFs). On the other hand, Denmark-only (or single-donor) multi-bi engagements occurred where Denmark sought the technical expertise, country position and operational capacity of a specific multilateral in country. These multi-bi engagements were usually managed as contributions to multilaterals' donations accounts, where Danish funds were co-mingled with contributions to other projects and programmes.

Denmark commonly earmarked all multi-bi contributions further, as programmatic or project multi-bi. In the 24 in-depth categorised case studies, Denmark used project multi-bi (18 cases, committing DKK 1.13 billion in total) in more engagements than programmatic multi-bi (six cases, DKK 1.18 billion).

Danish embassies showed a default preference for hard earmarking of country contributions to multilaterals; this preference was in line with the AMG guidance on structuring bilateral financial engagement, including with multilaterals. Focusing on the 24 categorised case study

engagements, hard earmarking was applied in 12 cases with DKK 658 million committed, and soft earmarking in 12 cases with DKK 1.64 billion committed. The World Bank accounted for about two-thirds of soft-earmarked engagements. Embassies preferred hard earmarking because they saw it as offering greater control to Denmark, facilitating a more transparent relationship with the multilateral, providing Denmark with more ability to report against its commitments, and reducing the risk that Danish funds would be used for financing (inefficient) country multilateral bureaucracies rather than development activities. However, the hard-earmarking option was available only if the multilateral's own rules and systems allowed it. For the World Bank, in particular, this option was not available.

Denmark's management of multi-bi engagements at country level

At country level, Danish embassies played active and valued steering, monitoring and review roles in multi-bi engagements, the extent of which was constrained by embassy capacity and engagement structures. Typically, Denmark's formal participation in the management of multi-bi engagements was through steering committees and formal meetings with the multilateral. Danida staff also interacted informally with multilaterals, especially in one-on-one engagements. Denmark relied on multilateral reporting but participated in monitoring missions as country circumstances and Danish capacity allowed. In many cases Denmark funded experts to support the engagement. Denmark also undertook reviews of multi-bi engagements as needed. Overall, multi-bi engagements still required significant capacity to manage well, and levels of effort reflected embassy capacities rather than a belief that these engagements should be at arm's length. Managing multi-bi required a full suite of bilateral aid management skills, and often more staff time than expected.

The results framework was a principal concern for Denmark in its engagements on multi-bi. In over half the cases reviewed, and more naturally when it was the only donor or instigated the project, Denmark actively co-designed or adjusted existing frameworks to address quality weaknesses or ensure reporting on specific Danish priorities. Multilateral respondents, however, were clear that multilaterals preferred fully aligned results frameworks and soft-earmarked contributions, because these gave them flexibility to achieve results for the sector. Continual informal interaction with multilateral partners on programme or project direction and effectiveness was common, especially in one-on-one engagements.

Multilateral partners saw Danish embassies' programmatic involvement as adding value to the supported programme or project, except in multi-donor partnerships where this was less often the case. The programmatic involvement of Denmark in engagements was seen as valuable by about two thirds of multilateral respondents, and

across countries Denmark was seen as a flexible and predictable multi-bi development partner. In several multi-donor multi-bi engagements however, the multilateral partner did not welcome contributing donors' continuous programmatic involvement or participation in monitoring missions. In these cases multilaterals believed that formal participation through the established structures and formal reporting should suffice as they could not accommodate the interests and preferences of individual donors.

It was hard for Denmark to track and influence the performance of multi-bi engagements, because of the distance from decision-making in these engagements and deficiencies in multilateral reporting and review. Multi-bi removed Danida one level from decision-making on the engagement and many embassies referred to the distance they experienced from multi-bi engagements. Furthermore, case study embassies reported challenges in the adequacy of the multilaterals' results reporting. Evaluations were done in many engagements, but according to multilateral standards, which Danida did not always judge to be satisfactory. Case study embassies also reported challenges with the adequacy of multilaterals' financial reporting, and they lacked information on multi-bi engagements' cost structures, making efficiency hard to track and influence. In this context, the relationships with and the level of dialogue with the multilateral partner were important to embassies.

Formal appraisal and review processes offered sufficient opportunity for discussion on partner selection between Copenhagen and embassies. The routine bilateral engagement appraisal and quality assurance processes were the main vehicle for consultation, and were adequate in a context of decentralised responsibility for the management of country development aid. When needed, different parts of the MFA connected informally to resolve multi-bi management issues, and respondents from Copenhagen and embassies did not see the need for more formal engagement towards the management of individual multi-bi engagements.

However, MFA guidance on the management of bilateral aid, did not cover multi-bi challenges adequately. The AMGs were not very detailed on multi-bi engagements and did not cover critical issues such as different ways of structuring partnerships and engagement contracts; and the concerns and partner capacities that should be appraised for multi-bi engagements. Furthermore, the guidance on some bilateral financial management requirements, such as the specification of output-based budgets and limits on shifting funds between budget lines without permission (i.e. hard earmarking), were not appropriate for multi-bi under most circumstances. The separate 2012 financial management guidelines for channelling funding through multilaterals set a good base for exemptions that may apply to multilaterals but have not been updated in line with subsequent bilateral AMGs.

Managing the coherence of country-level multi-bi and core support to multilaterals

Human resource capacity at all levels was a critical barrier to connecting multi-bi country engagements and Denmark's core multilateral support effectively, despite wide recognition in the MFA that such linkages were necessary for coherent strategies, policy dialogue and learning. At country level the evaluation found no evidence of multi-bi being selected with a co-objective of strengthening Denmark's core multilateral support. Respondents from all levels agreed Denmark needed better mechanisms and practices to connect its growing portfolio of multi-bi engagements to its core multilateral contributions. The sharing of draft multilateral country strategies with embassies by the Danish multilateral representations, a long-standing practice, came too late in multilateral programming cycles as it occurred only when these strategies were brought to multilateral boards for approval. Furthermore, the Danish multilateral representations had no systematic access to information about multi-bi engagements agreed at country level. In 2020 the MFA established multilateral Contact Groups, which were recognised by evaluation respondents as valuable progress. These groups were to support the preparation and implementation of multilateral Organisation Strategies and to facilitate the more active application of Danish experiences with multilaterals at different levels in the normative work and policy dialogue with the multilaterals and vice versa. Human resource constraints at all levels were a significant barrier, however, to these arrangements enabling effective information sharing and learning.

Strengths and weaknesses of Danish multi-bi contributions

Multi-bi engagements were relevant for Danida and country actors at the strategic objective level, but not necessarily at the level of specific design choices. Multi-bi engagements were aligned to the country development priorities of Denmark, mainly because CP thematic considerations anchored partner choices. Country case studies show, however, that while there was overall relevance to context and Denmark's needs, it was in the specific design choices where relevance was weakest. There were three main drivers of low relevance: (i) multilaterals applied standard solutions without sufficient context tailoring; (ii) Danida found itself at arm's length from the detailed design and unable to influence implementation in line with its priorities; and (iii) the targeting of activities or results was not fully aligned with Danida's objectives.

Multi-bi engagements were able to facilitate coherence and adaptive approaches, but only when the management of the engagement by Denmark and the multilateral was conducive. CPs helped to engineer coherence between multi-bi engagements and Denmark's other development interventions at country level. Multilaterals responded to lessons learned and context changes, when Danida's engagement structure and earmarking allowed flexibility. However, there were also cases where Denmark provided flexible funding, but the multilateral did not adapt its approach to local context or changes in context.

The effectiveness of multi-bi engagements was mixed, with only about a third of cases achieving uniformly good results. Multi-bi engagements delivered uniformly good results for Danida in eight out of the 25 cases reviewed. In these cases, Danish assumptions about the technical expertise, convening power, positioning and operational capacities of the multilateral in context were correct. In a further 13 in-depth cases, some but not all expected output or outcome results were achieved. In four cases, interviews and documentation identified multiple significant performance issues, including poor targeting of interventions and low or non-achievement of most results. The evaluation methodology did not allow comparison with the performance of traditional bilateral engagements.

Variability between engagements was caused by country-specific multilateral capacities and country context factors. In the 17 cases where uniformly good results were not achieved, multilaterals usually had the expertise in place, but not the operational or project management capacity to deliver results against the agreed framework. In a few cases, neither the expertise nor the operational or project management capacity was in place. In some of the 17 cases, context factors outside of the control of the multilateral worsened the situation so that the engagement could not deliver the target results.

Engagement size and structure were correlated with effectiveness. In the evaluation sample, large, multi-donor, programmatic and soft-earmarked engagements typically fared better than small, project and hard-earmarked engagements. Many of Danida's poorly performing hard-earmarked contributions were small, and most of these were Danida-only engagements. Hard earmarking was associated with greater Danish influence on the results frameworks set for the engagement, but without the multilateral necessarily changing its course to achieve targeted results. The size of the engagements may act as an incentive for performance by the multilateral, but other factors are also relevant, such as that Denmark may choose soft earmarking when it is confident that an engagement will perform, or that in soft earmarked engagements, Denmark's expected results are already pursued by the multilateral.

Danish multi-bi contributions in fragile states were more often effective than multi-bi contributions in non-fragile states, mostly because they were provided as large, soft-earmarked flows. Large, soft-earmarked flows to the multi-donor trust funds were the prevailing instruments of Danish support in these countries, supporting programmes and projects that were significant avenues for multilaterals' own country programme.

Expectations around multi-bi efficiency in terms of management, timeliness and costs have not been realised in practice on several occasions. Multi-donor multi-bi engagements and engagements

involving multiple UN agencies faced specific coordination challenges that affected how efficiently Danish resources were used. About half of the multi-bi engagements experienced delays, especially at start-up and in complex programme and project structures. Long implementation chains or high cumulative overhead costs were raised as an efficiency issue in 19 of the 25 multi-bi engagements reviewed, but overall efficiency should be judged from a value-for-money perspective. There is great variation in what multilaterals charge as direct and indirect administrative costs: it can be over 20% in total or below 5%. Embassy staff views on the efficiency of multi-bi, however, depended on the perceived added value of the multilateral. Some embassies noted that multi-bi enabled Denmark to have fewer, larger engagements, which is more efficient for Denmark, and that multilateral administrative cost should be viewed against the cost to Denmark of direct bilateral engagements or implementation through another channel.

Conclusions and lessons for Denmark's use of multi-bi

At country level, multi-bi was an increasingly important instrument for Danish development cooperation over the evaluation period, taking up a larger share of Danish bilateral development commitments at this level over time. Country context, expectations about multilaterals' unique value-add, and Danish development cooperation strategies and capacities drove Danish embassies' use of the multi-bi instrument at this level. How Denmark structured its multi-bi engagements was determined by the interplay between country context, and the systems and preferences of Denmark and multilateral partners.

Overall, the evaluation showed that there are trade-offs for Denmark between the relevance, coherence, effectiveness, flexibility and efficiency of country multi-bi engagements. Partnerships with multilaterals enabled Denmark to have fewer, larger engagements while lowering its exposure to contextual, institutional, and programmatic risks, given restricted embassy development capacities, but came with an additional layer of administrative costs and longer implementation chains. Large, multi-donor partnerships also tended to be effective more often than small, single-donor multi-bi partnerships. However, these benefits came at some cost to the relevance of multi-bi engagements and their coherence with Denmark's other interventions because Denmark was less able to influence their detailed design.

Denmark's multi-bi engagements were largely relevant to Denmark and country actors, and could facilitate coherent and adaptive approaches. Multi-bi engagements were consistently relevant to Denmark and country actors at strategic objective level, and coherent with other Danish interventions, because CP thematic considerations and country analysis anchored partnership choices and because of Denmark's active steering and monitoring role in multi-bi engagements. In contrast, in some cases the precise design of engagements was not fully relevant

to either Denmark or country actors, because Denmark was less able to influence specific project designs or multilaterals did not adapt their global models enough to country context. Multi-bi engagements were also flexible and adaptive, but this depended on whether the engagement structure limited multilaterals' flexibility, and their own practices.

Multilaterals could be and often were effective delivery partners for Denmark at country level, provided the multilateral partner had the right capacities and influence in-country, and the engagement was large enough and structured well. When the multilateral had the sector expertise, operational capacities, country position or convening power expected at country level, multi-bi was a fully effective instrument for Denmark to achieve its country thematic priorities. However, in 17 out of the 25 multi-bi engagements reviewed, the multilateral did not have all the project management and technical capabilities needed in the specific country and context to deliver uniformly good results. Performance was also correlated with engagement size and partnership and earmarking structure. Small, earmarked, one-on-one projects correlated with lower performance in many cases because ownership of the engagement by the multilateral appeared not strong enough to ensure the timely delivery of results. Hard-earmarked engagements with differing results frameworks from the multilaterals' core frameworks, also ran into implementation and performance difficulties. On the other hand, soft-earmarked engagements were associated with some or good effectiveness performance, especially when the Danish contribution was large and to a multi-donor partnership.

Danish embassies often found themselves at a disadvantage because they were reliant on multilateral reporting and evaluations which did not always meet their needs, and did not have the resources, and in some cases not the opportunity, to fill the gap. Embassies often opted to partner with multilaterals because of reduced capacity, but in practice the management of performance and risk in multi-bi engagements still required significant human resources. In principle, multilaterals' appraisal and monitoring and evaluation systems should have saved embassies performance-tracking and risk-management effort. In practice, however, multilaterals' systems were often not set up to report to embassies' satisfaction and many evaluations and reviews were of insufficient quality, as reported by embassies and found by the evaluation. As a result, embassies used more capacity than expected to manage multi-bi engagements. Furthermore, at times embassies found multilaterals unwilling to engage in depth on engagements.

Signals on the efficiency of multi-bi engagements were mixed as it depended on the structure of the underlying programmes and projects. The evaluation found that complex and long implementation chains, alongside detailed reporting demands, hamper the efficiency of multi-bi engagements; and that delays and coordination issues

are common. Lower transaction costs through resource pooling and coordinated engagements mean multi-bi can be an efficient choice for embassies, multilaterals and recipients, but in practice poor coordination often hampered realisation of these benefits.

Denmark's guidance and arrangements for the management of multi-bi at country level and alongside core multilateral contributions were lacking in some respects. Firstly, although formal appraisal and review processes are sufficient for Copenhagen and embassies to discuss multi-bi partner selection and management, the aid management and financial management guidelines were not very detailed and did not cover critical issues such as different ways of structuring partnerships, engagement contracts and financial arrangements; and the concerns and partner capacities that should be appraised. Secondly, there were shortfalls in the arrangements to connect country multi-bi aid to core multilateral aid. The multilateral contact groups that were established in 2020 represent progress, but overall arrangements to enable learning and information sharing between embassies, Copenhagen and the Danish multilateral representations were poorly resourced and still inadequate to facilitate more coherence between core contributions and multi-bi engagements. This is despite wide recognition that more joined-up approaches were needed for coherent strategies and policy dialogue with multilaterals.

1. INTRODUCTION

For most of its development cooperation history, Denmark's official development assistance (ODA) was provided either as core contributions to multilateral organisations, or as bilateral flows to partner countries for development and humanitarian interventions. Traditionally, bilateral flows were managed directly by Denmark as engagements with country governments (often implemented through third parties), non-governmental organisations, academic institutions, or private-sector-linked partners.

Over the last decade, Danida has channelled increasing volumes of earmarked official development assistance (ODA) through the multilateral channel. This aid, known as multi-bilateral or multi-bi funding, increased from 14% of Danish ODA commitments in 2013 to reach 33% (USD 762 million)¹ in 2019. This report provides the findings, conclusions and recommendations of an independent evaluation commissioned by Danida in September 2021 of the strengths and weaknesses of programme and project-specific country-level development multi-bi. This is the first evaluation of Danish multi-bi and complements earlier reviews of multilateral funding.

The report is structured as follows: summary information on the evaluation subject, scope and methodology is provided in this chapter. Chapter 2 provides the context and includes an overview of Denmark's development cooperation relative to multi-bi and a summary literature review on the global use of multi-bi. Chapter 3 provides the evaluation findings, Chapter 4 the conclusions on lessons learned, and Chapter 5 the recommendations for Denmark's future use of multi-bi.

1.1 Evaluation features

The **evaluation objective** is "to provide lessons learned for future use of the multi-bi instrument in Danish development assistance".² The evaluation questions focus on understanding the objectives and

¹ Figures are reflected in USD when the source is official development statistics kept by the Development Assistance Committee of the Organisation for Economic Cooperation and Development. Otherwise, figures are provided in DKK.

² Danida, 2021, Scope of Services for Evaluation of Danida Multi-Bilateral Interventions. See Annex A.

rationale for the use of multi-bi funding, the role Denmark plays in the management and implementation of multi-bi interventions and the strengths and weaknesses of the instrument.

The **evaluation scope** covers Denmark's programme and project-specific development multi-bi ODA contributions allocated at country level. Development multi-bi simply means that country humanitarian multi-bi contributions are excluded from the scope of the evaluation.³ The programme and project-specific sub-set of multi-bi funding is equal to about 30% multi-bi commitments at USD 228 million in 2019. Table 1 below shows how this subset fits into total Danish ODA commitments.

TABLE 1: COUNTRY DEVELOPMENT MULTI-BI IN CONTEXT OF DENMARK'S TOTAL ODA COMMITMENTS (USD MILLION)

| Denmark ODA commitments in 2019 | USD | % of ODA |
|---|------------|------------|
| TOTAL ODA | 2,307 | 100% |
| Core multilateral support | 679 | 29% |
| Bilateral ODA | 1,629 | 71% |
| Multi-bi | 762 | 33% |
| Development multi-bi | 574 | 25% |
| <i>Global development multi-bi</i> | 270 | 12% |
| <i>Regional development multi-bi</i> | 75 | 3% |
| <i>Country development multi-bi (evaluation focus)</i> | 228 | 10% |
| Humanitarian multi-bi | 188 | 8% |
| <i>Global humanitarian multi-bi</i> | 76 | 3% |
| <i>Regional humanitarian multi-bi</i> | 3 | 0% |
| <i>Country humanitarian multi-bi</i> | 110 | 5% |
| All other bilateral ODA | 867 | 38% |

Source: OECD DAC Development Statistics, 2021.

³ The evaluation put forward definitions for the terms and phrases country multi-bi, multilateral organisation, programme and project-specific, and development versus humanitarian aid. These definitions are provided in Annex B.

The evaluation addresses both past and current multi-bi activities, with the quantitative analysis focused on the period 2013 to 2019. The TOR placed country case studies at the centre of the evaluation methodology. In-country studies of Danish multi-bi included field work in Bangladesh, Ethiopia, Kenya and Somalia, and desk reviews covered Afghanistan, Mali, Niger, Palestine and Ukraine.

1.2 Evaluation Methodology

Evaluation questions and criteria

The TOR posed four main **evaluation questions** (EQs):

- What was the context and rationale which led to the use of multi-bi and the specific multi-bi modality?
- What role, if any, was (is) Denmark playing in the management and implementation of the multi-bi funded activities?
- What are the strengths and weaknesses of the Danish multi-bi contributions?
- What lessons learned and recommendations can be made for future multi-bi contributions?

These questions and the associated sub-questions can be found in Annex B Table 7. The evaluation required the use of the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) **evaluation criteria**, with an emphasis on relevance, coherence and effectiveness. In the light of specific TOR questions on the efficiency of the instrument, the evaluation considered efficiency as a fourth relevant criterion. Guidance was developed for applying the chosen criteria to this evaluation and is spelled out in Annex B Table 8.

Overall approach

Starting from the TOR, the evaluation methodology was developed in the inception phase and approved by the Evaluation Reference Group (ERG) and the Department of Evaluation, Learning and Quality (ELK). Annex B provides a more detailed discussion of the evaluation approach. **A theory-based analytical framework** (Annex B Table 9) guided the development of an **evaluation matrix** (Annex B Table 11). The evaluation also developed a common **taxonomy of multi-bi development engagements** to ensure that common categories were used in describing and analysing Danida's multi-bi engagements. The taxonomy was adjusted as the evaluation learned more about the use of multi-bi aid. The initial taxonomy is provided in Annex B Table 10. Annex C Table 15 classifies multi-bi engagements against the final taxonomy.

Evaluation methods

Document study: Evidence included Danida's development cooperation strategies, multilateral organisation strategies, Danida engagement documents and other engagement-specific documentation; country strategies and reviews; documentation on other bilateral donors' use of multi-bi ODA; country context documentation; and information on multilateral partners (see the bibliography in Annex F).

OECD DAC statistics: The evaluation undertook quantitative analysis of Danida and other donors' multi-bi and other interventions using the OECD DAC development statistics datasets.

Key informant interviews: The evaluation interviewed representatives from the relevant departments in Copenhagen, the Danish multilateral representations, bilateral embassies and other donors (see Annex E for a list of people consulted).

Case studies were undertaken at country level and to review specific engagements. Thus:

- **Explanatory country cases:** Four in-country case studies (Bangladesh, Ethiopia, Kenya and Somalia) and five desk studies (Afghanistan, Mali, Niger, Palestine and Ukraine) were conducted. See Annex B.
- **In-depth cases of multi-bi engagements:** The country case studies combined general evidence collection with 25 in-depth multi-bi engagement case studies which focused on specific multi-bi programmes or initiatives. See Annex B Table 13 for a list of multi-bi engagements in the case study countries, with identification of the in-depth cases.

Survey of Danish embassy staff: To collect views on current and past multi-bi operations, the evaluation conducted a survey of current and past Danish embassy posted staff and national embassy staff who were in post in May 2022. Survey respondents identified multi-bi engagements where they had had a role, and answered questions about their relevance, coherence, effectiveness and efficiency. The finalised online survey was sent to 98 Danida staff, and 41 valid responses reviewing 100 multi-bi engagements were received. For details of the survey and its results see Annex D.

Comparison with peers: The evaluation reviewed the practices of two bilateral donors, Sweden and the United Kingdom.

Data analysis and reporting

The evaluation analysed each of the country cases and developed country-level findings matrices. Altogether, 25 in-depth cases were coded for relevance, coherence, effectiveness, and efficiency using a three-point scale: good performance (largely performing even if with minor issues), performing (performance in place, but material issues were present), and low performance (significant performance issues were found). This enabled systematic analysis of performance against engagement rationales, structures and so forth. One case was excluded from the analysis according to earmarking type, because the evaluation could not confirm its arrangements from the available documentation. Findings from this exercise were brought together with the survey results, the quantitative analysis of the Danish multi-bi portfolio, and global-level interview data.

Limitations

The main limitations on the evaluation were:

- The evaluation was of the multi-bi channel, not the underlying programmes and projects supported. However, to come to findings on the channel, the evaluation had to form views on the relevance, coherence, effectiveness, efficiency etc. of the interventions financed to assess how the specific channel affected this performance. For this it used interviews, engagement reports and reviews, and existing third-party monitoring reports, reviews and evaluations, include Danish mid-term reviews and commissioned reviews. Not all cases were equally well covered, and there were gaps, especially for engagements in the early years of the period.
- The evaluation recognised potential bias in its sources of information in two respects: key informants may have had a bias for or against multi-bi (or aspects of multi-bi modalities such as earmarking or programmatic involvement by Denmark in the management of multi-bi engagements) which could have influenced the perspectives and information they shared. Secondly, the documentation used to assess the individual engagements could have had positive biases, especially multilateral engagement reports and local reviews with potential positive biases.
- The evaluation did not have counterfactuals. Several counterfactual scenarios were relevant to the choice of the multi-bi instrument, e.g. what would have happened if Denmark had opted to channel the funding at country level as a traditional bilateral engagement with partners other than multilaterals, or as a delegated cooperation agreement with another bilateral partner. A further counterfactual is what would have happened if the funding was provided as core multilateral support. While the evaluation could explore the former to some extent in interviews with key informants, exploring the latter

requires a different study. To manage this limitation, the evaluation report steers away from comparisons, and qualifies these where they are reported.

Despite these issues, the evaluation was able to undertake sufficient triangulation to be confident of this report's main findings.

Internal and external quality assurance

This report has gone through internal quality assurance. External review has been provided by ELK, supported by a senior advisor of the Danish Institute for International Studies. The ERG, chaired by ELK and composed of MFA staff at embassy level, in Copenhagen and in New York, as well as several external experts, provided advisory support and inputs to the evaluation, including reviewing and providing comments on the draft inception and evaluation reports.

2. THE DANIDA AND GLOBAL CONTEXT FOR DANISH MULTI-BI CONTRIBUTIONS

2.1 Evolution of Danish Development Cooperation

Two overarching strategy documents anchored Danish development cooperation during the evaluation period,⁴ and highlighted key priorities and rationales underlying Denmark's use of multi-bi.

- *The Right to a Better Life*⁵ (2012) stressed policy coherence for development, put strong emphasis on Danish multilateralism, and stated how in fragile contexts Denmark would work through civil society or multilateral partners, depending on “what works”, ownership, and most value added.
- *The World 2030*⁶ (2017-2021) increased the emphasis on security and development in conflict-affected regions, addressing irregular migration and the humanitarian, development and peace (HDP) nexus. It repeats the key role envisaged for the European Union (EU) and multilateral support, and states the rationale that “*in many cases, our contribution can most effectively be managed*” by these entities.⁷ The policy also underscored expectations about how Denmark should promote multilateral reforms, efficiency, and freeing up of Danish resources in fragile contexts for policy influence by delivering through multilaterals.

Danish development assistance experienced major events in the period, much of it described in the preparatory evaluation study and other documents.⁸ In 2016 the Danish Government announced a reduction in Danish development assistance as a share of gross national income (GNI) to 0.7% (down from 1% of GNI in 2010 and 0.83% in 2013), with priority countries reducing from 21 to 14. This had a downwards effect on bilateral aid's relative share in Danish development assistance and

⁴ A third development strategy was released early in 2021 but did not directly influence the cases considered for the evaluation.

⁵ The Danish Government, 2012, *The Right to a Better Life: Strategy for Denmark's Development Cooperation*, Copenhagen. Government at the time led by Helle Thorning-Schmidt, 2011-2015.

⁶ The Danish Government, 2017, *The World 2030, Strategy for Denmark's Development Cooperation*, Copenhagen. Government at the time led by Lars Løkke Rasmussen, 2015-2019.

⁷ *Ibid*, p. 21.

⁸ Evaluation Study. Identification and analysis of main trends in Danish multilateral development assistance. Nils Boesen, Ole Winckler Andersen and Toke Arnoldi for the Ministry of Foreign Affairs of Denmark, 2021.

on the number of development engagements. The period also saw major short-term fluctuations in budget allocations as spending needs increased in relation to in-donor refugee costs, leading to cuts in bilateral programmes some years and extra inflow of funds in other years.

Support to fragile states gradually emerged as a more significant part of Danish bilateral assistance, marked by a policy in 2013 for Denmark's integrated stabilisation engagement in fragile and conflict-affected areas,⁹ and a scale-up of programmes in fragile contexts (Afghanistan, Somalia, West Africa, etc.) with multilateral organisations representing significant channels for support in these contexts.

Finally, the MFA has seen various organisational changes over the period. The number of staff in Copenhagen and at embassies was reduced in 2016, including fewer posted staff positions at embassy level. Most of the reductions have been in development cooperation staff, with the reduction in the ODA budget. As noted by the 2016 OECD DAC peer review: "the depletion of a core cadre of Copenhagen-based development professionals, particularly technical specialists, will impact the MFA's capacity to build technical expertise and share experience across programmes."¹⁰ The evaluation has understood that there have been some staff increases since 2018, and this has also been reported in the OECD DAC 2021 Peer Review of Denmark.¹¹ The MFA was also reorganised in 2016. Seven offices in Copenhagen were closed and two were opened. Critically, staff of the Department of Technical Advisory Services, which had played an important role in advising country missions, were reduced from 30 to 21 specialists and divided between thematic desks and what is now ELK. Evaluation interviews indicated that these changes have meant less specific sector/thematic experience, and lower levels of experienced staff in general, with more limited resources and time at embassy level to manage the CP and engagements.

These shifts are reflected in the annual budget statements, "The Danish Government Priorities for Development Cooperation and the Finance Act". These statements are significant policy implementation tools setting out allocations to programmes and partners, many of which are delivered through multi-bi engagements. Analysis of the statements (see summary in Figure 10, Annex C) shows:

- *Denmark's commitment to multilateralism (with associated justification of core multilateral support).* This merited separate discussions in

⁹ Ministry of Foreign Affairs and Ministry of Justice and Ministry of Defence of Denmark, 2013, Peace and Stabilisation: Denmark's Policy towards Fragile States.

¹⁰ OECD DAC, 2016, OECD Development Co-operation Peer Reviews: Denmark 2016, OECD.

¹¹ OECD DAC, 2021c, OECD Development Co-operation Peer Reviews: Denmark 2021, OECD.

2013 and 2014, and again in 2019 and 2020. In other years the role of multilaterals is recognised in achieving priorities such as women and girls' health rights, or stability, security and peace in fragile and crisis and conflict-affected states.

- A consistent prioritisation from 2013 of support to fragile and crisis and conflict-affected states to build stability, security and peace. The 2016 Statement announced the reduction of ODA as a share of GNI to 0.7%, and the reduction in the number of Danida priority countries to 14, to focus assistance on fragile states, 10 of which are in Africa.¹²
- Overall, the emergence of Africa as a geographical focus. This merited a dedicated section from 2019.
- *A strong focus on migration and addressing its root causes from 2016.* In 2019 and 2020 this was discussed in the context of an Africa focus, and in 2021 alongside support to fragile and conflict-affected states.
- *The emergence of investment, trade, and jobs as a focus area.* This merited a separate discussion from 2015 to 2017 and occurs alongside a declining emphasis on social progress and social sectors (besides continued emphasis on realising gender equality and rights for women and girls).
- *Green growth and climate change as a consistent theme.* This was relegated to discussion under the sustainable growth umbrella from 2016 to 2018 but prioritised again for separate discussion in justifying allocations from 2019.

2.2 Danida and multilateral organisations

Danida is a generous donor to the multilateral system.¹³ It has provided a stable level of core funding (on average USD 770 million per year, or 29% of ODA between 2011 and 2019), alongside increasing multi-bi. The top 10 multilaterals supported by Danida have remained consistent, with the same 10 multilaterals making up the list in 2019 and 2011.¹⁴ They received about 70% of Danish aggregate multilateral support in 2019.

¹² The 14 countries were: Afghanistan, Bangladesh, Burkina Faso, Ethiopia, Ghana, Kenya, Mali, Myanmar, Niger, Palestine, Somalia, South Sudan, Tanzania and Uganda. Government of Denmark, 2015, The Government's priorities for Danish Development Cooperation 2016, p. 4.

¹³ Boesen, 2021 calculated that it was fourth in funding relative to gross national income, and 16th in absolute numbers.

¹⁴ In order of support, EU (EDF), UN Development Programme, the International Bank for Reconstruction and Development and the International Development Association (the World Bank), the European Commission, the UN High Commissioner for Refugees, the World Food Programme, the UN Populations Fund, UNICEF, and the African Development Fund (alternating with the African Development Bank) (Boesen, 2021).

Denmark sees multilateral organisations as important for the achievement of the Sustainable Development Goals (SDGs).¹⁵ The 2012 Strategy (*The Right to a Better Life*) stated that Denmark also has a clear interest in orderly international cooperation, an international legal order, and a well-functioning multilateral system.¹⁶ It noted that Denmark would cooperate actively with and exert influence on multilaterals to ensure as far as possible that they promote its aims, use their mandates effectively and ensure synergy with Denmark's bilateral interventions. The 2017 Strategy (*The World 2030*) reiterated reform of the multilateral system as a Danish priority to strengthen the overall international response. This emphasis also stems from Denmark's commitment to realising human rights across the globe, and maintaining the international rule-based order, in which it sees an essential role for the multilateral system.

The management of core multilateral cooperation was guided by the Guidelines for Management of Danish Multilateral Development Cooperation. While this version, in place for the evaluation, did not refer to linking multi-bi country level engagements and core multilateral aid, the December 2020¹⁷ version included that multi-bi support should be presented in multilateral Organisation Strategies and that synergies between core and multi-bi contributions on the agenda at high-level consultations. Elements in the multilateral management cycle are organisation strategies; strategic dialogue through mandate notes and participation in governing bodies, decentralised annual and high-level consultations; and informal influencing by Denmark's representatives at multilaterals. The 2019 evaluation of the use of organisation strategies and results reporting in Danish engagement with its multilateral partners, found that gradualism and informal processes in a decentralised system of managing core contributions have shaped Danish multilateral development and humanitarian cooperation more than formal, documented strategies.¹⁸

2.3 Danida guidance on managing multi-bi engagements

Danida's aid management guidelines (AMGs) require multi-bi contributions at the country level to be managed in the same way as bilateral support through other partners, apart from allowing for the exemption of multi-bi engagements from some appraisal, procurement

¹⁵ MFA, 2017, *The World 2030, Denmark's Strategy for Development Cooperation and Humanitarian Action*, p. 15.

¹⁶ MFA, 2012, *The Right to a Better Life. Strategy for Denmark's Development Cooperation*, p. 32.

¹⁷ MFA, 2020, *Guidelines for Management of Danish Core Support to Multilateral and International Organisations*.

¹⁸ Boesen et al, 2019.

and financial management requirements. This section summarises the framework for managing multi-bi engagements over the period, as established through different AMGs.

Bilateral AMG: Danish country development cooperation is decentralised, which means that most country-level bilateral aid is negotiated and managed by Danish embassies. The main reference document for programming of country multi-bi engagements during the period is the bilateral AMG. Over the period various versions of the bilateral guidelines were in force, including the Guidelines for Country Programmes (GCP) introduced in 2013 (revised in 2015); the Guidelines for Programmes or Projects up to DKK 37 million in 2016; and the Guidelines for Programmes and Projects (GPP) in 2017. The GPP was revised in 2018. In November 2020 a revised bilateral AMG was issued, Guidelines for Country Strategic Frameworks, Programmes and Projects (GCSFPP), which was updated in 2022. The 2020 GCSFPP affected none of the in-depth case studies, which were all prepared prior to these guidelines.

There is consistency between guidelines on the approach to programming bilateral engagements, including at country level. The 2013 GCP to the 2018 GPP revision required that Country Policy Papers should guide the development of CPs, consisting of thematic programmes each of which in turn comprised one or more development engagements (including multi-bi engagements). The CP was therefore the main basis for planning, approving and managing bilateral development assistance, hence for arguing and approving the portfolio of partners to support, including multi-bi engagements.

Specifically, the guidelines set the following evolving frame for multi-bi engagements:

- All the guidelines posed multilateral organisations as an option for partnership to deliver CPs, alongside other options such as civil society, government institutions, or the private sector. But by 2018 the language changed to indicate that where relevant, Denmark should work through multilateral and other bilateral donors.¹⁹
- All the guidelines promoted coordination between bilateral (including multi-bi) and core multilateral support. In 2013, the guidance was to “consider if links between multilateral and bilateral development cooperation should be pursued”.²⁰ In the 2018 GCP this shifted to “synergies between bilateral and multilateral cooperation should be pursued”.²¹

¹⁹ Ibid, p. 5.

²⁰ Ministry of Foreign Affairs of Denmark, 2013, Guidelines for Country Programmes, 2013, p. 20.

²¹ Ministry of Foreign Affairs of Denmark, 2018, p. 5.

- The 2018 guidelines were the first to pose criteria for the selection of partners, namely “their *relevance for achieving the objectives* of the project or programme, the *assumed effectiveness and efficiency of the partners* and *assumed capacities* for achieving results and impacts and *ensuring the longer-term sustainability* of the results...[and] their ability to *drive innovation, change and transformation*” [emphasis added].²² The 2018 guidelines also required that all partners are analysed at programming stage to consider their capacities, associated risks and the need for programme support mechanisms such as secondments or technical advisors.
- The 2013 and 2016 guidelines stated that alignment to the greatest extent possible to partner plans, procedures, budgets, monitoring frameworks and organisational setups, was a fundamental principle of Danish support. The 2016 guidelines went one step further, indicating that alignment and complementarity with other development partners should take precedence over internal synergies in Danida support. Where partners’ systems were inadequate, the 2018 guidelines also allowed for a more detailed description of the results framework in the Development Engagement Document (DED).
- Multi-bi engagements that were programmed as part of the country framework had to be appraised and quality-assured in terms of the AMGs as part of CP review and approval processes. CPs had to be appraised by the in-house Technical Advisory Services (at present ELK) and quality-assured by the technical programme committee. Individual multi-bi engagements over DKK 39 million not yet appraised at the time of preparing the CP, also had to go through engagement-specific quality assurance. Up to 2020, the committee undertook separate quality assurance of the concept note, the results framework concept note and the full programme or project document. Since the 2020 GCSFP, only the draft Country Strategy Frameworks have had to be quality assured. These frameworks, however, no longer formulate individual engagements but set the strategic objectives for Denmark’s development cooperation. All individual engagements over DKK 10 million formulated under the framework must still go through appraisal and quality assurance at concept note and programme document stages.²³ The Council for Development Policy, or previously the Danida-Board, review all CPs and additional grants over DKK 39 million and make recommendations to the Minister for Development Cooperation on their approval.

²² Ibid, p. 5.

²³ If applied to the Danish multi-bi portfolio 2013-2019, 90% of engagements by value would have been appraised under this rule.

- Where the procedures of the partner quality-assured the engagement, the 2018 guidelines exempted multi-bi engagements from Danida's programme and project technical appraisal processes. This exemption was not explicit in earlier guidelines.

Financial management guidelines: Over the evaluation period, the financial management of multi-bi engagements was subject to the same financial requirements as other Danish bilateral engagements, as set out in the financial management guidelines.²⁴ These included, for example, that an output-based budget linked to the engagement's result framework had to be specified in the DED; and that funding could only be used for the purposes identified and deviations between budget lines of more than 10% had to be approved by Danida.

Deviations, however, were possible on specific aspects of financial managements for multi-bi engagements with multilateral partners where Denmark was a member or a contributor of core funding with governance influence globally.²⁵ As for all bilateral engagements, the DEDs had to specify financial management arrangements, including detailing deviations. For example, embassies could agree a single annual financial report, instead of quarterly reports; or could opt for lighter partner financial assessments, even if the default was still full assessment. Agreements with multi-donor trust funds (MDTFs) were exempt from the rule that accrued interest must be returned to Denmark. Accrued interest in trust funds where Denmark was the only donor, however, still had to be returned unless there was a multilateral board-level agreement in place or retaining the interest was established practice by the multilateral (and specified in the DED). Denmark could also accept organisation-wide audits and its right to carry out audit inspections for World Bank MDTFs and UN entities that were subject to the single audit principle. While the default limit on overhead rates for multi-bi engagements was still 7% as for other bilateral engagements, where a different rate had been agreed at global level it could be applied. In both direct and multi-bi engagements, however, the default 7% limit may be breached 'for extraordinary' circumstances in the DED.

Doing Development Differently (DDD): The 2016 DAC Peer Review of Danida noted that Denmark had been supporting its priority countries through a range of channels and instruments without managing to achieve synergy and coherence between all the parts. At the time, Danida's ability to adjust rapidly to a changing context was also a concern of senior management. Danida, therefore, launched the DDD approach in 2019 and tested a DDD-aligned country planning approach

²⁴ Ministry of Foreign Affairs of Denmark, 2019, Financial Management Guidelines.

²⁵ As set out in the General Guidelines for Accounting and Auditing of Grants Channelled through Multilateral Organisations published in 2012.

in Kenya and Burkina Faso, followed by the publication in 2020 of the Guidance Note on Adaptive Management.

DDD means ensuring greater coherence and synergy between various Danish aid instruments, including calling for stronger linkages between embassies and Copenhagen; and applying an adaptive approach to development focusing on results, continuous learning and decision-making, and local ownership in development cooperation.²⁶ DDD has implications for how partnerships should be managed. The Guidance Note on Adaptive Management noted the feasibility of adaptive management depended on the nature and strength of Denmark's partnerships. It acknowledged the challenges and opportunities for implementing adaptive management in multi-bi flows, including joint monitoring and learning, promoting adaptive management by multi-bi partners, and getting experience from the ground. This, it noted, would require that the management of multi-bi engagements was adequately resourced.

While DDD came only at the end of the evaluation period and would have influenced the development and management of only a few of the evaluation case studies, the evaluation TOR included related evaluation sub-questions about the flexibility and coherence of multi-bi engagements, and about information sharing and learning.

2.4 Global use of the multi-bi instrument

The multi-bi channel is an important aid modality for bilateral donors. Between 2013 and 2019, DAC donors committed more than 14% of total ODA as multi-bi contributions, making up almost half (47%) of their total contribution to multilaterals.

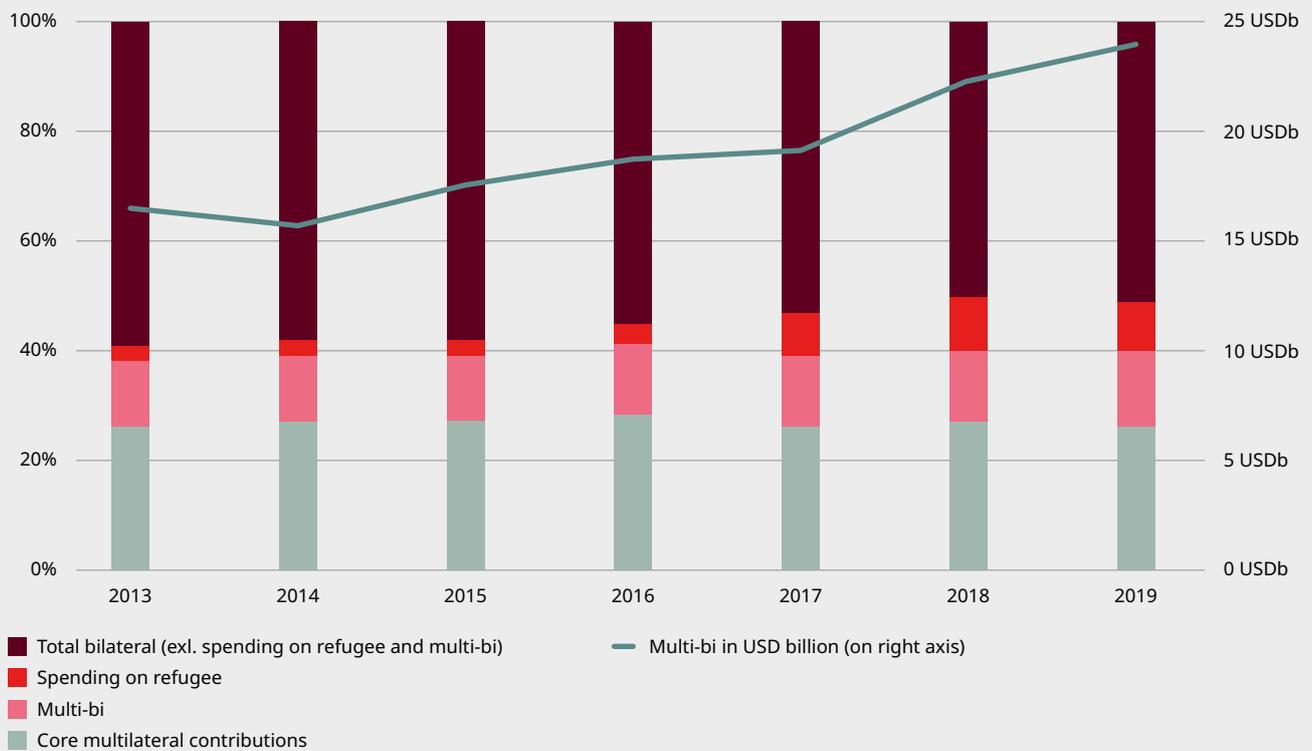
Between 2013 and 2019 DAC donor multi-bi disbursements grew twice as fast as total ODA disbursed, by 45%. This was also faster than core multilateral support, which also increased, but by 19% and more slowly than total ODA. Thus, the share of multi-bi contributions in total ODA, increased from 12% to 14% between 2013 and 2019 (see Figure 1 below). For multilateral organisations, the growth in multi-bi contributions as a share of ODA means a gradual shift in how they are financed. Different multilaterals, find themselves in different positions. In 2019, for example, UN funds and programmes received a much high share of contributions through the multi-bi channel (84%) than the World Bank and other multilateral development banks (MDBs), at below 30% of flows (see Figure 2 below).

²⁶ MFA, 2020, Guidance Note: Adaptive Aid Management, Preface.

Globally, studies have shown that contributing donors use the multi-bi instrument for many reasons, including beliefs that the instrument enables them to influence multilaterals’ policy agendas; can be leveraged to address perceived gaps and inadequacies in the multilateral system; harnesses multilaterals’ assets and capacities for donors’ own policy agendas; can expand donors’ influence where they have limited capacity; and allows earmarking for clearer accountability to constituencies on policy priorities.²⁷

FIGURE 1: EVOLUTION OF DAC DONORS’ MULTI-BI CONTRIBUTIONS (2013 TO 2019)

Multi-bi grew as a share of total ODA disbursed by DAC donors, and by 45% in real USD terms between 2013 and 2019

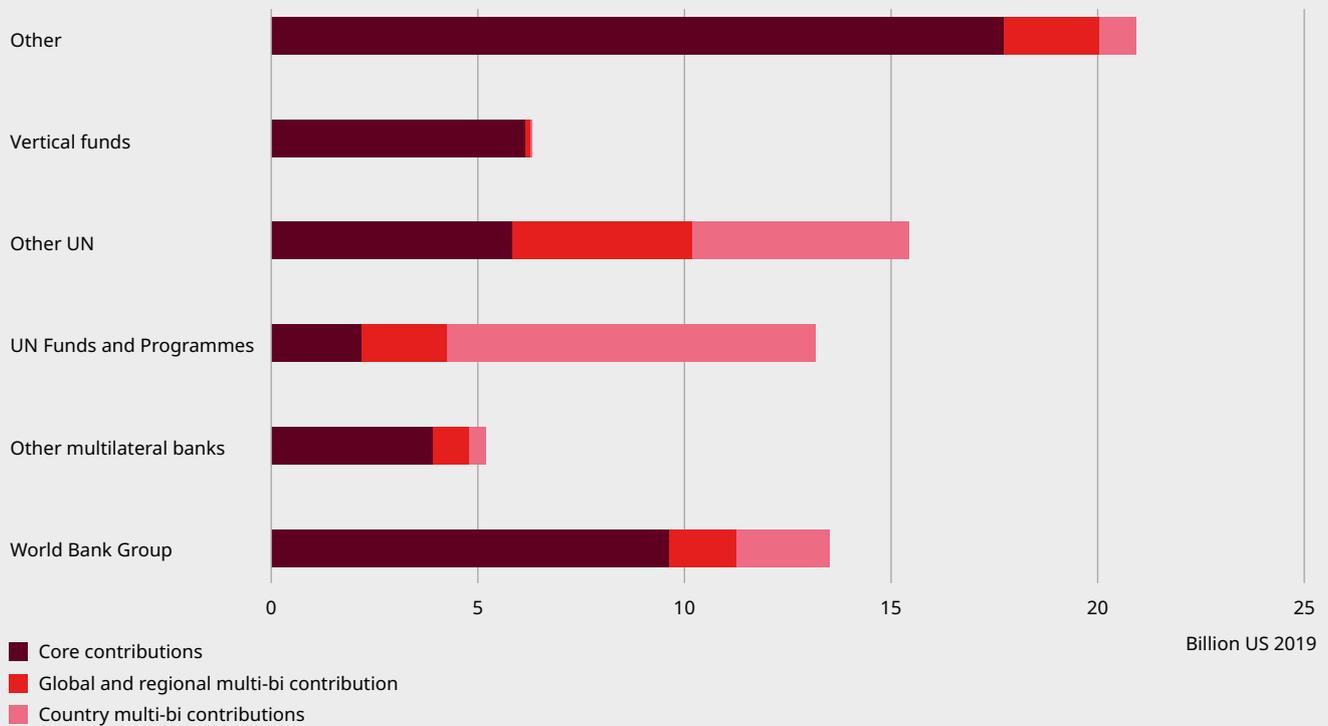


Source: OECD Development Statistics, 2022.

²⁷ See for example Gulrajani, 2016, Bilateral versus multilateral aid channels. Strategic choices for donors. Overseas Development Institute (ODI); Reinsberg, B, 2017, Five steps to smarter multi-bi aid. A new way forward to earmarked finance, ODI; and OECD DAC, 2020a, Earmarked funding to multilateral organisations: how is it used and what constitutes good practice? Brief on Multilateral Development Finance. OECD.

FIGURE 2: CONTRIBUTIONS RECEIVED BY MULTILATERAL ORGANISATIONS IN 2019

The UN Funds and Programmes receive funding mostly as country-level multi-bi.
The World Bank and other MDBs have more core funding.



Source: OECD DAC 2020b.

A recent analysis²⁸ of the coincidence between OECD DAC donors’ multi-bi aid and direct bilateral aid, and multilateral flows, between 2010 and 2019 by sector, location and instrument, showed that multi-bi aid has relatively low similarity with direct bilateral aid in thematic orientation, but high similarity in geographic orientation, suggesting that generally, bilateral donors use multi-bi contributions in thematic areas they want to support in their focus countries, but where they do not have the expertise to do so. The study surmised that individual donors follow three strategies in how they use the multi-bi instrument: to reinforce their own portfolio (coinciding multi-bi and direct contributions); to complement their portfolio thematically (low thematic and high geographic similarity); and to diversify their portfolio (low thematic and geographic similarity). Denmark, along with the other Nordic countries, was in the ‘reinforcing’ group of donors with a geographic similarity of almost 1 (fully coinciding) and thematic similarity of 0.6.

²⁸ OECD DAC, 2022, Comparing multilateral and bilateral aid: a portfolio similarity analysis, OECD.

However, **the increased profile of multi-bi aid in global development assistance has raised concerns.** The Multilateral Development Finance 2020 Report²⁹ noted increasing evidence of “potentially adverse effects of earmarking on the ability of multilateral organisations to operate effectively and efficiently”, and that increasing multi-bi aid is contributing to the fragmentation of the multilateral system.

While multilateral organisations acknowledge the value of earmarked funding to expand their reach, various studies have found there are significant drawbacks for multilaterals and their development effectiveness.³⁰ Unsatisfactory outcomes reported from the studies’ evidence include: fragmentation and policy incoherence; increased and harmful competition between multilaterals; a politicisation of multilateral institutions and a shift in power and accountability from the collective to bilateral donors; a loss of credibility; loss of ownership by developing countries; shorter project durations, higher transaction costs; and the diversion of capacities from core activities. In aggregate, earmarking impacts the governance and independence of multilaterals, and can make them less strategic, less efficient and less able to leverage their comparative advantages as multilateral organisations.

Multi-bi flows are, however, not uniform, and impacts differ between different forms of multi-bi flows. The issues listed above are especially pertinent in tightly earmarked project-type multi-bi funding, where incoherence with multilaterals’ own strategies is a higher risk, and donors have higher direct influence and control, and can demand accountability and project-specific procedures and reports.

Multi-bi provided as pooled funding and softly earmarked contributions to multilateral programmes offer more overall development effectiveness advantages than project-type multi-bi funding. These forms of multi-bi contributions can provide crucial resources for innovative approaches and knowledge development (which otherwise might be difficult to secure from multilaterals’ core funding), and bring funding agencies together for improved coherence and lower transaction costs from the perspective of recipient countries. Especially in fragile and conflict-affected countries, pooled funding arrangements through multilaterals make more resources available than bilateral donors would have committed through direct bilateral support, enable more rapid responses leveraging the capabilities of multilaterals,

²⁹ OECD, 2020b, Multilateral Development Finance Report 2020, p. 2.

³⁰ For discussion of these issues see: Barder, O, Richie, E. and Rogerson, A. (2019). Contractors or Collectives? Earmarked funding of multilaterals, donor needs and institutional integrity: the World Bank as a case study. Centre for Global Development. Policy Paper; Gulrajani, 2016; Reinsberg, 2017; and Weinlich, S, Baumann, M.-O, Lundsgaarde, E. and Wolf, P. (2020). Earmarking in the multilateral development system: Many shades in grey. German Development Institute. Studies 101.

and enable risk and burden-sharing between donors. The extent of earmarking therefore matters. Commonly, multi-bi contributions to the UN organisations and multilateral banks other than the World Bank are more often earmarked at the project level (with contributions specified to outputs, inputs, etc), while contributions to the World Bank and vertical funds are earmarked at the sector or thematic level (programme type interventions) (see Table 2).

TABLE 2: DISTRIBUTION OF MULTI-BI CONTRIBUTIONS BY EARMARKING MODALITY³¹

| | Project-type | Programme-type |
|-----------------------|--------------|----------------|
| World Bank Group | 16% | 84% |
| Other MDBs | 57% | 43% |
| UN Funds & Programmes | 35% | 65% |
| Other UN | 36% | 64% |
| Vertical funds | 4% | 96% |
| Other | 34% | 66% |

Source: OECD DAC, 2022.

The study on the similarity between DAC donors' bilateral and multilateral portfolios illustrates the impact on multilaterals well.³² The study investigated the similarity between multilateral outflows and DAC members' multi-bi and direct bilateral portfolios. This showed that UN outflows have high geographic and thematic similarity with many, but not all, donors' own bilateral portfolios (reinforcing their own spending), while MDB outflows almost exclusively diversify donors' portfolios thematically, as well as geographically. This is most likely because of the relatively low share of multi-bi flows in MDB revenue, compared with UN agencies, but illustrates well the impact of multi-bi flows on the functioning of the multilateral system. The overlap between individual donor portfolios and vertical funds' outflows is a mix between

³¹ Designation as project- and programme-type multi-bi uses existing OECD DAC modality codes to help differentiate between different flows. The use was first suggested in Reinsberg, B, Michaelowa, K and Eichenauer, V, 2014, The rise of multi-bi aid and the proliferation of trust funds, Handbook of Development Economics, and has been used by the OECD DAC to analyse earmarking in multi-bi flows.

³² OECD DAC, 2022.

diversification and thematic complementarity, illustrating their value in channelling funds to recipient countries that may otherwise not have been available for the specific purposes.

This section looked at global patterns in the use of multi-bi, and their effect on multilaterals, including how multi-bi contributions and their effects may differ between multilaterals. Assessment of the effect of Danish multi-bi flows on the global effectiveness of its multilateral partners is outside the scope of the evaluation. The TOR questions also did not direct the study to focus on the effects of earmarking on multilateral partners at country level. Rather, the MFA wanted to learn how the multi-bi instrument is used and should be used to promote Danish interests, and for greater relevance, coherence, effectiveness, efficiency and flexibility of Danish development assistance. Questions about how the management of multi-bi portfolios impacted multilateral partners, however, should be of concern to any donor interested in aid effectiveness in general. In this regard the global perspective on the use and impact of the multi-bi instrument provided helpful context for the evaluation's findings.

3. EVALUATION FINDINGS

This chapter of the report first provides the findings from the descriptive analysis of Danida's multi-bi contributions, and specifically of its country development multi portfolio, before providing findings against the EQs.

3.1 Descriptive overview of Danish multi-bi engagements

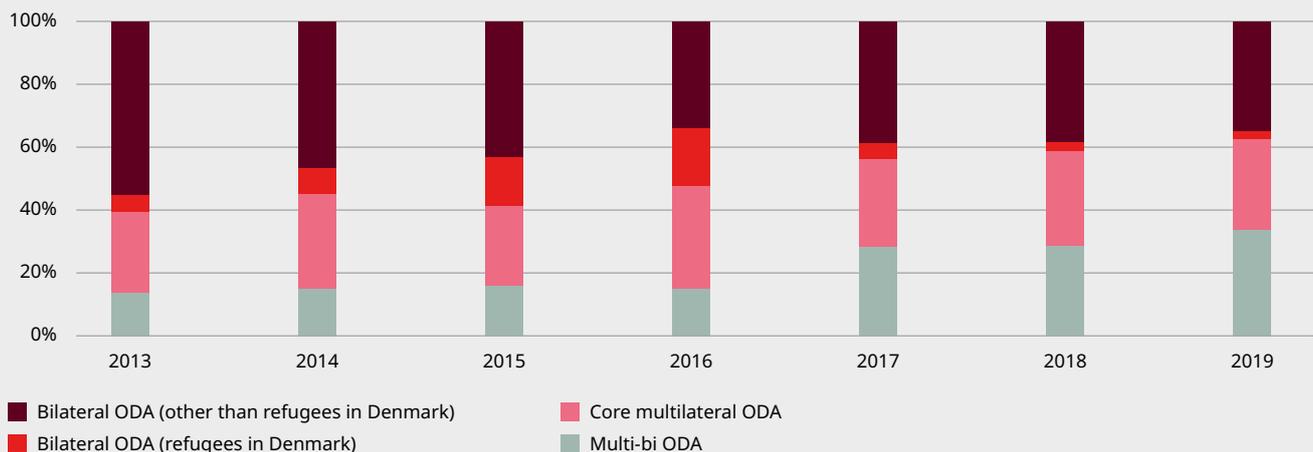
Danida's use of the multi-bi instrument

Multi-bi aid has grown significantly in absolute terms and as a share of Danida's ODA. By 2019 Danida was committing more than two dollars in multi-bi aid for every one dollar provided in 2013, in 2019 terms.^{33, 34}

As a share of ODA commitments, multi-bi also doubled (Figure 3A below) from 14% to 33% of ODA. Compared to the DAC country average, Denmark used the multi-bi instrument more: 19% of flows from 2013 to 2019, compared to 15% on average for all DAC countries (Figure 3B below).

FIGURE 3A: USE OF MULTI-BI RELATIVE TO CORE-MULTILATERAL AND OTHER BILATERAL SUPPORT

Between 2013 and 2019 the share of ODA provided as multi-bi doubled



³³ This data is from OECD DAC statistical data DAC1 table, which is the summary table per provider. It provides a memo item, IA 1904 Memo: ODA channelled through multilateral organisations. This memo item is only available from 2011.

³⁴ The analysis of Denmark's multi-bi portfolio uses commitments unless otherwise stated, because commitments reflect the intent of Denmark at the time, whereas disbursements include flows associated with commitments in earlier years.

FIGURE 3B: USE OF MULTI-BI RELATIVE TO CORE-MULTILATERAL AND OTHER BILATERAL SUPPORT

OECD DAC and selected countries' use of multi-bi. Average annual disbursements as share of total ODA 2013 to 2019.

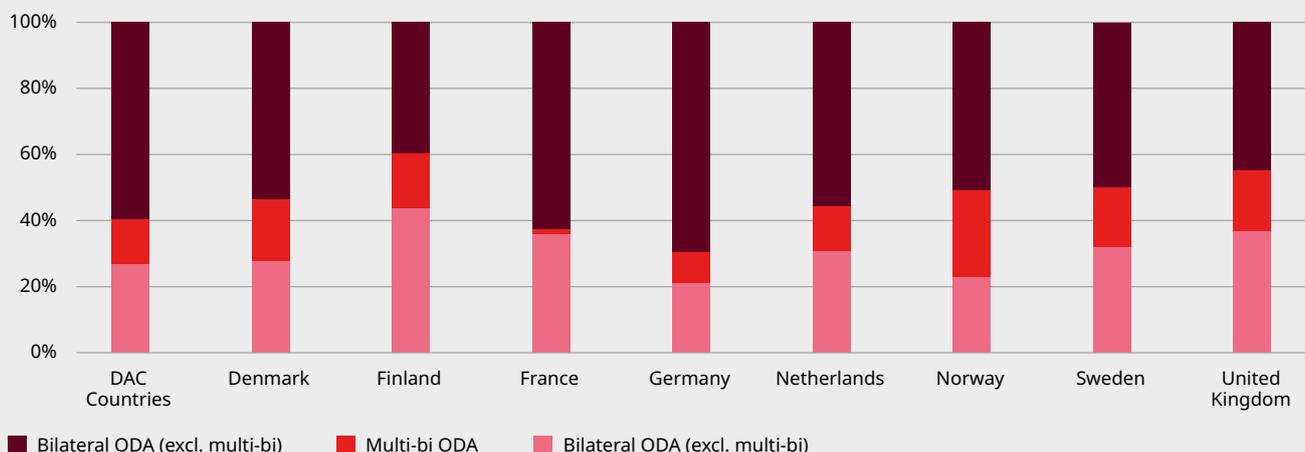


FIGURE 3C: USE OF MULTI-BI RELATIVE TO CORE-MULTILATERAL AND OTHER BILATERAL SUPPORT

Development multi-bi reduced in 2016, but grew fast subsequently

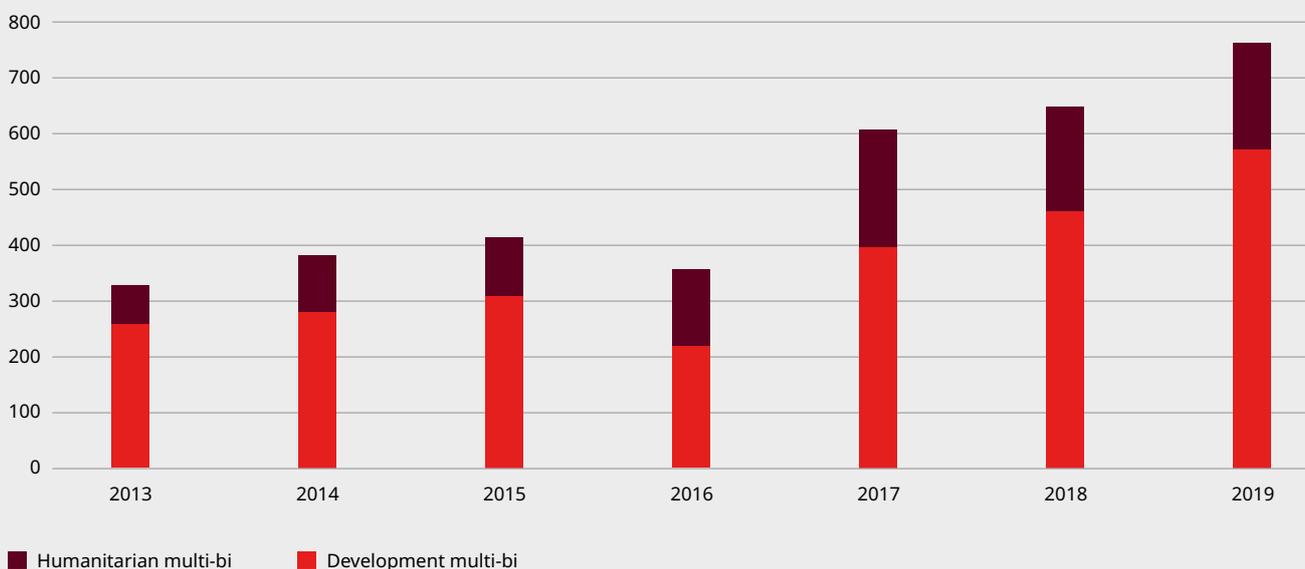
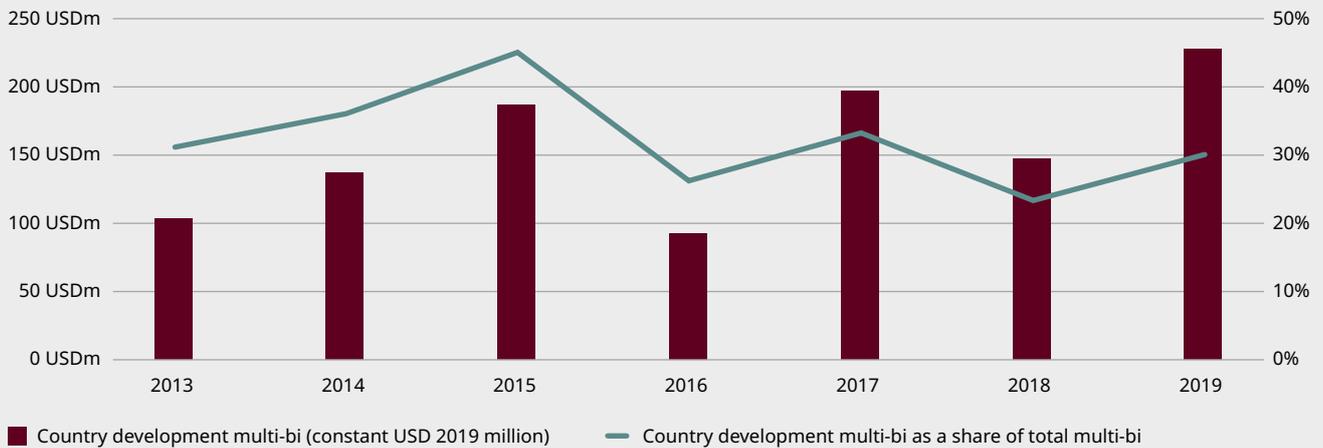


FIGURE 3D: USE OF MULTI-BI RELATIVE TO CORE-MULTILATERAL AND OTHER BILATERAL SUPPORT

Country development multi-bi commitments were higher in 2019 in absolute terms, but constituted a lower share of total multi-bi commitments than in 2013.



The significant growth in Denmark's multi-bi after 2016 was driven by fast and sustained increases in development multi-bi. As shown in Figure 3C above, development multi-bi contributed 75% of multi-bi commitments in 2019, up from 62% in 2016. Over the full period however, it is the humanitarian share that grew most consistently, resulting in humanitarian multi-bi commitments having a larger share in 2019 than in 2013, by four percentage points.

Evolution of country development multi-bi

Country development multi-bi more than doubled between 2013 and 2019 in constant dollar terms and grew from 4% to 9% of total Danish ODA commitments, but did not increase as share of total Danish multi-bi commitments. This was because country development multi-bi shrunk more than global multi-bi to accommodate spending on the refugee crisis in Denmark within the ODA budget and did not grow consistently thereafter (Figure 3D above).

Danida has used multi-bi contributions increasingly in fragile states. As shown in Table 3, Denmark committed 20% more on average per year in USD terms through the multi-bi channel in fragile states between 2017 and 2019 (period two) than between 2013 and 2016 (period one).³⁵

³⁵ The evaluation used the World Bank list of fragile and conflict-affected countries, published annually (see [here](#)) to tag recipient countries. The evaluation mid-point list was used (2017) to provide a more accurate picture of multi-bi to fragile countries. The World Bank list was used as it is referenced in the 2020 Danida Development Cooperation Strategy: it is the list used in the analysis of the number of people living in fragile states, undertaken by the Brookings Institute (see [here](#)). The World Bank list is shorter than the OECD list.

This was because multi-bi commitments as a share of total development commitments to fragile states grew (from 38% to 55%), rather than because total development commitments to fragile states grew.³⁶ The multi-bi share of commitments to fragile states out of total country development multi-bi commitments declined however, because multi-bi commitments to non-fragile stages grew faster (by 49% in USD terms between the two periods).

TABLE 3: DISTRIBUTION OF COUNTRY DEVELOPMENT MULTI-BI

| Bilateral development commitments | 2013 to 2016 Period 1 | 2017 to 2019 Periode 2 |
|--|--------------------------|---------------------------|
| By Fragility | | |
| Fragile States multi-bi average annual commitment (USD 2019 M) | 90 | 113 |
| <i>As a % of total commitments to fragile stages</i> | 38% | 55% |
| <i>As a % of total multi-bi commitments</i> | 69% | 58% |
| Non-fragile States multi-bi average annual commitment (USD 2019 M) | 42 | 85 |
| <i>As a % of total commitments to non-fragile stages</i> | 9% | 24% |
| <i>As a % of total multi-bi commitments</i> | 31% | 42% |
| By Income Level | | |
| LIC multi-bi % of total LIC | 18% | 34% |
| LMIC multi-bi as a % of total LMIC | 20% | 32% |
| UMIC multi-bi as a % of total UMIC | 23% | 72% |

Source: OECD DAC Development Statistics, 2021.

Denmark used the multi-bi instrument more in higher-income countries than in lower-income countries. The share of multi-bi commitments in total development assistance to upper middle-income countries (UMICs) trebled between period one and period two, driven by flows to Iraq and Lebanon, both also listed as fragile. In 2019, 72% of aid to UMICs were

³⁶ Development ODA commitments to fragile states declined by 16% between the two periods, but more slowly than total development bilateral ODA committed to countries, which declined by 29%. This means that the share of fragile state Danish ODA commitments in total bilateral country-specific Danish ODA increased between the two periods.

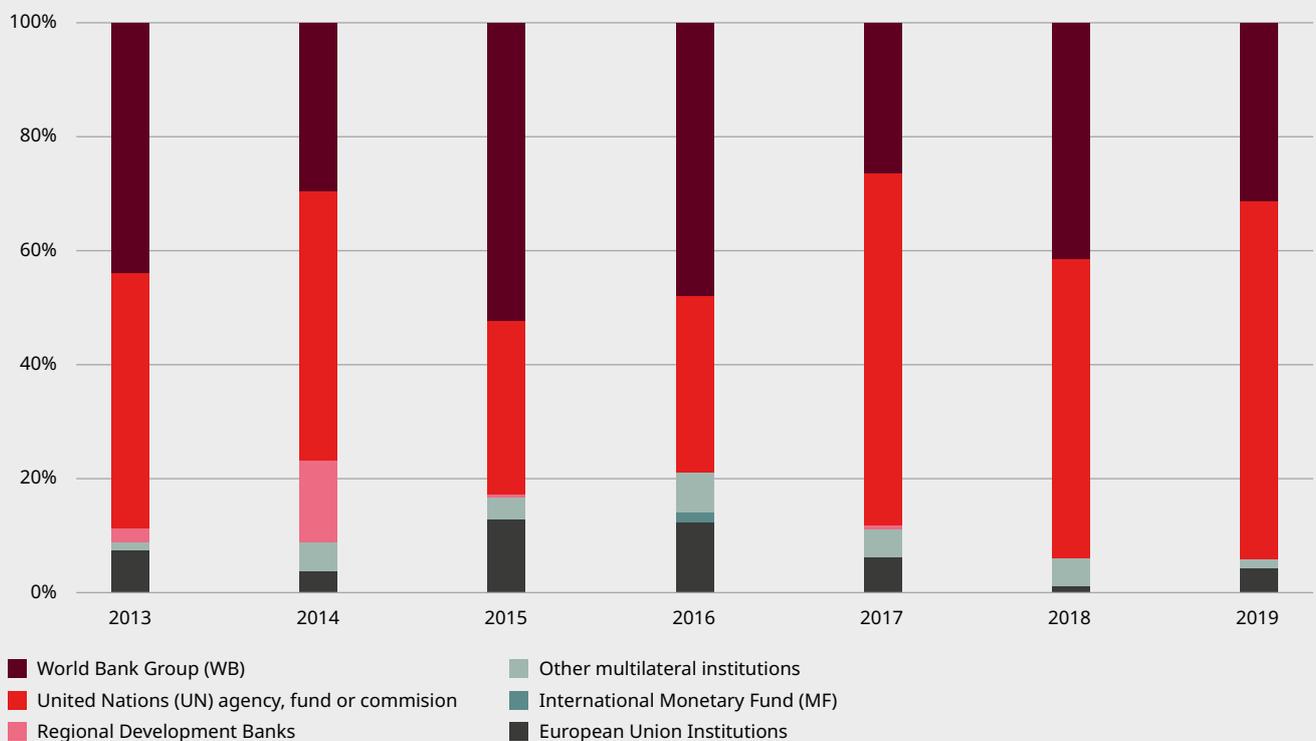
through the multi-bi channel, compared to 34% in low-income countries (LICs) and 32% in lower middle-income countries (LMICs).

UN organisations and the World Bank Group were the highest recipients of Danish development multi-bi contributions at country level between 2013 and 2019 (see Figure 4A below). Before 2016, 83% of multi-bi commitments at country level for development purposes were to UN organisations and the World Bank Group; after 2016 this grew to 93%. The most significant UN commitments were for the United Nations Development Programme (UNDP), with 38% of UN commitments, followed by the United Nations Children’s Fund (UNICEF) and the United Nations Population Fund (UNFPA) with 7.6% and 7.4% respectively.

Development multi-bi contributions at the country level were strongly focused on the governance and civil society sector (see Figure 4B below). This sector accounted for 58% of total country multi-bi development commitments over the period, followed by conflict, peace and security (17%) and social infrastructure and services (16%).

FIGURE 4A: COUNTRY DEVELOPMENT MULTI-BI COMMITMENTS (2013 TO 2019) BY CHANNEL AND SECTOR

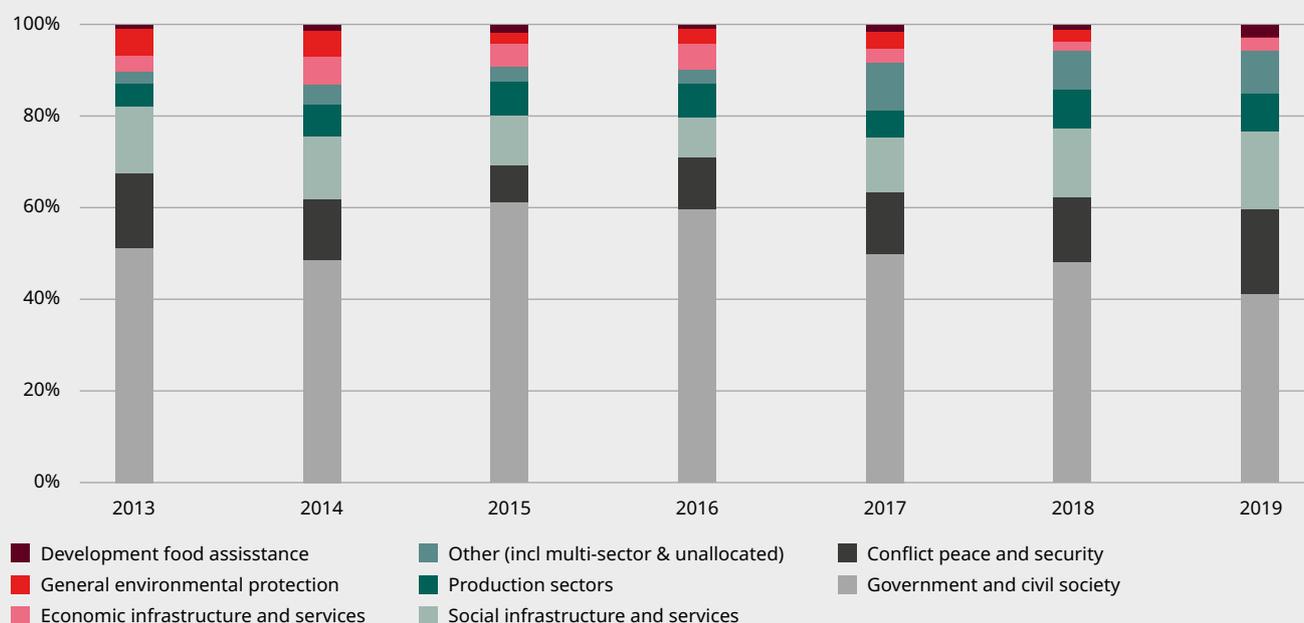
Commitments by channel



Source: OECD DAC Development Statistics, 2021.

**FIGURE 4B: COUNTRY DEVELOPMENT MULTI-BI COMMITMENTS (2013 TO 2019)
BY CHANNEL AND SECTOR**

Commitments by sector



Source: OECD DAC Development Statistics, 2021.

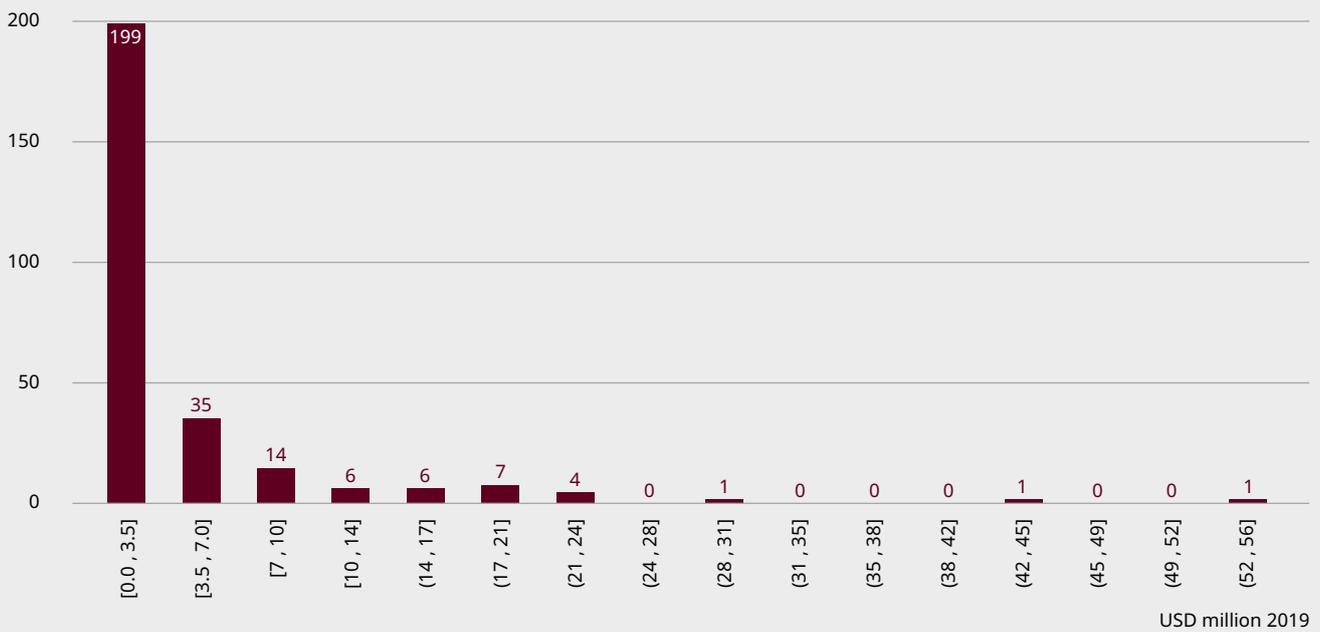
Multi-bi was an important instrument for Denmark in the governance and civil society, conflict peace and security, and development food aid sectors, where respectively 35%, 63% and 85% of commitments were through the multi-bi channel. In the last three years of the period compared to the first three years, the most significant share growth was in the multisector and unallocated category, reflecting Denmark's increased use of multi-donor multisector trust funds in post-conflict contexts.

Most country development multi-bi engagements between 2013 and 2019 were small, worth less than USD 3.5 million in 2019 terms. Figure 5 reflects the evaluation's best estimate of total bilateral programmes and projects channelled through multilaterals at country level, excluding any technical assistance/secondment of experts.³⁷

³⁷ The OECD DAC data were the best source of data on all Danish multi-bi engagements. The DAC Creditor Reporting System assigns unique CRS (Creditor Reporting System) identification numbers for each commitment and disbursement, comprising the year of the commitment, and a core alpha-numerical code that is shared across years. As a single engagement can have multiple commitments, there are more commitments than engagements in the database. To derive the number of engagements and total commitments per engagement, all commitments sharing the same core CRS identification number were counted as a single project, and checked against reported Danish identifiers such as project codes and names.

The graph shows that altogether 199 multi-bi engagements of below USD 3.5 million were committed between 2013 and 2019, equal to 27% of total country development multi-bi commitments. The remaining 75 multi-bi programmes and projects were between USD 7 million and USD 56 million per project and contributed 73% of commitments.³⁸

FIGURE 5: NUMBER OF MULTI-BI DEVELOPMENT ENGAGEMENTS BY SIZE (2013-2019)



Source: OECD DAC Development Statistics, 2021.

3.2 What was the context and rationale which led to the use of the multi-bi instrument?³⁹

Finding 1: Denmark’s selection of multilaterals as bilateral cooperation partners at country level was driven by Denmark’s expectations about multilaterals’ unique

Danish embassies’ expectations about the unique added value of multilaterals to achieve country or thematic priorities are one main reason for using the multi-bi instrument in most contexts.

³⁸ Overall, Denmark’s multi-bi portfolio is dominated by a relatively small number of large commitments. In 2019 the top ten multi-bi commitments contributed over 40% of the total value of multi-bi, either to large trust funds managed by multilateral organisations or as soft-earmarked contributions to UN agencies.

³⁹ EQ1.1 to EQ1.4.

In Bangladesh, Ethiopia,⁴⁰ Ukraine and Kenya partner selection followed the bilateral AMGs, first establishing country thematic priorities, and then assessing potential partners on their relevance for achieving thematic objectives and capacities for achieving sustainable results. The value that multilaterals would bring for Denmark were relevant also in more fragile and conflict-affected contexts (Afghanistan, Mali, Niger, Palestine, and Somalia), but in these contexts there were additional context-specific factors which privileged delivering bilateral support through multilaterals, as is explored below.

Analysis of the country case studies⁴¹ shows that three sets of multilateral characteristics, each linking to a set of Danida's needs, were most often influential in the selection of the multi-bi partner (as stated in CP documentation and related by key embassy and multilateral respondents). The key characteristics were: (i) the mandate, expertise and operational capacities of multilaterals to deliver on Denmark's thematic priorities; (ii) the convening power of multilaterals, linked to Denmark's interest in coherent support to partner countries, increased reach, lower transaction costs, and sustainable results; and (iii) the multilateral's position in-country and capacity to influence and drive agendas, to give Denmark access that it would not have as a small bilateral. These characteristics are not easily replicated by other types of partner. Table 4 below summarises the evaluation's evidence from interviews with embassies and multilaterals, and from CPs and engagement documentation. Across fragile and conflict-affected countries and stable low- and lower-middle income countries, the potential value-add of a multilateral was influential in 21 of the in-depth cases studied.

Danida's previous experience of and relationship with a specific multilateral in-country often guided Denmark's judgements about the capability of the multilateral in context, and led to continued or increased use of the multilateral. In the survey, respondents saw previous experience with the multilateral as an influential reason for selecting it in 48 out of the 100 cases assessed. Previous experience was not unique to multilaterals as partners: it was also often cited in CP explanations for continuing aid through other channels, such as recipient country government institutions and Danish non-governmental organisations (NGOs). For example, in Bangladesh increased support to the agriculture and local government ministries was because of Danida's experience with these ministries.

⁴⁰ Ethiopia was listed as a fragile state only in 2021. Between 2013 and 2020 it was not on the fragile state list.

⁴¹ See Annex C Table 17 for more information on the case studies and the assessment.

TABLE 4: TYPICAL CHARACTERISTICS OF MULTILATERALS LEADING TO THEIR SELECTION AS DANIDA PARTNERS

| Rationals | Summary evidence | Selected examples |
|--|---|--|
| <p>Mandate, expertise and operational capacities of multilaterals, especially on themes that are highly specialised, or which were sensitive and difficult to advance in context</p> | <p>Mandate, expertise and operational capacities were reported as an influential reason in 17 of the 25 in-depth cases.</p> <p>In 73 of the 100 multi-bi cases reviewed in the survey, respondents said high multilateral operational or technical capacity was an influential reason for its selection.</p> | <p>In Bangladesh, in the engagement to promote social dialogue and industrial relations in the garment industry, the International Labour Organization (ILO) was selected because of its mandate and its technical and management capacity on the ground to design and implement the project. Earlier, Denmark supported the World Bank's public financial management (PFM) intervention because of its technical and management capacities.</p> <p>In Somalia, UNICEF was selected to support efforts to address gender-based violence, for its expertise and capacity to work directly at community and local levels.</p> |
| <p>The convening power of multilaterals alongside Denmark's interest in coherent support to partner countries, increased reach of its resources, lower transaction costs, and greater sustainability of results</p> | <p>Convening power was reported as an influential reason in 12 of the 25 in-depth cases.</p> <p>The survey did not test convening power directly but did test the rationale that a multilateral will keep on funding a sector. In 59 out of the 100 cases reviewed in the survey, the expectation that the multilateral would stay engaged even when Danida stopped funding was seen as an influential reason for multi-bi.</p> | <p>In Ethiopia, Danida opted to channel its support via the World Bank MDTF for the Productive Safety Net Programme (PSNP) with other donors because it increased Danida's reach and had coordination and efficiency gains for government.</p> <p>In Afghanistan in 2014, Denmark chose to shift its support to the education sector from direct support to government to support through the Afghanistan Reconstruction Trust Fund (ARTF). Reduced transaction costs, more harmonised support, and increased reach were given as reasons, alongside access to dialogue.</p> <p>In Palestine the CP 2016-2020 emphasised that Denmark would channelling its support through multilaterals and delegated cooperation to reduce transaction costs and improve donor harmonisation and efficiency in a congested aid landscape.</p> |

Table continued on next page >

TABLE 4: TYPICAL CHARACTERISTICS OF MULTILATERALS LEADING TO THEIR SELECTION AS DANIDA PARTNERS (CONTINUED)

| Rationals | Summary evidence | Selected examples |
|--|---|---|
| Multilaterals' position in country and capacity to influence and drive agendas and connect Denmark to country-owned agendas, alongside increased potential for Denmark to influence agendas | Multilaterals' position in country was reported as an influential reason in 16 of the 25 in-depth case studies, alongside its mandate and expertise. | In Ethiopia, the choice of the United Nations Population Fund (UNFPA) was based on it being a key partner to the Ministry of Health and having a comparative advantage in sexual and reproductive health rights (SRHR). |
| | In 46 of the 100 cases reviewed in the survey, the fact that the multilateral was well placed to influence government was seen as an influential reason for its selection as a partner. | In Kenya the position of the World Bank programme in government dialogue on devolution was an important reason for support to the Kenya Accountable Devolution Programme (KADP), alongside acknowledgement of the Bank's technical expertise and knowledge. |
| | | In Bangladesh, the support to the UNDP Agriculture and Food Security Project (AFSP) reflected the continuation of a longer-standing Danish commitment to engage in the Chittagong Hill Tracts (CHT), where UNDP had the exclusive right to operate. |

Danida's expectations about the value-add of multilaterals differed between multilaterals. The survey evidence indicates different expectations for different multilaterals. Figure 6 below reflects the share of cases in the survey for each multilateral where respondents assessed key factors as influential in the selection of the multilateral. The graph shows the distribution of 'Yes' versus 'No' or 'Can't recall' survey responses for the four multilaterals that were most often used by Danida (see Figure 4 above). It shows that respondents thought the technical and operational capacities of the World Bank and UNICEF were more often influential in their selection than was the case for UNDP and UNFPA. Nonetheless, even for UNDP and UNFPA, these capacities were often thought to be influential in the selection of the multilateral. Only for the World Bank was its positioning to influence government very often thought to be a factor, while for UNICEF this was not a factor at all.

FIGURE 6: SURVEY EVIDENCE ON THE REASONS WHY DIFFERENT MULTILATERALS ARE SELECTED⁴²

Multilateral and number of cases in survey

UNICEF 6

- Stay engaged even when Danida stops funding
- Well-placed to influence government
- High technical and operational capacity

UNFPA 11

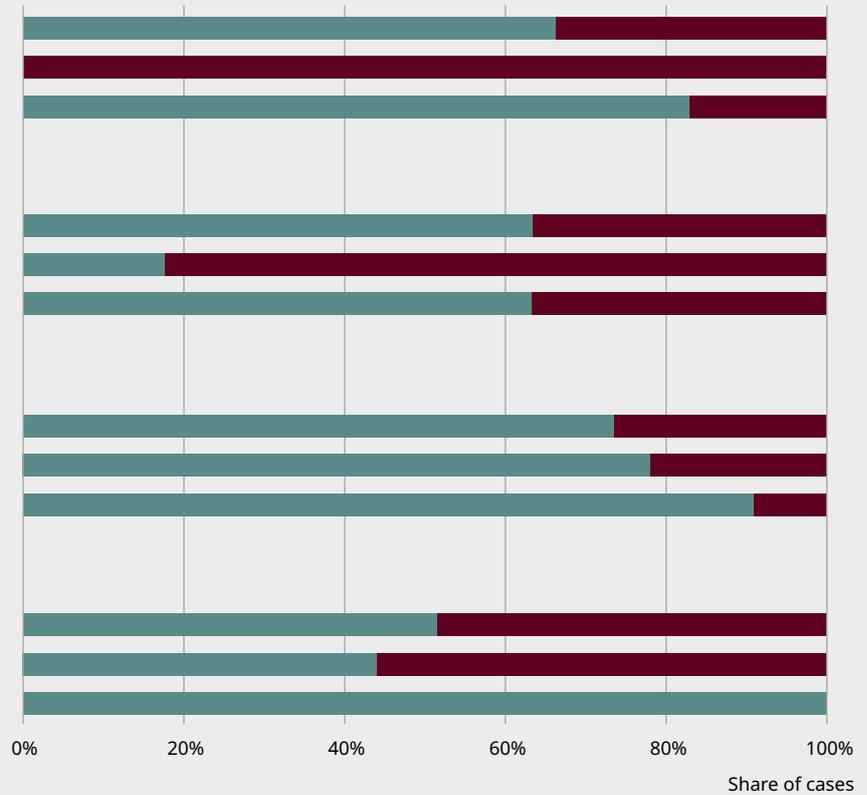
- Stay engaged even when Danida stops funding
- Well-placed to influence government
- High technical and operational capacity

World Bank 23

- Stay engaged even when Danida stops funding
- Well-placed to influence government
- High technical and operational capacity

UNDP 27

- Stay engaged even when Danida stops funding
- Well-placed to influence government
- High technical and operational capacity



Source: Evaluation survey.

The case study evidence also supports the view that multilaterals are perceived differently by Danish embassies in different countries. For UNICEF and UNFPA the case studies emphasised their mandates and technical expertise, but the case study evidence highlighted UNFPA's positioning in the three countries (as a key partner for the ministry concerned on SRHR) more than survey respondents. The World Bank is another case where different embassies sought out different capacities. In Kenya, Bangladesh and Afghanistan its technical and operational capacities were influential in its selection. But in most cases (Afghanistan, Bangladesh, Ethiopia, Kenya, Somalia, Palestine) the World Bank was selected because it was managing large multi-donor and financial intermediary trust funds.

⁴² Additional options were tested in the survey and are reflected in Annex D.

Country evidence pointed to the value of smaller, technically focused multilaterals for Denmark to achieve its thematic objectives, such as ILO (Ukraine), FAO (Ukraine, Bangladesh, and Palestine) and the International Fund for Agriculture Development (IFAD) (Mali), as opposed to the larger generalist agencies, like UNDP and the World Bank, which were chosen often for their convening power (even if also for their expertise). Agencies that were more technically focussed were expected to give access to technical expertise and policy dialogue, and deliver flexibly and with greater competence in their focus areas. For example, the decision to engage FAO in agriculture and economic development in Palestine was strongly driven by technical considerations, including that FAO was the lead advisor to the Palestine Ministry of Agriculture, and that it had a strong local technical team, backed by global expertise and knowledge, including in very specific technical areas of agricultural innovation. In Ethiopia and Kenya UNFPA was selected because of its mandate on SRHR and position with the ministries concerned.

In fragile, conflict-affected countries Danida strongly preferred multilaterals as partners because of their central convening and financial intermediary roles and capacities to manage risk. In these countries Danida's commitment to take part in a comprehensive international engagement resulted in high use of multi-bi because of the central convening and financial intermediary roles played by multilaterals. Afghanistan, Mali, Somalia, and Niger are such cases. In these cases, the relevant Country Policy Papers and CP documents explicitly state a preference for using multi-bi and delegated cooperation. In Somalia, Denmark channelled 56% of country development commitments between 2013 and 2019 through multilaterals. This was largely driven by Denmark's strong involvement in international dialogue on the New Deal and the setting up of New Deal Compacts, in terms of which the Somalia Development and Recovery Facility (SDRF) was established with three distinct joint funding mechanisms, managed by the World Bank, UNDP and the African Development Bank. Denmark supported the Somalia recovery through the first two funds. In Afghanistan, Denmark channelled increasing volumes of its assistance through the Afghanistan Reconstruction Trust Fund (ARTF), so that multi-bi comprised 57% of Denmark's development commitments to Afghanistan in the period. In Mali, the composition of Danish development support shifted after the 2012 state coup. In the first three years of the 2016-2021 CP, multi-bi rose to 30% of commitments compared to 11% previously. The channel that lost the most share was recipient country institutions. In Niger, the Country Policy Paper (2017-2022) put strong emphasis on its partnership with other EU countries and on engaging in Niger as part of the global community.

In conflict-affected, fragile countries Denmark also often selected multilaterals because they were seen as the partners most likely to manage risks effectively and to deliver results. These contexts require collaboration with partners that have a local presence, specific systems, staffing profiles, geographic reach and fiduciary safeguards necessitated by the high risk of fraud, corruption and/or terrorism. In such contexts, direct funding of governments is often excluded in practice and considered to be too high risk. In Somalia, for example, working through the World Bank Multi-Partner Fund (MPF) Denmark could contribute to strengthening core state functions through government-executed budget and PFM reforms, without taking on the direct risk. At the same time, working with non-governmental and local organisations was assessed as difficult due to a combination of capacity constraints, weaker systems, and challenges of scale. For example, scale issues motivated the Representative Office of Denmark in Palestine to engage with the Food and Agriculture Organization of the UN (FAO) rather than continue with Oxfam in its work on agriculture and economic development.

Limited and reduced Danish embassy capacities for development cooperation were a strong contributing and at times determining factor for increased use of multi-bi across countries. A recurring theme across the country studies in the choice of multi-bi is a recognition of limited capacity at embassies to design, monitor and manage development engagements, with some CPs implemented with no representation in country, and others with progressively reduced capacity over the evaluation period. Capacity constraints drive the choice away from direct bilateral engagements, especially with government, which are perceived as requiring much more dedicated staff time. All other things being equal, multilaterals become the default choice when capacities are low, as they offer ease of contracting, staffing on the ground, and recognised/validated systems for appraisal, monitoring, reporting and evaluation. Ease of contracting was also a contributing factor in two in-depth country cases where the multi-bi engagement was agreed to absorb unallocated funding (the UNICEF child protection engagement in Mali and the World Bank water sector engagement in Kenya).

Table 5 below reflects how capacity issues contributed to trends in the use of multi-bi in country development portfolios in eight out of nine case study countries, alongside programmatic reasons in the country context. A more complete argument of each case is in Table 14 in Annex C. In five countries, multi-bi commitments increased relative to direct funding through government. Furthermore, in 13 of the in-depth cases, embassy respondents noted that embassy capacity was a co-driver of the choice. Results from the survey of Danida embassy staff support these case study findings. It was the third most cited reason for the selection of multi-bi in the cases respondents reviewed in the survey (an influential reason in 58 of the 100 cases described).

TABLE 5: ROLE OF DANIDA CAPACITY CONSTRAINTS IN SELECTION OF MULTI-BI

| Country | Context and rationale for selection of multi-bi |
|-------------|---|
| Afghanistan | Denmark had a country development cooperation team and in-country embassy up to 2021. Embassy resources were scaled back in the second half of the period. This was a key factor in multi-bi increasing significantly as a share of annual commitments from the first and second CPs to the third. The increase was due to moving Denmark's education support from direct support to government to funding through the World Bank ARTF education window, with Danish country capacity cited alongside benefits for Afghanistan from more coherent support. |
| Bangladesh | Denmark has a country development cooperation team and in-country embassy. Embassy capacity influenced the choice of partners for specific programmes, such as the World Bank to support public sector capacity in the Governance and Rights thematic programme. |
| Ethiopia | Denmark has a country development cooperation team and in-country embassy. Embassy resources were scaled back in the second half of the period, influencing Denmark's partnering choices under the 2018-2022 CP. Multi-bi programmed under this CP went up significantly as a share of country development ODA (with reduced support directly to government), driven by large commitments to the multi-donor PSNP programme. The country study identified limited staff in the embassy as a factor in this shift, alongside programmatic reasons. |
| Kenya | Denmark has a country development cooperation team and in-country embassy. Embassy resources were scaled back in the second half of the period. Multi-bi commitments remained stable in absolute terms, while commitments to government institutions reduced. Multilaterals were selected because of thematic priorities and their characteristics, but also because they were perceived to require less Danida capacity at country level to engage, according to respondents. |
| Niger | Denmark did not have a presence in country after 2014, and in the second programming period shifted to making more commitments to delegated cooperation and funding through multilaterals to continue its support, while stopping commitments to government. The choice of partners was then driven by partners' characteristics and Denmark's history and relationships with partners within sectors. In Niger, in a growing CP there was higher growth in delegated cooperation than multi-bi, with large engagements through the Swiss in agriculture/ nutrition and through Luxembourg in water and sanitation. |

Table continued on next page >

TABLE 5: ROLE OF DANIDA CAPACITY CONSTRAINTS IN SELECTION OF MULTI-BI (CONTUNIED)

| Country | Context and rationale for selection of multi-bi |
|-----------|--|
| Mali | Denmark has a long development partnership with Mali, and an embassy in country. Mali became a priority country for Denmark in 2007. The state coup in 2012 precipitated a shift in Denmark's strategic development partnerships away from government. This was formalised in the 2016 to 2021 country policy paper and CP. Mali's commitment to comprehensive international engagement after the coup drove the shift to multi-bi, together with the thematic expertise and experience of multilaterals in context. Capacity was not seen by the embassy as influential in the selection of multi-bi but was a concern for managing multi-bi engagements. |
| Palestine | Denmark has a small Representative Office of Denmark in Ramallah. The growth of multi-bi in Palestine was predominantly because of the high-risk environment and Danida's limited in-country capacity, alongside a desire to improve donor harmonisation and efficiency for the Palestinian authorities. Specific partners were then selected based on thematic priorities, strategic entry point selection and partners' expertise, and Danida's experience with partners. The shift to multi-bi in the second programming period for Palestine was mostly because of a reduction in the share of direct funding of the Palestinian government. |
| Somalia | Denmark's Somalia CP is managed by a development cooperation team based in the embassy in Nairobi. The key factor in Denmark's selection of multi-bi was its commitment to engage in Somalia as part of a comprehensive, coherent international engagement under the Somali Compact. However, not being present in-country meant that there were also limited other partnership options. Specific multilaterals were selected on account of Denmark's thematic interests and objectives in the CP. Denmark also used Danish NGOs and delegated partnerships with bilaterals (especially after 2019) to deliver. |
| Ukraine | Denmark's lack of a development team in the embassy in Ukraine was influential in the selection of multilateral partners. The bilateral programme is managed from Copenhagen. The selection of specific multi-bi partners in the Ukraine is driven by Danida's thematic priorities, strategic entry point selection, experience with partners and the capacities of each multilateral. |

Finding 2: The shift at Danida policy level to encourage partnerships with multilaterals and larger engagements created an enabling environment for country-level selection of multi-bi engagements.

At a global level, **multilateral partnership was a priority for Denmark** in successive policy documents, and Denmark has been a strong supporter of reform processes of the UN. As set out in Section 2.3 above, successive iterations of the bilateral AMGs encouraged multilateral partnerships more explicitly over the period. They also require fewer, larger engagements. Embassy staff emphasised that this translated into an enabling Danish policy environment for multi-bi engagements, more so later in the period. Copenhagen's objectives of contributing to a coherent international approach and strengthening the multilateral system were influential in specific countries, where Denmark as a smaller donor joined larger (multilateral-led) programmes. Given that larger programmes carry larger risks, the requirement for fewer larger engagements acted as a reason to partner with multilaterals because they were perceived to be less risky than other partnering options. That multilaterals were considered to offer risk-management advantages, which came out clearly in the risk assessment tables of CP documents.

At the country level, the evaluation found no evidence of multi-bi being selected with a co-objective of strengthening Denmark's core multilateral support. Embassies did not see this as a factor in their choice of the multi-bi instrument. The wish to contribute to multilateral reform emerged explicitly as a key factor in the choice to support via a multilateral in only one reviewed engagement. This was the case in UNFPA's Support to Reducing Preventable Maternal, New-born and Child Deaths in Kenya, a joint programme involving different UN agencies where the wish to advance the One-UN agenda was a key rationale for supporting the programme.

3.3 What is the context and the rationale for selecting the specific modality?⁴³

Danida's multi-bi engagements involved different partnership configurations, with different levels and strengths of earmarking and different funding vehicles, as follows:

- **Partnership configurations:** The in-depth country cases include cases where Denmark was the only bilateral donor funding the engagement, and cases where it was one of at least two but in most cases many donors supporting the engagement. The engagement itself may have been with a single multilateral or many multilaterals.

⁴³ This section discusses EQ1.6. EQ1.5 is discussed in the next section.

- **Extent/level of earmarking (project vs programme earmarking):** Denmark used different levels of earmarking. In its *project multi-bi* it earmarked contributions to specific projects. In its *programme multi-bi* it earmarked contributions at the thematic or sector level.⁴⁴
- **Strength of earmarking (hard vs soft):** Hard earmarking refers to cases where the engagement agreement specified an output-based budget or where formal approval by Danida was required to deviate more than the agreed threshold between lines in the project budget. Soft earmarking is when engagement is on specific sub-themes or results reflecting Danish priorities, without requiring special activities, results or financial reporting on Danish priorities.
- **Funding vehicle:** Denmark's contributions were either (i) directly to the multilateral organisation and co-mingled with other contributions in its donations or contributions account, or (ii) managed separately through a basket fund account, a trust fund, or a financial intermediary fund.⁴⁵

Finding 3: Partnership configurations and earmarking were determined by Denmark's priorities and needs in different country contexts, as well as the multilateral partner's rules and systems.

Denmark's priorities in different country contexts were influential in the partnership configuration of multi-bi engagements, and by extension the funding vehicle. This played out in various ways. For example:

- Denmark selected multi-donor multi-bi engagements because Denmark wanted to pool its resources with other donors. In these cases, the engagement was multi-bi because multilaterals were the convenor of the arrangement (in other words, all the cases where the convening power of multilaterals was the rationale for channelling resources through the multilateral). Multi-donor multi-bi engagements were usually managed through single project or financial intermediary MDTFs.

⁴⁴ The evaluation classified the extent of earmarking according to the definitions first proposed by Reinsberg et al (2014) and followed by the OECD DAC in its analyses of multi-bi flows. For the latter, project multi-bi is associated in the Creditor Reporting System (CRS) modality codes C01, D01, D02, E01, E02, G01, H01 and H02; and programmatic multi-bi with CRS codes A01, A02, B03, B04 and F01. The evaluation used the reported DAC code as a basis for classifying engagements but adjusted this in selected cases where the programme documentation indicated otherwise.

⁴⁵ Financial intermediary funds are a specific type of funding vehicle that typically leverage a variety of public and private resources in support of a mix of initiatives towards an international priority. Examples in the case studies are the Afghanistan ARTF, the UN Trust Fund for Peace and Security and Peace Dividend Projects in Mali, and the Somalia UN MDTF and World Bank MDF.

- In most multi-donor multi-bi cases, a strong additional rationale for Denmark was the multilateral's position in-country and the potential for improved access to policy dialogue. An example was the support for the World Bank's multi-donor funded engagement with devolution in Kenya.
- Single-donor engagements were strongly associated with seeking multilateral's technical expertise and operational capacity in all contexts. In seven of the eight in-depth cases where Denmark was the only bilateral donor contributing to the multi-bi engagement, the technical expertise and/or operational capacities of the multilateral were key rationales for Danida. This form of multi-bi is analogous to delegated cooperation. It occurred about equally in fragile and non-fragile contexts.

Earmarking practices were an outcome of (i) Danida's bilateral AMGs, (ii) the extent to which Denmark wanted to target its contribution, and (iii) whether the multilaterals' systems and processes allowed such earmarking. In the 24 in-depth case studies where the evaluation had enough information to categorise the case by earmarking type, Denmark used project multi-bi (18 cases, committing DKK 1.13 billion in total) more often than programmatic multi-bi (six cases, DKK 1.18 billion). It used hard-earmarking about as often as soft-earmarking (12 cases each, but with DKK 658 million committed through hard-earmarking and DKK 1.64 billion through soft earmarking). Most hard-earmarked engagements were project agreements where Danish funds were co-mingled in multilaterals' donations accounts with contributions to other projects of the multilateral (10 out of 12 such cases, committing DKK 594 million). Most soft-earmarked contributions (11 out of 12 such cases) were to separate basket fund accounts, trust funds or financial intermediary funds (committing DKK 1.57 billion), of which six cases were project multi-bi contributions (committing DKK 442 million) and five were programmatic (committing DKK 1.13 billion). Signals from Danida embassy staff were that hard earmarking was preferred when contracting multi-bi engagements because it would offer greater control to Denmark, facilitate a more transparent relationship with the multilateral, provide Denmark with more ability to report against its commitments, and reduce the risk that Danish funds would be used for financing (inefficient) country multilateral bureaucracies rather than development activities. Hard earmarking was also the default in terms of the AMGs, which required that all bilateral DEDs had an output-based budget and limited the shifting of funds between budget lines without embassy approval. However, embassies were not always able to follow the AMG budget format requirement or their preference for hard earmarking. Two thirds of the soft-earmarked multi-bi contributions (and almost two thirds of cases where multi-bi is paid into specific-purpose financial vehicles) were to the World Bank, where the global partnership agreement with Danida, as well as specific trust funds' rules, specified that contributions could not be hard-earmarked.

3.4 How does Denmark manage multi-bi engagements?

This section presents evaluation findings on Denmark's role in the management and implementation of multi-bi funded activities.⁴⁶ For coherence, findings on the extent to which Copenhagen and the Danish multilateral representations were consulted in the choice of multi-bi (EQ1.5) are also presented here.

Denmark's management of country-level multi-bi engagements

Finding 4: At country level, Denmark played an active steering and monitoring role in multi-bi engagements, the extent of which was constrained by embassy capacity and engagement structures.

Typically, Denmark's formal interaction with multilateral partners in multi-bi partnerships at country level was mainly through country-level management or steering committees and formal meetings with the multilateral at country level. Denmark participated in steering arrangements in 17 of the 24 in-depth cases where the evaluation could confirm arrangements. Cases where Denmark did not participate were of two types: (i) single-donor, single-recipient engagements where the management was through direct communication between Danida and the multilateral; or (ii) cases where steering structures existed, but these were oriented to the final beneficiary institutions (such as government agencies) rather than contributing donors (e.g. the CHT agriculture engagement via UNDP in Bangladesh, where Denmark's contribution to the larger programme in CHT is managed through quarterly meetings between Denmark and UNDP). Embassy staff interviewed also confirmed that formal meetings with multilateral engagement managers occurred, linked to the formal reporting and budgeting cycle. The survey results are consistent with the country case study results and showed that participation in steering structures and formal meetings were the two most often used forms of interaction with multilateral partners (see Box 1 below).

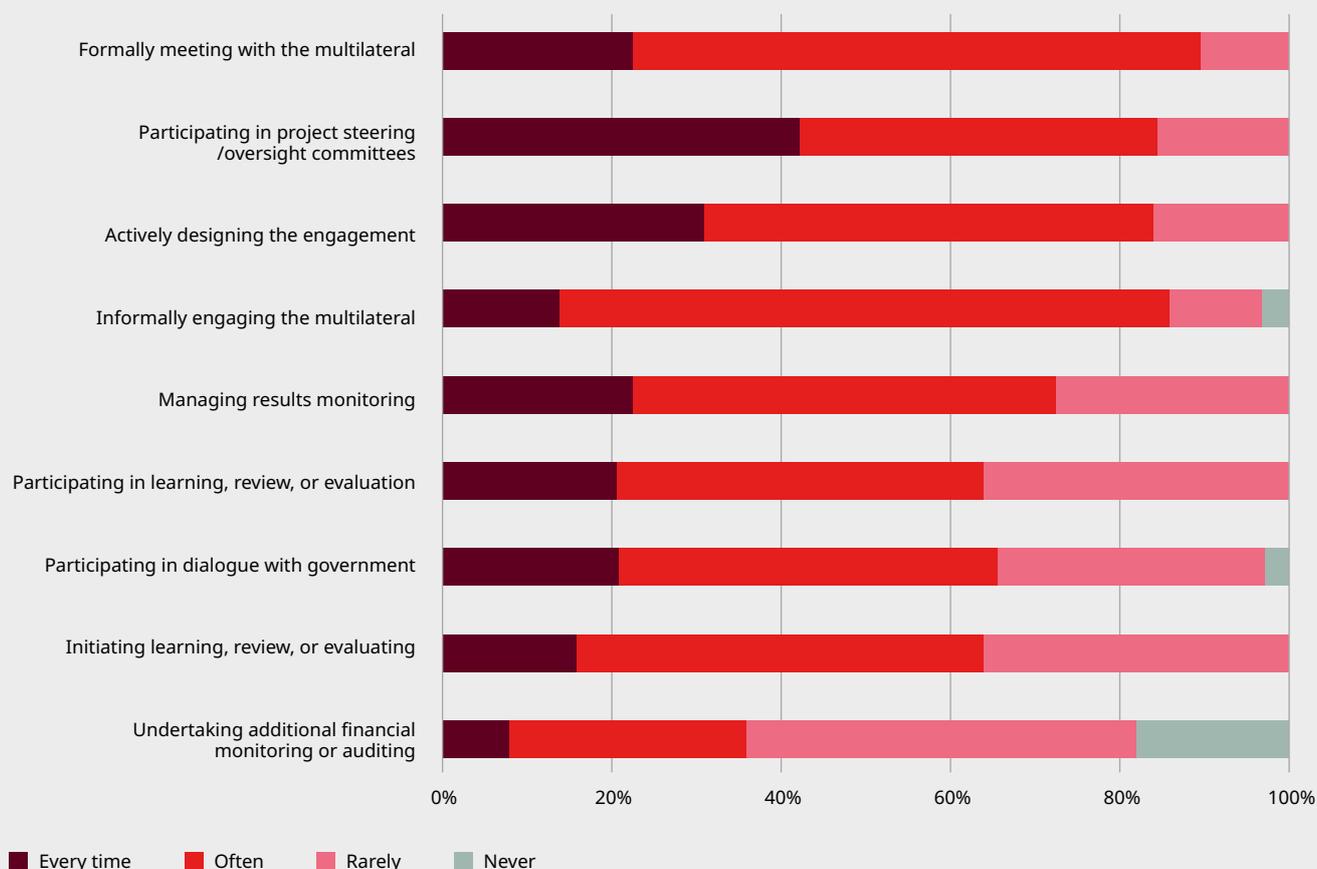
In some steering structures Denmark played a proactive and more leading role, naturally where Denmark was the single donor, but also in multi-donor mechanisms. This was as a strategic management decision or because issues of critical importance to Denmark had emerged where it wanted to influence the dialogue with country partners. In Somalia, for example, the country team was active in the UNDP Compact Window Multi-Partner Trust Fund (MPTF), not only in the overall steering group

⁴⁶ EQ1.5 and EQ2.1 to EQ2.3.

but also on sub-steering structures for the specific projects it supported. In Afghanistan, Denmark actively increased its multi-bi contribution to the ARTF as it judged the existing level of support to be too low for Denmark's effective participation in dialogue. Denmark chaired country donor coordination mechanisms occasionally, off the back of multi-bi engagements. For example in Kenya Denmark co-chaired the country devolution working group with the World Bank, and in Somalia it was the lead donor in the agriculture and food security sector.

BOX 1: SURVEY RESULTS ON EMBASSIES' PARTICIPATION IN MULTI-BI MANAGEMENT

The survey results confirm information gathered in the country case studies on the role played by Denmark in the management of multi-bi engagements. As shown by the graph below, the most frequent forms of participation are through formal and informal meetings with the partner, participation in programme and project governance structures, and in designing the engagement. Less frequent activities are undertaking additional financial monitoring and audits, dialogue with government, and learning, review or evaluation activities. The survey question asked how often Danida staff were involved in the design and management of multi-bi engagements at country level. Aggregating "every time" and "often" therefore provides information on the activities most often undertaken.



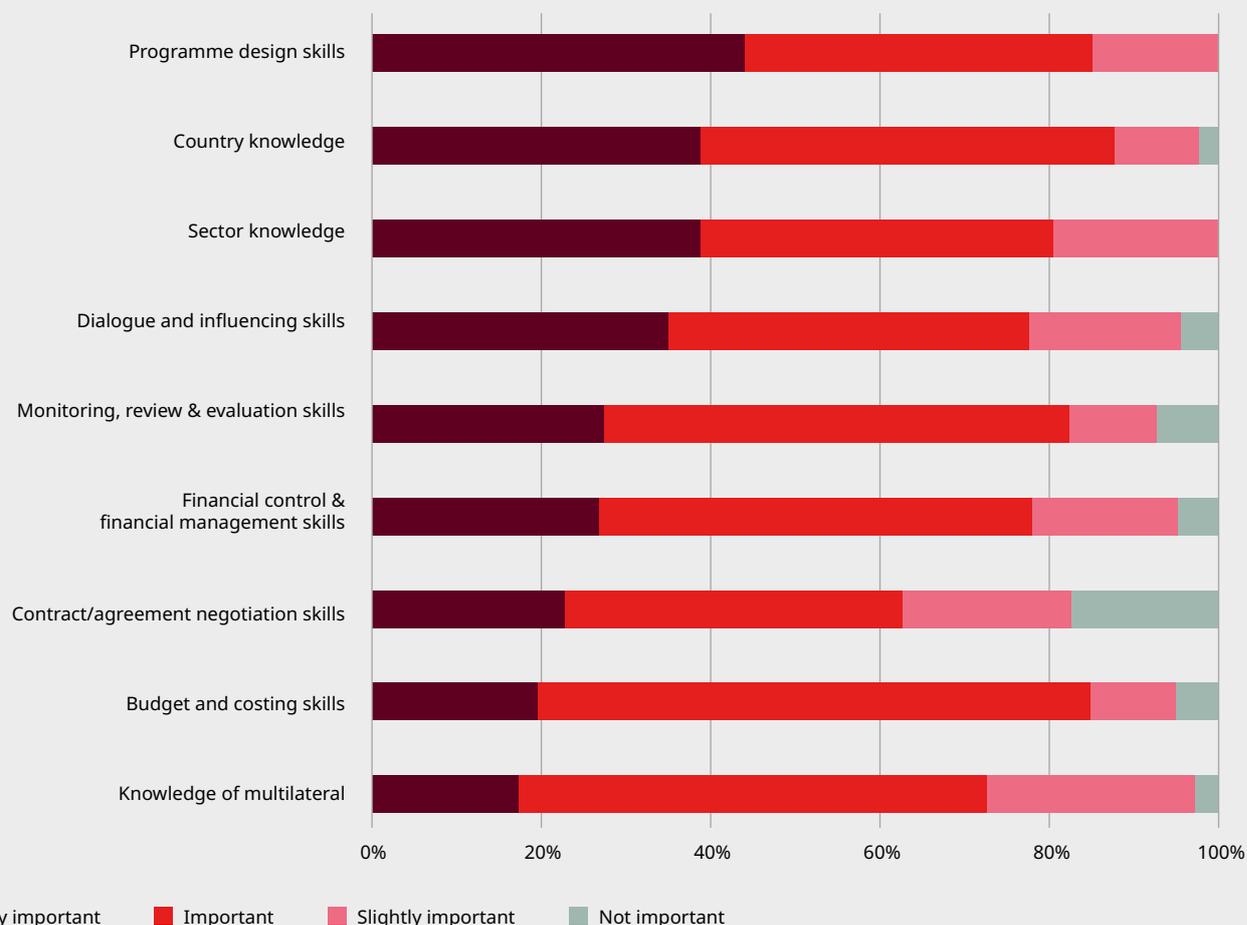
Source: Evaluation Survey.

Danida staff also interacted informally with the multilaterals in relation to the multi-bi engagements, and in many cases Denmark funded experts to support the engagement. Informal interactions were mainly in engagements where Denmark was the sole donor (in 75% of these cases) but could also occur where Denmark was one of many donors (in 55% of cases). They took many forms, including exchange of phone messages, emails, informal meetings and telephone conversations during the year.

Danish financial and results monitoring of multi-bi engagements was mainly based on the multilateral reporting received, but embassy teams also participated in multilateral monitoring missions. Six out of ten survey respondents indicated that this happened often or for all engagements. Case study embassies noted that they tried to conduct field visits at least annually where community-level activities were involved, although COVID-19 had made it difficult in 2020 and 2021. In nine of the 12 multi-bi case studies in in-person case countries, Danida staff had undertaken or were planning to undertake site visits. Embassies thought participating in monitoring missions was important and helpful. Not all embassies however, had the capacity to undertake field visits: in four of the 12 in-person country in-depth engagement cases, Danish officers said that they did not have the time to undertake annual visits or were not present in-country. This meant they were reliant on reporting by the multilaterals. There were no reports of staff from Copenhagen or from the Danish multilateral representations participating in monitoring missions.

In practice, the **level of effort invested in the management of multi-bi reflected embassy capacity rather than embassy belief that multi-bi engagements should be managed at arm's length.** Where more limited roles were played it was not about an in-principle concern to maintain distance, or perceptions that there was no need to engage. Most embassy teams would engage more if they had the capacity and access to do so.

Multi-bi still required significant competencies to manage well. The evaluation survey asked embassy staff what skills were important to ensuring that country multi-bi engagements were effective, efficient and relevant to Denmark's priorities. As is shown in Figure 7 three quarters or more of the respondents thought most standard aid management skills to be very important or important in managing multi-bi engagements. Interview respondents considered that, although the multilateral should be expected to have sufficient skills, capacity and competencies in all aspects of programme design and management, Danish staff had responsibility for targeting and delivering the CP results effectively and efficiently through the engagement. This still took time and human resource capacity, often much more than anticipated when opting for the multi-bi instrument. Multi-bi was thought though, to require less contracting and to some extent less financial management capacity than direct bilateral aid. Generally, embassies reported that small multi-bi engagements did not take proportionally less effort to manage.

FIGURE 7: SURVEY RESULTS ON SKILLS TO MANAGE MULTI-BI

Source: Evaluation survey.

The results framework was a principal concern to Denmark for monitoring and reporting multi-bi contributions, and here the Danish level of involvement varied. Many cases followed the principle that interventions were reported against a results framework that the multilateral partner was responsible for designing and maintaining. In the in-person country case studies, the engagement results framework was fully aligned with multilateral results frameworks in seven out of the 12 cases, mostly when Denmark was joining an existing programme/ MDTF. In other cases, Denmark co-designed frameworks or negotiated adjustments to address weaknesses in quality or to ensure the framework had indicators and targets that enabled reporting on key Danish priorities. In these cases, the frameworks would often translate into the output-based budgets required by the AMGs. Danish involvement in the results framework was naturally greater where Denmark was the single donor in a Danish-instigated engagement than where Denmark joined other donors in a more comprehensive programme.

Multilateral respondents were clear that fully aligned results frameworks were preferred, as well as soft-earmarked multi-bi contributions to existing programmes, because it gave them flexibility to achieve results for the sector. Differing results frameworks caused problems for the multilateral because they could require deviation from the multilateral's programmed activities and/or could be difficult to monitor and report against, outside of the multilateral's own procedures. It was notable to the evaluation that across countries some multilaterals (like UNDP and UNICEF) were set up better than others to deal with earmarking and donor-specific reporting requirements. However, in the portfolio of in-depth cases there were also instances where the fact of a differently specified multi-bi engagement with Denmark enabled the multilateral country office to break new ground. This was observed in the WFP multi-bi engagement in Ethiopia, for example, and the IFAD engagement in Mali. In these cases, the multilateral respondents reported that the engagement was highly valuable to the multilateral because of the learning it offered, even if its monitoring and evaluation caused difficulty.

Finding 5: Multilateral partners usually saw Danish embassies' programmatic involvement as adding value to the supported programme or project, although this was less often the case in multi-donor partnerships.

About two-thirds of partners the evaluation spoke to, found close Danish involvement constructive and an integral part of their partnership with Denmark. In Bangladesh for example, Denmark's programmatic involvement – through a dedicated expert – was seen as one of the reasons why the partnership with Danida in the CHT was valuable for UNDP. In Kenya, the World Bank welcomed the close relationship with Danida in the water sector engagement and saw Denmark as a capacitated partner. In Mali, IFAD found the active involvement of the Danish embassy very important for the engagement because embassy staff were present in-country and could monitor context. The technical advice and inputs of embassy staff managing the engagement were also welcomed. Where MTRs had been done and the multilateral respondents had direct experience of the process, they were seen as valuable inputs helping to improve technical approaches and how the engagement was structured.

The cases where multilaterals were less appreciative of ongoing programmatic involvement (by Danida or any donor) and even participation in field missions were mostly multi-donor arrangements involving many donors. In these cases, the issue was not Danida-specific, but a general stance that reporting on progress against the agreed results framework and formal participation through fund, programme or project structures must suffice because in principle and pragmatically, the multilateral could not continuously accommodate the interests and preferences of individual donors.

In a very few cases, multilateral respondents felt that the issue was Danida-specific because of the individuals involved, e.g. where the technical advisor provided was not a good fit for the context or underlying programme or project. Generally, the evaluation noted that personalities and changes in personnel could affect how both embassies and multilaterals perceived the quality of the partnership. New Danish staff on an engagement could come with additional demands for deeper involvement, and new multilateral staff could be less willing to have continuous Danish involvement (or even in-depth discussion on programmatic choices to deliver the result framework in formal committees) than previously, and vice versa. Comparatively speaking, the evaluation respondents then thought the partnership to be more or less arm's length or engaged, and correspondingly more or less helpful.

Multilateral respondents across countries generally saw Denmark as a more flexible multi-bi development partner than others, but this also depended on which other partners were involved. Where Denmark co-financed the engagement with Sida, its approaches were seen as less flexible and more demanding than Sida's. This is because Sida generally supports multilaterals' country programmes, and when support is dedicated at a project level it is soft-earmarked. In other cases, Denmark was generally seen as a flexible donor, with fast procedures and predictable disbursements.

Finding 6: It was hard for Denmark to track and influence the performance of multi-bi engagements, because of the distance from decision-making in these engagements and deficiencies in multilateral reporting and review.

Multi-bi removed Danida one level from decision-making on the engagement. Many embassies referred to the distance they experienced in multi-bi engagements, in contrast to other channels. They highlighted they did not have a good sense of actual developments and issues on the ground in the engagements; they noted that this limited the possibilities for Denmark to manage the relevance and coherence of engagements for Denmark, as well as their effectiveness and efficiency.

The quality of multilateral results reporting added to their sense of distance. Several embassies reported that multilaterals' reporting was activity-based and did not support monitoring of output or outcome results, even where these were articulated in results frameworks. The issue with multi-bi was not so much that outcomes were not reported by in-year monitoring – which is an intrinsic issue in ongoing project monitoring – but that embassies would not get to see outcomes reported ever. The case studies included some examples where outcomes were not clearly described and signposted with quality indicators (for example in the UNDP engagement in Bangladesh), or where they were in place and measurable, but reports did not provide information on key issues or lessons from results achievement.

Evaluations were done in many engagements, but according to multilateral standards, which Danida did not always judge to be satisfactory. The multilateral partners in all the in-depth cases applied their own processes for monitoring, evaluation, and learning in the multi-bi engagements with Danida. These included mid-term and end-evaluations (or reviews); regular supervision missions (the World Bank and IFAD); and spot checks of implementing partners (the UN agencies). In the multilateral reviews and evaluations used by this evaluation for its assessments of multi-bi engagements, there were several examples of multilaterals' evaluations and reviews which gave balanced and informative indications of achievements and challenges, but several also provided partial pictures of the programmes and projects assessed, provided little evidence of findings, or provided a lot of detailed and sometimes lower-order results information without drawing firm conclusions on engagement performance.

Denmark therefore often **agreed with its partners to undertake mid-term reviews of engagements that may not have been scheduled otherwise.** This occurred in the Somalia UNICEF gender-based violence engagement at the time of the evaluation fieldwork and had occurred in the Kenya UNFPA engagement in 2018. All multilateral engagements were also included in CP mid-term reviews (MTR). Many engagement budgets also included advisors who were placed at the multilateral or final implementing partner, and who could bring embassies closer to the engagement. In addition, for some countries, such as Kenya and Bangladesh, Danish embassies had contracted long-term monitoring consultants to focus on all or part of the Danish country programme. These consultants would in some cases also compile monitoring information about the multi-bi engagements beyond what had been reported by the multilaterals. These efforts were mainly to provide information for the embassies' reporting requirements in the context of Copenhagen, the Danish public and Parliament.

Case study embassies also reported challenges with the adequacy of multilaterals' financial reporting, making efficiency hard to track and influence. Financial reporting was often highly summarised: a few lines presented in the statement. This followed the global agreement with the individual multilaterals but was not helpful for the Danish management of engagements on the ground. This worsened embassies' experience of distance from engagement implementation, and not being able to be proactive about managing emerging risks.

Embassies had incomplete information on multi-bi engagements' cost structures. Only some DED budgets reviewed showed multilaterals' overheads or project implementation costs. Where they showed an overhead charge, they typically did not make clear whether this was the only charge or whether additional country-level overhead charges or costs would be levied. Both these charges are in addition to the multilateral's

direct cost of programme or project implementation (such as the salaries and travel costs of project managers for example) which were hardly ever spelt out. Embassies had no information on cost structures beyond the multilateral. The Danish AMG's guidance on overhead charge limits did not make explicit provision for full assessment of multi-bi engagement cost structures in engagement preparation, given their multi-layer nature, which contributed to the issue.

Compared with multi-bi engagements, embassy staff therefore generally felt they had better insight on engagement budgets and spending in traditional bilateral engagements where there was more direct Danish interaction and insight into operations, and hence a better understanding of costs and efficiency. Gaps in embassies' understanding of multi-bi budgets and spending were explained by the more hands-off approach by embassies to management in multi-bi engagements as set out in the AMGs; the use of more complex systems and procedures by the multilaterals compared to other partners; more limited understanding of and access by Denmark to these systems; and limited scope within multilaterals to understand expectations and adapt systems for different donors with different needs.

Under these circumstances, where results and financial reporting practices were found to be inadequate for engagement oversight, the relationships and the level of dialogue with the multilateral partner were important to embassies. How conducive partnerships were to embassies being satisfied with their involvement was the outcome of Denmark's history with the multilateral in country; its history and standing in the sector; the engagement structure; who Denmark's multilateral counterparts were and their openness to dialogue on engagements; and Danish capacity to bring its insights and skills to the engagement. How these factors combined was very engagement specific. In some cases, Danish embassy staff reported multilaterals resisting ongoing Danish involvement in engagements.

Finding 7: While established Danish appraisal and review processes offered sufficient opportunity for consultation between the Copenhagen and embassies on partner selection, the MFA guidance on what should be addressed in these processes did not adequately cover specific multi-bi challenges.

Routine bilateral engagement appraisal and quality assurance processes were the main vehicle and were an adequate means of consultation between embassies and Copenhagen on the choice of the multi-bi channel. Management responsibility for Denmark's bilateral CP development cooperation, and therefore for partner selection, is decentralised. Formally, the MFA Copenhagen departments fulfil their appraisal and quality assurance responsibilities as set out in the bilateral AMGs (see Section 2.3 for detail). In practice therefore, Copenhagen

technical specialists were involved, to varying degrees depending on programme size, in reviewing the selection of partners (and therefore the choice of multi-bi) through CP and individual engagement appraisal, quality assurance and Programme Committee processes. The focus of discussions was on partner suitability and capacity to implement certain thematic priorities. In fragile contexts where the strategy itself was to contribute via multilaterals, there was also consideration of country thematic strategies.

Wider consultation also occurred from 2019 through the Council for Development Policy, which reviewed CPs and grants over DKK 39 million that were not approved as part of the CP. A review of relevant minutes shows that the Council has not commented on the multilateral status of partners selected in CPs, i.e. on embassies' choice of the multi-bi instrument as such. However, there are examples from the review period where it has raised issues regarding specific multilateral partners. One such example was the 2017 discussion on the Mali Country Programme during which the selection of the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) as a partner was discussed, after the Council raised a concern about its neutrality. In 2020 the selection of UNICEF to implement a COVID-19 response programme was discussed.

Furthermore, no strong sense of necessity to consult more with Copenhagen or the Danish multilateral representations on the selection of multilateral partners emerged from the evaluation research. Neither embassies nor Copenhagen nor the Danish multilateral representations perceived a need for more consultation on the choice of partner unless there are specific issues about a prospective partner. This reflects the fact that responsibility for partner selection is decentralised.

The AMG guidance on the scope and focus of appraisals and reviews did not cover specific multi-bi issues adequately. While the consultation opportunities established between Copenhagen and Embassies on the selection of multi-bi in existing processes are adequate, the issues that arose in the implementation of multi-bi engagements (and which are discussed especially in Finding 4 and Finding 6 above, but also Finding 9 to Finding 12 below) point to deficiencies in the scope and focus of upfront assessments, appraisals and quality assurance for multi-bi engagements. Issues such as partnership structures, earmarking options, and alignment with existing priorities of the multilateral are not covered in the guidance.

Different parts of the MFA also connected to resolve problems in multi-bi management when needed. Case study embassies reported consulting on the management of multi-bi contributions with Copenhagen when needed, as well as with Danish multilateral

representations, even if infrequently. The survey responses also indicated that multilateral units and the Danish multilateral representations were less likely to be consulted than technical advisory units and development specialists in the management of multi-bi contributions. Almost twice as many respondents thought these units and staff were consulted every time or often, than respondents who thought multilateral units and Danish multilateral representations were consulted every time or often.⁴⁷

Contacts between embassies, the Danish multilateral representations, multilateral country offices and the multilateral headquarters were reported as occurring rarely, but were used when needed for the management of specific multi-bi engagements. The evaluation learned of only one case, where an issue in the management of country level multi-bi was resolved between the embassy, the multilateral country office, the Danish multilateral representations, and the multilateral's headquarters.

Managing the coherence of country-level multi-bi and core support to multilaterals

Finding 8: Human resource capacity was a critical barrier in effectively connecting Denmark's learning from multi-bi engagements to core support, despite wide recognition in the MFA that such linkages were necessary for coherent strategies and policy dialogue.

Respondents from all levels agreed that Denmark needed to strengthen its mechanisms and practices to connect learning from its growing portfolio of multi-bi engagements to how it manages core multilateral aid. Danida staff saw benefit for the effectiveness and performance of Danish development assistance from bringing knowledge from the field to its global interactions with multilaterals. At the same time, representatives from the Danish multilateral representations and Copenhagen thought greater coherence between Danida's development assistance channels required embassy staff to be more aware of Danida's global priorities for multilaterals.

Sharing multilateral country strategies with embassies is a long-standing practice but comes too late in multilateral programming cycles. The view from the Danish multilateral representations as well from embassies was that while the representations sharing the strategies when they came for approval by multilateral boards was a good base practice, it occurred too late in multilaterals' planning cycle to be of value to either embassies or the representations.

⁴⁷ See Figure 20 in Annex D for the detailed results.

Furthermore, for the most part, **the Danish multilateral representations had no systematic access to information about multi-bi engagements agreed at country level.** Representatives the evaluation spoke to from the multilateral representations expressed the need to be informed once a partnership has been entered into. Establishing an effective information sharing mechanism would also contribute to Denmark's DDD objective of having more coherence between its different ODA instruments.

More recently, **Contact Groups have been established in the 2020 multilateral AMGs to support the preparation and implementation of multilateral Organisation Strategies,** in line with DDD ambitions for stronger cohesion between Copenhagen, Danish multilateral representations and embassies (see Box 2 for a description of the Contact Groups' mandate and composition). Nine groups have been established, all with UN agencies.⁴⁹ How the groups are used varies between multilaterals. Although all were feeding into the development of Organisation Strategies, the groups anchored by the multilateral representation in New York also convened before high-level consultations, and the WFP group convened at regional level to feed into Denmark's inputs on the management of regional crises.

BOX 2: MULTILATERAL CONTACT GROUPS

The groups were established and are chaired by representatives from Danida's UN missions. Their aim is to be a forum for more systematic sharing of knowledge and monitoring tools, and "more active application of Danish experiences with the multilaterals from Copenhagen and the country level in the normative work of and policy dialogue with the multilaterals and vice versa"⁴⁸. At a minimum they are expected to provide input into and quality assurance of the Organisation Strategy. They were also expected to be active in preparing annual organisation action plans, which specify the Danish priorities for the multilateral and how this would link concretely to other Danish programmes, instruments and actions. Other members are MFA units that interface with the multilateral and three to four bilateral embassies with experience of working with the multilateral. Meetings are set at the discretion of the chair.

The Contact Groups were seen as valuable for the Danish multilateral representations but they have also faced difficulties in securing wide and meaningful participation. For the Danish multilateral representations, the groups had high value, particularly as they generated concrete experience on what was happening in countries to corroborate and strengthen Denmark's positions and influence, and especially in the context of Danish multilateral representations, where other bilateral

⁴⁸ MFA, 2020, Final Guidelines for the multilateral and international organisations, December 2020, p. 34.

⁴⁹ UNDP, UN Women, UNFPA, UNICEF, WFP, ILO, IOM, UNHCR and OHCR.

donors had far more resources to dedicate to engagement with multilaterals. A scan of the latest crop of UN Organisation Strategies showed that these take more account of the reality experienced by bilateral embassy development staff than preceding strategies. But participation in the Contact Groups has been difficult to secure and bilateral embassies have experienced the groups as being driven by the needs of the Danish multilateral representations without clear and direct benefit to them, despite agreeing that they were a step in the right direction.

Human resource constraints at all levels emerged as a significant barrier to the Contact Groups functioning well and would be likely to constrain any mechanism to connect bilateral embassies to the multilateral unit and other Copenhagen units managing flows to multilaterals and the Danish multilateral representations. In this regard, the 2021 OECD DAC Peer Review found that in “a context of greatly stretched human resources, there is a risk that the coherence objective of DDD cannot be delivered through scaling up these arrangements beyond the initial pilots”.⁵⁰

At the country level, with a full calendar of tasks for which development staff are directly accountable, and without access to sufficient resources, initiatives that did not have a clear and direct bearing on the responsibilities of country embassies took a back seat. Given the size of their multi-bi portfolio for several multilaterals or because the country was at the centre of a regional crisis, an embassy could find itself being asked to participate in more than one Contact Group. At the level of the Danish multilateral representations, setting up and managing group agendas and communication so that the groups were also valuable for bilateral embassies required more time than was available to the teams. Similarly, the information management needed to channel valuable information to embassy staff managing multi-bi engagements also required human resources. Representatives from the multilateral representations recognised that the system was not working, but also said there was a limit to the extent to which the system could be repaired without more human resources.

Overall, embassies saw such **information management and the pooling of lessons from the operational level on multi-bi as an obvious opportunity to improve multi-bi engagements.** Some embassies pointed to a critical need for learning across embassies. Several embassies also highlighted the need for more basic awareness and knowledge in Copenhagen and the Danish multilateral representations on the exact nature and level of challenges experienced at field level when working through the multilaterals. This was seen as critical both to learning and improved guidance within the overarching MFA system

⁵⁰ OECD DAC, 2021, [link](#).

on delivery on objectives, priorities and interests through multi-bi; and to knowing accurately and managing the risks to the Danish system associated with working through multilaterals. The lack of mechanisms to enable this learning was in contrast with Sweden, where a central multi-bi unit was established alongside other arrangements such as multilateral partner focal points, regular cross-country review processes and surveys to collect country-level information.

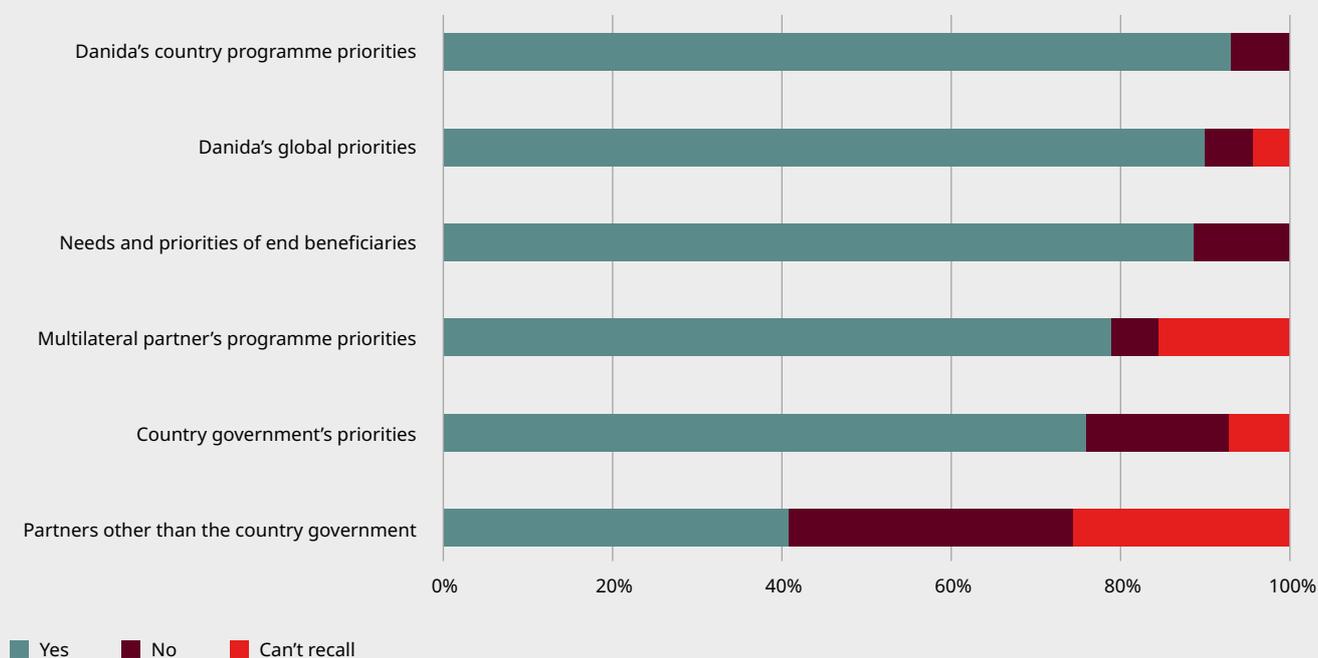
3.5 What are the strengths and weaknesses of Danish multi-bi contributions?

This section provides findings about the strengths and weaknesses of multi-bi contributions (EQ3). The evaluation interrogated the extent to which the multi-bi nature of engagements contributed to their performance or lack of it. It, however, did not evaluate the multi-bi engagements themselves. The section is complemented by Table 17 in Annex C.

Finding 9: Multi-bi engagements were relevant for Danida and country actors at the strategic objective level, but not necessarily at the level of specific design choices.

Generally, multi-bi engagements are aligned to Denmark's country development priorities. That is because country thematic considerations are the anchor point of partnering choices. The multi-bi engagements reviewed were therefore in all cases directly relevant to the prevailing country thematic programmes. Survey results supported these country case study findings: 94% of the engagements reviewed by respondents were judged relevant to Danida's country programme priorities, 90% to its global priorities, and 90% to the needs and priorities of end beneficiaries.

In the country cases, relevance was directly supported where multi-bi engagements were established to deliver directly on Danish priorities, and where Danish support was targeted through some level of hard earmarking to specific Danish priorities within a larger multilateral programme, as discussed in Section 3.2. Thus, some longer-standing collaborations with multilaterals gradually adapted their focus in response to shifting Danish priorities (e.g. UNDP Bangladesh). Their flexibility to adapt to evolving Danish priorities depended on the funding set-up and Denmark's relative position in the mechanism. For instance, a multi-donor trust fund like PSNP in Ethiopia would not adjust its overall focus following Danida's change of focus. In such cases, Danida was more likely to change the results and projects it followed within the arrangement. Denmark was more able to align engagements closely where it was the only donor to a multilateral programme or project, for any type of partner selected.

FIGURE 8: SURVEY RESULTS ON THE RELEVANCE OF MULTI-BI

Source: Evaluation survey.

Country case studies show, however, that the relevance of **specific design choices to Danish and country needs could be weaker than the relevance at the level of objectives** in 10 of the 25 multi-bi engagements reviewed in depth for three main reasons: (i) multilaterals sometimes apply standard solutions that have not been sufficiently tailored to the context (found in five out of 25 cases); (ii) Danida finds itself at arm's length from the detailed design and unable to influence the choices made (found in three cases); (iii) the detailed results framework or targeting of activities are not in line with Danida's objectives (found in two cases). Box 3 below provides further explanation of these examples.

BOX 3: CASES OF LOW RELEVANCE OF MULTI-BI ENGAGEMENTS AT DESIGN LEVEL**Choice and design of specific interventions not relevant in context:**

- In Bangladesh, a World Bank PFM reform programme supported PFM issues and solutions that were not fully aligned with the Government of Bangladesh's priorities and approaches. In some areas, the advisory outputs that were produced were not implemented.
- In Bangladesh, ILO pursued a standard union-based model that was not appropriate in the political context of Bangladesh. The engagement also did not fully account for owners' interests, which hampered it in implementation.
- In Bangladesh, the UNDP CHT engagement used a Farmers Field Schools model with a core focus on training and skills. The relevance of this model to the Indigenous People was questioned, as it did not address the wider set of livelihood constraints they faced.
- In Somalia, the approach taken by UNDP to establishing human rights institutions was a standard technical approach but did not fully consider the political context.
- In Ukraine, the tripartite social partner model implemented by ILO (and Danida) was not relevant.

Danida unable to influence or dialogue effectively on the design choices made:

- In Somalia, efforts to have a dialogue with the World Bank on the specific design and issues in the private sector development project it follows under the MDTF have not been successful.
- In Mali, IFAD is not in-country and has limited operational capability. As Danida is financing its investment in financial access for small-scale producers and small and medium-sized agriculture businesses through IFAD, it has no means of influencing the programme directly.
- In Palestine, the Danida team reported being unable to dialogue with the World Bank on the municipal development programme. The same issue occurred in Bangladesh, but as the embassy did not have PFM capacity, the issue had a lower impact.

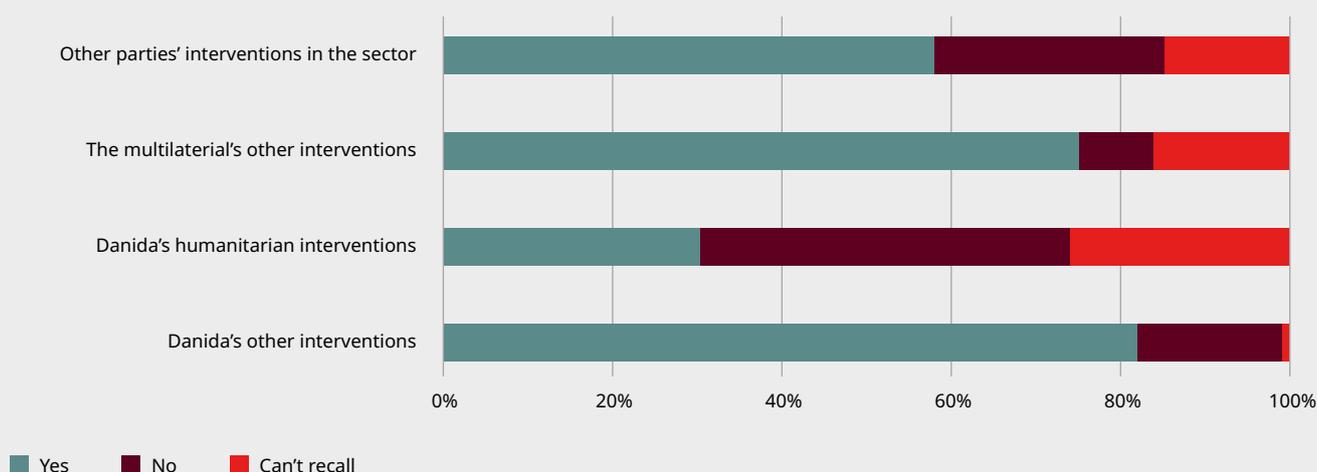
Detailed results framework and targeting do not align with Danida's objectives:

- In Ethiopia, the detailed results framework of the WFP intervention on food security and sustainable livelihoods was not well aligned with Danida's priorities.
- In Ethiopia, the UNFPA SRHR engagement had weak targeting design and did not align with Danida's objectives.

Finding 10: Multi-bi engagements were able to facilitate coherence and adaptive approaches, but only when the management of the engagement by Denmark and the multilateral was conducive.

Using CPs as a planning device helped to engineer coherence between multi-bi engagements and Denmark's other development interventions at country level. Multi-bi partners were often chosen alongside a traditional bilateral engagement because both the bilateral and multilateral partners' interventions were needed for a thematic objective, as illustrated by the Kenya CP example in Box 4 below. Survey respondents also thought that multi-bi was broadly coherent with other interventions in country (see Figure 9), but less so with Denmark's humanitarian interventions.

FIGURE 9: SURVEY RESULTS: COHERENCE WITH OTHER INTERVENTIONS IN-COUNTRY



Source: Evaluation survey.

Multi-bi engagements were managed alongside interventions from the Peace and Stabilisation Fund (PSF) in countries where the fund was active. In Mali, Niger, Ethiopia, Somalia, Afghanistan, and Ukraine, the activities of Denmark's Peace and Stabilisation Fund were well integrated with the development assistance, including multi-bi, programmed through the CPs. This was assisted by the regionalisation of the PSF, and posting PSF managers to embassies, which facilitated coordination between the different instruments, both in design and implementation. Box 4 also provides examples of complementary programming and management of multi-bi and PSF interventions.

BOX 4: PRACTICE EXAMPLES ON MULTI-BI COHERENCE

In the 2016 to 2021 Kenya CP, the selection of the World Bank KADP in the Thematic Programme on Governance was justified as a way to work with duty bearers and rights holders to support the operationalisation of the 2010 Kenya Constitution on three priority issues: access to justice; credibility of the electoral process; and reduced gender discrimination. National partners were selected for their centrality to the issues, alongside additional national and international partners whose expertise was critical in intermediary roles. To build a bridge between public sector effectiveness and democratic practices in the newly established counties, the embassy was therefore supporting capacity development of devolved administration through the World Bank and the National Treasury, and local CSOs via the Uraia Trust, to build local accountability and transparency.

In Afghanistan, the PSF supported the Afghan police force through the UNDP Law and Order Trust Fund to counter radicalisation and violent extremism, while the Afghanistan Country Programme supported anti-corruption CSOs and the Anti-Corruption Justice Centre, also through the UNDP Trust Fund. This support was also complementary to funding for sound public financial governance through the ARTF. In Somalia the PSF support to the African Union Mission to Somalia (AMISOM) via the African Union was integrated with the work of Denmark's Somalia team.

Other than multi-bi engagements themselves working in the HDP nexus, the evaluation found no evidence that multi-bi could or should forge closer links between Danish development and humanitarian aid than were already established through programming. The evaluation did find good examples where a multi-bi engagement was designed specifically to work in the HDP nexus. In Ethiopia, the support for food security and livelihoods through WFP, the PSNP support through the World Bank, and the SRHR programme through UNFPA were all designed to work across the HDP nexus, as was the water sector engagement through the World Bank in Kenya. By the nature of humanitarian versus development aid, complementarity was already built in when Denmark provided humanitarian relief through a humanitarian grant and supported resilience through development funds in this manner. The evaluation found no evidence that Denmark tried to or should try to establish further coherence through multi-bi, even when the same multilateral is supported.

Multi-bi delivered through multiparty funding arrangements was thought to be more coherent with other sector interventions than direct bilateral aid. Interview respondents in embassies and from multilateral partners pointed out that working through multi-donor funding arrangements supported coherence with other donor interventions.

Multi-bi engagements also facilitated relevance to and coherence with governments' sector and national development plans. In fragile and conflict-affected countries like Afghanistan and Somalia, the financial intermediary MDTFs supported were the mechanism through which the

donor community contributed to the development of and supported the recovery and development plans of the authorities. By joining these funds, by extension Denmark's interventions were aligned. In stable low- and lower-middle income countries, the evaluation noted similar patterns at sector level, for example with UNFPA in Niger. Government respondents saw benefit in multi-bi because it represented a more coordinated mechanism than dealing with donors individually. Where on-budget funding mechanisms were efficient, government respondents did not express a strong preference. However, where on-budget financing caused delays because of slow cash releases, or because any changes needed to be approved by the finance ministries (or parliament), pooled funding via multilaterals was beneficial. As noted above in the discussion on relevance, the alignment and coherence are not automatic and depend on whether the multilateral aligns its technical focuses and interventions to Government's priorities and the context.

Multi-bi was often flexible, provided that Danida's DED allowed flexibility and the multilateral itself was responsive to needs in context. A first barrier to flexibility was when Danida earmarked its funding at a detailed level to specific engagement activities. While multilateral partners could shift funding, they had to request permission from Danida for shifts of more than 10%.

There were cases where Danida provided flexible funding, but where the multilateral was rigid and did not adapt its approach to local context or changes in context. The examples in the first category in Box 3 above are cases in point. In the evaluation sample there was one additional case where the programming was suited to the context to start with, but where adjustments were not made or were slow when the context changed (the support to the High Authority for the Consolidation of Peace (HACP) via UNDP in Niger).

Finding 11: The effectiveness of multi-bi engagements was mixed, with variability between engagements caused by factors such as country-specific multilateral capacities, context, and engagement size and structure.

The effectiveness performance of multi-bi engagements was mixed. Out of the 25 engagements reviewed, four presented with low performance (multiple significant issues were found), 13 medium performance (effective but with material issues), and eight good performance (largely effective, even if some minor issues) (see Table 6 below and Table 17 in Annex C). By value, DKK 969 million were committed to eight multi-bi engagements that for the most part achieved their results even if with minor issues; DKK 1.13 billion were committed to 13 engagements that achieved some results even if there were material issues; and DKK 212 million to the four engagements where there were many significant issues regarding their performance.

Multilaterals could perform effectively for the reasons they were selected. In the eight well performing cases, Danish assumptions about partners' technical expertise, convening power, country position and operational capacities were met. For example, in the FAO collaboration in Palestine, Denmark and partners have been able to benefit from the close relationship between FAO and the Palestinian authorities, as FAO is the lead technical advisor to the Ministry of Agriculture. In Mali and Somalia, the embassy reported that UNICEF did have the relationships and connections on the ground to facilitate results. In Niger, the UNFPA population engagement was effective, even if with some issues, because of its close relationship with the authorities and its expertise.

Critical multilateral capacities to achieve Denmark's objectives were not always in place. Most commonly, multilaterals had the needed expertise, but lacked operational, project management or monitoring and evaluation capacities to implement activities, manage risks, and report results. Examples include the Kenya and Ethiopia UNFPA engagements, the Ethiopia WFP engagement, the Niger UNDP engagement with HACP, and the IFAD engagement in Mali. In other cases, not promoting the right approach in context also meant that results lagged, as reported under the first set of bullets in Box 3. The multilateral's country positioning could also fall short. For example, in Somalia, UNDP did not fulfil Denmark (and other partners') expectations of effective dialogue with Government on a Somalia constitution and the establishment of Somalia human rights institutions.

Contextual factors outside the control of the multilateral contributed to results not being achieved. COVID-19 was a common factor affecting the implementation and results of in-depth cases that were active in 2020 and 2021, and was often referenced by multilateral respondents as well as embassy respondents when reflecting on the results achieved. Some case studies also reported increased security risks (such as in Niger) or difficult political conditions (such as in Palestine and Somalia) slowing down activities. Other contextual risks observed in the in-depth cases could have been mitigated up front or addressed earlier or better in implementation. For example, in the UNFPA engagement in Ethiopia, the impact of weak health information systems on targeting the interventions in line with the results framework arguably should have been known up front by UNFPA, as the experienced partner, to guide the engagement design. In Bangladesh, delays in sign-off by government in the labour programme could have been addressed by ILO.

In a few cases, where there were major issues regarding the achievement of the results specified in DEDs, multilateral evaluation respondents reflected that the non-achievement of the specific results did not mean that Danida's multi-bi contributions delivered no results. In the Mali IFAD engagement, for example, IFAD thought that IFAD's long-term objective of creating enabling conditions for value-chain development was furthered

by the partnership with Denmark, even if specific (shorter-term) results in terms of actual value-chain partnerships financed were not achieved. In Ethiopia, UNFPA noted the learning that had occurred.

The same multilateral performed differently in different contexts.

There are clear examples of this in the case studies. In Mali, the effectiveness of UNFPA was better than in Kenya and Ethiopia. In Kenya, the World Bank was effective, but in Somalia there were issues. In Afghanistan, UNDP's support was assessed as effective, but less so in Niger and Mali.

The evaluation analysis showed that factors such as engagement size and structure correlated with how effective multi-bi engagements were.

Table 6 below presents the analysis. The analysis scored the performance of the engagements themselves on the available information, to form a view on what forms and modalities of multi-bi were likely to be more relevant and effective for Denmark. Because sub-samples are small, and the judgements rapid and qualitative, based on existing information, the patterns observed are indicative, but are nonetheless useful to provide pointers for further examination of how these factors affected specific engagements.

TABLE 6: SHARE OF IN-DEPTH CASES BY MODALITY AND FUNDING CHANNEL BY EFFECTIVENESS PERFORMANCE

| | Good effectiveness | Effective, with material issues | Low effectiveness |
|---------------------------------|--------------------|---------------------------------|-------------------|
| N=25 | 32% | 52% | 16% |
| Programme agreement (7) | 43% | 43% | 14% |
| <i>Hard earmarking (1)</i> | 0% | 0% | 100% |
| <i>Soft earmarking (6)</i> | 50% | 50% | 0% |
| Project agreement (18) | 28% | 56% | 17% |
| <i>Hard earmarking (10)</i> | 20% | 60% | 20% |
| <i>Soft earmarking (7)</i> | 43% | 43% | 14% |
| <i>Earmarking not clear (1)</i> | 0% | 100% | 0% |

Table continued on next page >

TABLE 6: SHARE OF IN-DEPTH CASES BY MODALITY AND FUNDING CHANNEL BY EFFECTIVENESS PERFORMANCE (CONTINUED)

| | Good effectiveness | Effective, with material issues | Low effectiveness |
|--|--------------------|---------------------------------|-------------------|
| Other | | | |
| <i>Hard earmarking (11)</i> | 18% | 55% | 27% |
| <i>Soft earmarking (13)</i> | 46% | 46% | 8% |
| <i>Where funds are co-mingled (11)</i> | 27% | 45% | 27% |
| <i>Where funds are in a trust or basket fund (14)</i> | 36% | 57% | 7% |
| <i>Danida as single donor (7)</i> | 29% | 43% | 29% |
| <i>Danida and other donors (18)</i> | 33% | 56% | 11% |
| <i>Very large engagements (>DKK 100 million)⁵¹ (8)</i> | 63% | 38% | 0% |
| <i>Large engagements (>DKK 40 million) (8)</i> | 0% | 75% | 25% |
| <i>Small (< DKK 40 million) (9)</i> | 33% | 44% | 22% |
| <i>All engagements >DKK40 million (16)</i> | 31% | 56% | 13% |
| <i>Not fragile</i> | 43% | 50% | 7% |
| <i>Fragile</i> | 18% | 55% | 27% |

Source: Analysis of in-depth country cases.

⁵¹ Three thresholds were chosen because the range of engagement values in the sample were from DKK 3.5 million to DKK 330 million. The DKK 39 million threshold closely coincided with the first tertile cut-off point of DKK 40 million, supporting the choice of tertiles. This enabled an assessment as if against Denmark's procedural threshold, while also setting another threshold to distinguish very large from large engagements. There were two engagements set at DKK 40 million, which was classified as small for the analysis, which would have been classified as large if the Danish threshold were applied strictly. The next set of engagements, however, were from DKK 54 million upwards. It made more sense to keep the DKK 40 million tertile threshold and keep the two engagements with the smaller group (where the next engagement was DKK 37 million).

Small, earmarked, one-on-one projects correlated with lower performance in many cases because ownership of the engagement by the multilateral appeared not to be strong enough to ensure the timely delivery of results. Delays in start-up activities commonly occurred in these projects, such as conducting baseline surveys (ILO in Bangladesh, UNFPA in Ethiopia) or establishing the needed management systems and capacities (UNFPA in Kenya, where the Denmark engagement changed hands more than once). Multilaterals also could not report against earmarked results, because their systems were not set up to report or did not adjust in a timely manner (such as the WFP engagement in Ethiopia). From Denmark's perspective, co-designing or negotiating adjustments to the results framework may have led to better outcome descriptions, but the capacity or willingness to achieve and report the results were often absent. Multilateral partners in some cases reported that earmarking itself also could affect the delivery of results, not so much because of delays, but more often because they did not have the flexibility to respond quickly to changes in context. In hard-earmarked engagements, deviation between lines in the output/activity budget of more than 10% require approval from Danida. Thus, hard-earmarking was both more correlated with poor results (66% of low performing projects were hard-earmarked) and less correlated with better performance (71% of well performing projects were soft-earmarked).

On the other hand, larger, multi-donor soft-earmarked engagements were generally associated with some or good effectiveness performance. The analysis showed that larger multi-bi contributions were more effective more often for Denmark. These engagements were also mostly to multi-donor trust funds where Denmark did not (and often could not) earmark its contributions. All the soft-earmarked multi-donor engagements in the evaluation sample in fact delivered results irrespective of their size.⁵² This is best explained by Danida being more willing to soft earmark engagements where it is confident that the results will be delivered, or that in soft-earmarked engagements the results expected by Denmark are the results already pursued by the multilateral. This may be because it is already doing what Denmark wants or because Denmark must align its targeted results to what the multilateral is already doing. The fact that in the two hard-earmarked projects that performed well on effectiveness Denmark committed their funds to activities and results that UNICEF was already pursuing (in Mali and Somalia), gives credence to this argument.

The extent to which there is a poor fit between Denmark's desired and earmarked results and multilaterals' appetite and capacities in practice

⁵² Two small multi-bi engagements in the evaluation sample fit in this category, the World Bank devolution engagement and Denmark's contribution to the UNDP support to the Electoral Commission in Afghanistan.

to deliver and report these results, suggests that the AMG exemptions on appraisal of multi-bi engagements may not be appropriate, that there may be insufficient consultation up front on the alignment, and that Denmark's default expectations of multilateral capacities to deliver and measure specific results may be too high.

Most of the reviewed multi-bi contributions in fragile states were large and provided to multi-donor funds as soft-earmarked flows, which sheds light on why the reviewed multi-bi engagements in fragile states were more often effective than multi-bi engagements in non-fragile states. Six of the 11 engagements in the sample were assessed as having good effectiveness, of which four were provided in this form (the other two being the contributions to UNICEF in Somalia and Niger).

Finding 12: Expectations around multi-bi efficiency in terms of management, timeliness and costs, have not been realised in about a third of reviewed engagements.

Multi-bi engagements involving multiple UN agencies faced specific coordination challenges, which affected how efficiently Danish resources were used. Engagements involving multiple UN partners experienced issues (such as the UN MPTF under the Somali Compact and the (multi-UN) UNFPA-led Support to Reducing Preventable Maternal, New-born and Child Deaths in Kenya), which had implications for efficiency. The fact that each agency used its own processes and systems, and operated at different speeds, and the challenges in communication and coordination between agencies (including that no UN agency is the natural lead of others) significantly affected project efficiency as well as progress.

Multi-bi projects can experience delays, especially at start-up. Delays in project implementation were identified by embassy and multilateral respondents as contributing to inefficient use of Danish funds (because funds were committed to projects that could be used elsewhere) and to not achieving project results as targeted. In the 25 multi-bi engagements analysed, delays were raised as an issue in 12 engagements, predominantly in engagements where Danida co-funded with other donors, where trust funds had to be set up. Delays also occurred often in project-level engagements.

Delays in the implementation of development programmes and projects (or over-optimism in the projected timeline at the time of approval) are common to all bilateral engagements. In multi-bi engagements, however, working through a multilateral was found to contribute to more time lapsing between fund commitment and the first activities taking place. The more complex the engagement structures, the longer the delays. For example, in the Kenya World Bank water sector engagement, long delays were experienced partly because the World

Bank was contracting local level partners, which then worked with refugees and hosting communities. Delayed engagements are often extended on a no-cost basis, resulting in additional work for the embassy to manage the engagement over additional years, and an increased part of the Danish contribution being used for engagement administrative costs. Country case study findings point to several factors contributing to delays in multi-bi engagements. Multi-bi engagements where Danida and the multilateral worked together for the first time in the country were more prone to delays. Although the source of the delays can be diverse (design, management, etc.), some problems can be attributed to the lack of understanding and knowledge of each other's expectations, systems, approaches and ways of working.

Implementation chain overheads may be long and costly but should be seen from a value-for-money perspective. Complex programme or project structures, long implementation chains and high cumulative overhead costs were raised as an efficiency issue in 19 of the 25 multi-bi engagements reviewed. As the evaluation was not privy to the contracting documentation of the multilaterals, it is not possible to put numbers to the extent to which CSOs, private and public sector implementing partners of the multilateral would charge administrative costs in addition to such costs charged by the multilateral itself. In essence, unless the multilateral implements the activities itself, an additional layer in the implementation chain is added by implementing through multilaterals. Of course, whether this has significant efficiency implications or not, would depend on what the cost for Danida would be of direct implementation with CSOs, government partners, through third parties, or through delegated cooperation, etc.; and whether the benefits offered by working with a multilateral (such as expertise, convening power, position in country, operational capacities) are worth any additional costs.

There is great variation in what multilaterals charge as direct and indirect administrative costs: it can be over 20% in total or below 5%. Across the in-depth studies, the evaluation was able to collect data on overhead costs in 13 cases (out of 25). In these cases, DEDs stipulated either a single overhead charge, or an overhead charge and multilateral direct programme or project implementation costs. For the remaining in-depth cases the DED was silent on overhead/implementation costs.

The data shows that the range of total overhead charges specified in DEDs or communicated by Danida engagement managers ranged between 4.6% (World Bank in Bangladesh) and 25% (World Bank in Palestine), with the median being 8% and the average 10%. This average is three percentage points higher than the maximum allowed in the AMGs/Financial Management Guidelines, under which higher rates can be charged only in extraordinary circumstances. The data also shows that most UN agencies charge 8% as the share that is paid to their

headquarters (such as UNDP, UNFPA, WFP, UNICEF), and that there are some examples of more expensive UN agencies: FAO and ILO (Ukraine) charged 13%, although the ILO charge in Bangladesh was 11%. IFAD charged 13-14%.

From 2018, Denmark has also paid the 1% UN coordination levy in the qualifying (i.e. hard-earmarked) engagements amongst the in-depth country cases.

Embassy staff views on the costs of multi-bi depend on the perceived added value provided by the multilateral. In general, costs were not a concern when engagements were going well or other alternatives were not possible. However, costs were a frequent complaint in cases where engagements faced challenges due to the project management capacities of the multilateral and required substantial engagement from the embassy staff.

Hard-earmarking and Danish-specific reporting requirements overlaid on complex structures reduced engagements' efficiency. The evaluation's engagement with multilateral partners and implementing partners indicated that when Danish-specific reporting requirements are overlaid on complex structures, multilaterals and their implementing partners (or Denmark through a secondment) need to invest additional time and management cost to deliver the needed reports, affecting engagement efficiency. However, **in other aspects, Denmark's management of its multi-bi engagements was seen by multilaterals to aid the efficiency of the underlying programme or project.** Multilateral respondents reported that hard earmarking also reduced efficiency by reducing flexibility. Furthermore, multilaterals reported that Denmark's disbursements were predictable, and that this, combined with the fact that they were annual, helped multilaterals to plan and implement the underlying interventions efficiently.

4. CONCLUSIONS: KEY LESSONS ON DENMARK'S USE OF MULTI-BI CONTRIBUTIONS AT COUNTRY LEVEL

At country level, multi-bi was an increasingly important instrument for Danish development cooperation over the evaluation period, taking up a larger share of Danish bilateral development commitments at this level over time. Country context, expectations about multilaterals' unique value-add, and Danish development cooperation strategies and capacities drove Danish embassies' use of the multi-bi instrument at this level. How Denmark structured its multi-bi engagements, was determined by the interplay between country context, and the systems and preferences of Denmark and multilateral partners. This conclusion draws on Findings 1, 2 and 3.

Overall, the evaluation showed that there are trade-offs for Denmark between the relevance, coherence, effectiveness, flexibility and efficiency of country multi-bi engagements. Partnerships with multilaterals enabled Denmark to have fewer, larger engagements while lowering its exposure to contextual, institutional, and programmatic risks, given restricted embassy development capacities, but came with an additional layer of administrative costs and longer implementation chains. Large, multi-donor partnerships also tended to be effective more often than small, single-donor multi-bi partnerships. However, these benefits came at some cost to the relevance of multi-bi engagements and their coherence with Denmark's other interventions because Denmark was less able to influence their detailed design. This conclusion draws on Findings 9 to 12.

Denmark's multi-bi engagements were largely relevant to Denmark and country actors, and could facilitate coherent and adaptive approaches. Multi-bi engagements were consistently relevant to Denmark and country actors at strategic objective level, and coherent with other Danish interventions, because CP thematic considerations and country analysis anchored partnership choices and because of Denmark's active steering and monitoring role in multi-bi engagements. In contrast, in some cases the precise design of engagements was not fully relevant to either Denmark or country actors, because Denmark was less able to influence specific project designs or multilaterals did not adapt their global models enough to country context. Multi-bi engagements were also flexible and adaptive, but this depended on whether the engagement structure limited multilaterals' flexibility, and their own practices. This conclusion draws on Findings 4, 5, 9 and 10.

Multilaterals could be and often were effective delivery partners for Denmark at country level, provided the multilateral partner had the right capacities and influence in-country, and the engagement was large enough and structured well. When the multilateral had the sector expertise, operational capacities, country position or convening power expected at country level, multi-bi was a fully effective instrument for Denmark to achieve its country thematic priorities. However, in 17 out of the 25 multi-bi engagements reviewed, the multilateral did not have all the project management and technical capabilities needed in the specific country and context to deliver uniformly good results. Performance was also correlated with engagement size and partnership and earmarking structure. Small, earmarked, one-on-one projects correlated with lower performance in many cases because ownership of the engagement by the multilateral appeared not strong enough to ensure the timely delivery of results. Hard-earmarked engagements with differing results frameworks from the multilaterals' core frameworks, also ran into implementation and performance difficulties. On the other hand, soft-earmarked engagements were associated with some or good effectiveness performance, especially when the Danish contribution was large and to a multi-donor partnership. This conclusion draws on Finding 11.

Danish embassies often found themselves at a disadvantage because they were reliant on multilateral reporting and evaluations which did not always meet their needs, and did not have the resources, and in some cases not the opportunity, to fill the gap. Embassies often opted to partner with multilaterals because of reduced capacity, but in practice the management of performance and risk in multi-bi engagements still required significant human resources. In principle, multilaterals' appraisal and monitoring and evaluation systems should have saved embassies performance-tracking and risk-management effort. In practice, however, multilaterals' systems were often not set up to report to embassies' satisfaction and many evaluations and reviews were of insufficient quality, as reported by embassies and found by the evaluation. As a result, embassies used more capacity than expected to manage multi-bi engagements. Furthermore, at times embassies found multilaterals unwilling to engage in depth on engagements. This conclusion draws on Finding 6 and Finding 7.

Signals on the efficiency of multi-bi engagements were mixed as it depended on the structure of the underlying programmes and projects. The evaluation found that complex and long implementation chains, alongside detailed reporting demands, hamper the efficiency of multi-bi engagements; and that delays and coordination issues are common. Lower transaction costs through resource pooling and coordinated engagements mean multi-bi can be an efficient choice for embassies, multilaterals and recipients, but in practice poor coordination often hampered realisation of these benefits. This conclusion draws on Finding 12.

Denmark's guidance and arrangements for the management of multi-bi at country level and alongside core multilateral contributions were lacking in some respects. Firstly, although formal appraisal and review processes are sufficient for Copenhagen and embassies to discuss multi-bi partner selection and management, the aid management and financial management guidelines were not very detailed and did not cover critical issues such as different ways of structuring partnerships, engagement contracts and financial arrangements; and the concerns and partner capacities that should be appraised. Secondly, there were shortfalls in the arrangements to connect country multi-bi aid to core multilateral aid. The multilateral contact groups that were established in 2020 represent progress, but overall arrangements to enable learning and information sharing between embassies, Copenhagen and the Danish multilateral representations were poorly resourced and still inadequate to facilitate more coherence between core contributions and multi-bi engagements. This is despite wide recognition that more joined-up approaches were needed for coherent strategies and policy dialogue with multilaterals. This conclusion draws on Findings 7 and 8.

5. RECOMMENDATIONS

The recommendations below are aimed at addressing the issues identified in the evaluation findings and conclusions, for the relevance, coherence, effectiveness and efficiency of Denmark's country-level multi-bi development engagements. Recommendations 1 to 4 are about the use and management of the multi-bi instrument at country level. Recommendations 5 and 6 are about strengthening the AMGs and financial management guidelines on country multi-bi engagements accordingly. Recommendations 7, 8 and 9 are about strengthening the coherence between core support to multilaterals and multi-bi engagements.

Recommendation 1: Embassies should avoid small Danida-only multi-bi engagements and hard output- and activity-level earmarking to engagement-specific result frameworks. Embassies should avoid small, one-on-one multi-bi engagements because they are at higher risk of not achieving results, while making disproportionate demands on embassy capacity. Embassies should also avoid hard-earmarking country-level multi-bi contributions, especially to engagement-specific outputs and activities that are not also in multilaterals' country results frameworks, because multilaterals often do not have the capacity or willingness to achieve and report differently specified results.

Recommendation 2: For all multi-bi engagements, embassies and Copenhagen should, during engagement design and appraisal, undertake thorough assessment and review of alignment with multilateral country programmes, ownership by multilaterals of the multi-bi engagement, and the multilateral's country alignment and capacities. Multi-bi engagement assessment and review should include a detailed assessment of the alignment between Denmark's priorities and the existing multilateral country objectives and results frameworks, their alignment to country development plans and priorities, the multilateral's ownership of the intervention and result targets and the extent to which the multilateral will need to establish new activities and outputs to deliver on the engagement for all multi-bi engagements. This will not only increase the likelihood of joint result targets being achieved in line with Denmark's objectives, but also address the potential costs for the multilateral such as fragmentation.

Recommendation 3: Embassies should plan for sufficient capacity to manage multi-bi engagements. Where assessments reveal gaps in project management or reporting capacities or when Denmark wants access to country policy dialogues through the multi-bi engagement, embassies should factor in needed Danish support for the multilateral and needed embassy capacities.

Recommendation 4: Embassies should factor in adequate set-up time in the timeline of engagements. Embassies should consider what is a realistic timeline and factor it in when considering multi-bi engagements – especially when they entail new and complex structures, capacities, or partners for the multilateral – and assess the full overhead cost chain.

Recommendation 5: The MFA should add an addendum to the bilateral AMGs that provides more guidance to embassies on the programmatic, risk, and financial management of multi-bi engagements. This addendum should expand on the following areas: current AMG guidance on multilateral programme cycles at country-level and how donor states can most effectively engage in these; different multilateral partnership types, earmarking modalities and financing vehicles and their use in different contexts; setting results frameworks for multi-bi engagements and mitigating risks of non-achievement and non-reporting of Denmark-specific results; specific issues that should be considered in multi-bi engagement appraisal and quality assurance processes; and overheads that can be charged in country-level multi-bi engagements and how embassies should manage multilateral country- and headquarter-level overhead charges relative to the 7% allowed on bilateral projects generally.

Recommendation 6: The MFA should revise the 2012 General Guidelines for Accounting and Auditing of Grants channelled through Multilateral Organisations for the purposes of managing multi-bi. Aspects that should be included are budget structures and the reflection of overhead charges in multi-bi DEDs.

Recommendation 7: The MFA should review the purpose, organisation, agendas and resources of the multilateral Contact Groups, so that they are effective vehicles for learning on multilateral organisations. For this purpose, they require more resources/capacity to deliver useful interaction between different parts of MFA and richer exchange of information. This appears essential for more coherent strategies on multilaterals across Denmark's different aid channels.

Recommendation 8: The MFA should institute mechanisms to ensure that information on country multi-bi engagements is shared with the Danish multilateral representations as a matter of routine. This may be enabled through quarterly extracting of information on closed, open and new multi-bi engagements from Danida's aid management system using OECD DAC codes.

Recommendation 9: The MFA should strengthen demand across the MFA for more integrated management of multi-bi and core multilateral support and joined-up learning, to encourage embassies and Danish multilateral representations committing scarce capacity. This may be, for example, by discussing core multilateral support and multi-bi in an integrated way at senior MFA level, or preparing a regular integrated report on multilateral support to Parliament.

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