

## FACT SHEET

# Multi-window transition funds

## EMERGING BEST PRACTICE

Pooled funding mechanisms such as multi-donor trust funds (MDTFs) have become the preferred development financing instrument for countries in transition. Adopted in Busan in 2011, the New Deal for Engagement in Fragile States clearly outlines the strong international commitment to increasing the proportion of funding that flows through pooled mechanisms and enhancing the effective use of this aid delivery instrument for peacebuilding and statebuilding. The New Deal also calls for improving the speed, flexibility, predictability and risk management during transition, while increasing the use of country systems and building national capacities.

The multi-window MDTF has emerged as the pooled funding model of particular relevance in the high-risk contexts of post-crises transition, recovery and fragility. The model enables resources to be channeled through two or more funding windows, each serving a specific set of implementing entities, and operating with distinct procedures under a common governance structure. It ensures that pooled trust funds continue operating as single layer pass-through mechanisms, minimizing transaction costs and implementation delays. This financing model reduces demand on governments with limited capacity and enables transparent and predictable flows of funds in a coordinated manner to meet specific transition needs and respond to national priorities.

## COMPARATIVE ADVANTAGES

The multi-window model enables the distinct but complementary competencies, experience and capacities of the United Nations (UN) and international financial institutions (IFIs), such as the World Bank or regional development banks, to be combined and sequenced across sectors and during different stages of transition—from humanitarian relief and early recovery to reconstruction and development—thus responding to a broad scope of post-crises needs. For example, one advantage of the UN/IFIs collaboration is utilizing the UN's rapid operational start-up capacities and systems to support quick-impact activities, while planning for medium-term development support to be channelled through national systems.

The International Reconstruction Fund Facility for Iraq (IRFFI) presents an example of a multi-window transition MDTF. This fund's structure featured two windows that distinguished between UN and World Bank support and activities.

Evaluations and reviews of the two-window model have highlighted the model's key advantages, which include:

- Providing an impartial platform for multilateral engagement in transition and recovery efforts;
- Aligning international support with national development priorities by facilitating senior-level policy dialogue between governments and their development partners;
- Increasing coherence by enabling multiple development partners to work in coordination and avoid fragmentation and duplication of financing and programming;
- Reducing political, fiduciary and corruption risks to donors and governments through transparent and accountable pooling of resources;
- Supporting national ownership while reducing the operational burden and transaction costs for host governments through increasing the use of country systems; and
- Enabling rapid resource mobilization and operational start-up using established and harmonized administrative systems and processes.

The multi-window MDTF model also provides multilateral development actors with the ability to coordinate support with UN humanitarian and Security Council-mandated political governance interventions. Because the model is inherently flexible, additional funding windows can be established as needed.

## TWO-WINDOW ARRANGEMENTS

### Establishment

The first step of establishing a national transition and reconstruction programme to be supported by the international community is developing a Transition and Recovery Strategy/Compact, including a results and budget framework. Programming priorities are typically

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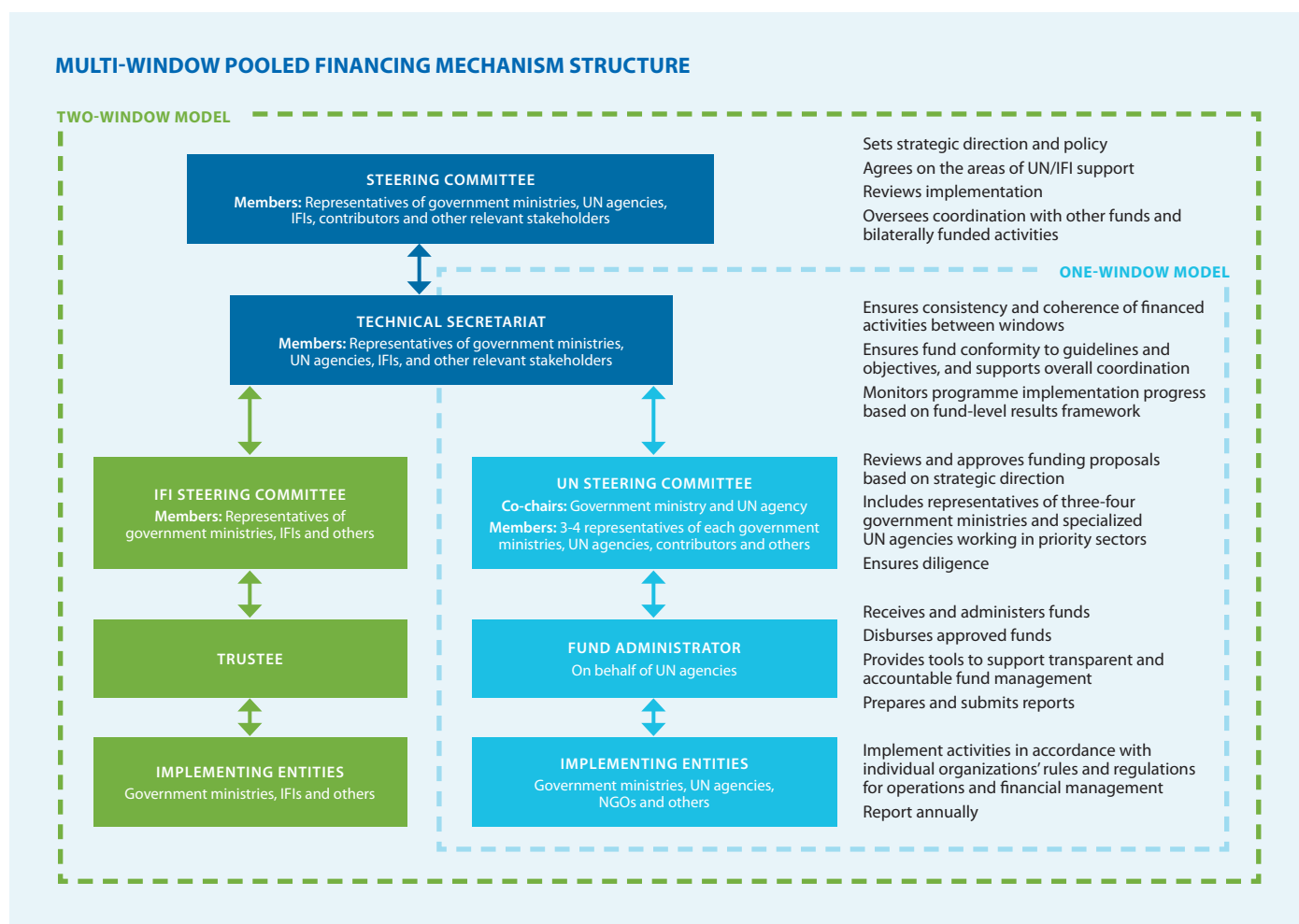
identified through joint needs and/or sectoral assessments that consider existing post-crisis or transitional financing mechanisms, such as the humanitarian and peacekeeping that may already be in place, as part of the financing strategy. Aiming to avoid overlap or duplication, leverage complementarities and increase synergy, the activities and funding flows of the UN and IFI windows are defined by the comparative advantages and institutional specializations of implementing entities. A Terms of Reference guides the fund's governance body, defines the overall structure and outlines the roles and responsibilities related to joint coordination, including monitoring and evaluation of the strategic results framework, reporting, reviews, missions and communications. Contributors channel resources through one or multiple funding windows based on individual organizational priorities and MDTF management guidance, using harmonized legal arrangements.

### Architecture and Decision-Making

The multi-window model operates under a common governance structure headed by a steering or policy committee, which facilitates donor coordination and funding, ensures overall country-level coordination, provides strategic direction and sets financing

priorities based on the MDTF strategy or plan. The committee typically comprises representatives of all partners, including the national government, the UN, IFIs and contributing partners.

To avoid the transaction costs of embedded funds and enable UN agencies and IFIs to operate in accordance with their distinct policies and procedures, each window takes the form of a stand-alone MDTF, with its own Terms of Reference and governance body responsible for programming and operational oversight. Each window also selects a fund administrator or trustee to manage the funds held in trust, disburse funding based on steering committee approval, provide fund management tools to ensure transparency and prepare consolidated programme and financial reports. To facilitate coordination between the steering committee and funding windows, the overall MDTF structure includes a joint technical secretariat that represents all key participant groups. The secretariat ensures that programmes and activities financed through separate windows coordinate with each other and conform to the overarching MDTF objectives and principles. The secretariat also develops and fosters national capacity and ownership of fund management and aid coordination.



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