

**STANDARD OPERATING PROCEDURES**  
for COUNTRIES ADOPTING the  
**“DELIVERING AS ONE”** APPROACH

August 2014



ONE UN FUND  
**THRESHOLDS FOR  
SETTING UP MDTFs  
AND ONE FUNDS**



**UNITED NATIONS  
DEVELOPMENT GROUP**



- ⚙️ **The One Fund (optional)** provides performance-based support to the UN's integrated policy approaches;
- ⚙️ **The One Programme** unifies the UN system under one national development strategy/plan, and is underpinned by integrated policy positions and services, and real-time monitoring through joint work plans;
- ⚙️ **The Common Budgetary Framework**, with all planned and costed UN programme activities presented transparently in one place, provides a shared view of the UN's contribution as a whole to the country;
- ⚙️ **The One Leader** and the UN Country Team (UNCT) leadership, is based on mutual accountability, with an enhanced co-ordination function led by the Resident Coordinator, involving all of the UNCT in team leadership, to carry responsibility for the role and results of the UN in the country;
- ⚙️ **Operating as One** provides options to build ever more cost-effective common operations and service support; and
- ⚙️ **Communicating as One** facilitates coherent messaging and advocacy on normative and operational matters, and a consistent and teamed-up strategic dialogue with host countries.

The United Nations Development Group (UNDG) is an instrument for UN reform created by the Secretary-General in 1997 to improve the effectiveness of UN development work at the country level. Bringing together the operational agencies working on development, the UNDG is chaired by the Administrator of the United Nations Development Programme on behalf of the Secretary-General.

The UNDG develops policies and procedures that allow the UN system to work together and analyse country issues, plan support strategies, implement programmes, monitor results and advocate for change. These initiatives increase UN impact in helping countries to achieve the Millennium Development Goals.

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# INTRODUCTION



The United Nations Development Group (UNDG) has developed Standard Operating Procedures for countries wishing to adopt the Delivering as One approach. These Standard Operating Procedures are based on the experiences and good practices of Delivering as One countries. They highlight a number of key elements to be taken into account when adopting the Delivering as One approach. One of these elements is multi-donor trust funds that are established to support Delivering as One by providing principally un-earmarked resources to cover funding gaps in One Programmes.

In reviewing United Nations experiences with multi-donor trust funds since 2004 and One Funds since 2007, an important lesson learned is that there are certain risks associated with the use of multi-donor trust funds and One Funds which were not foreseen when the UNDG started applying these pooled funding mechanisms. These guidelines put forward ways to reduce or prevent these risks.

The risks were identified based on reviewing more than six years of experience with multi-donor trust funds, including One Funds, as documented by (among others): a) an independent evaluation of the eight Delivering as One pilot countries;<sup>1</sup> and b) a study carried out in 2010-2011 on the operational effectiveness of multi-donor trust funds.<sup>2</sup> These risks were also discussed during annual UNDG and donor meetings on joint funding, including the last meeting which took place in February 2013.

These guidelines build on the work done by the UNDG in 2013 on thresholds for pass-through joint programmes.<sup>3</sup> They further use the financial analysis undertaken by the United Nations Department of Economic and Social Affairs (UNDESA) as part of the United Nations annual funding report, and by the Joint Funding Sub-Committee of the UNDG Fiduciary Management Oversight Group, based on data provided by the Development Operations Coordination Office and the Multi-Partner Trust Fund Office.

This document outlines clear policies and guidelines on thresholds to be put in place to address the risks associated with the three distinct phases of a multi-donor trust fund lifecycle: establishment, management and closing. Though the financial analysis presented in this note delves more specifically into One Funds, the proposed thresholds are applicable to all multi-donor trust funds.

THIS DOCUMENT  
**OUTLINES**  
CLEAR  
POLICIES  
**AND GUIDELINES**  
ON THRESHOLDS TO  
BE PUT IN PLACE TO  
ADDRESS THE RISKS  
ASSOCIATED  
WITH THE  
ESTABLISHMENT,  
MANAGEMENT  
AND CLOSING OF  
MULTI-DONOR  
TRUST FUNDS.

<sup>1</sup> The evaluation was carried out by UNDESA as input into the 2012 Quadrennial Comprehensive Policy Review. The *Independent Evaluation of Delivering as One* can be found at: [www.un.org/en/ga/deliveringasone/pdf/mainreport.pdf](http://www.un.org/en/ga/deliveringasone/pdf/mainreport.pdf).

<sup>2</sup> Charles Downs, *Operational Effectiveness of the UN MDTF Mechanism, Final Report*, 31 May 2011: [www.undg.org/docs/11980/Final-Report---MDTF-Operational-Effectiveness-Study---31-May-2011.pdf](http://www.undg.org/docs/11980/Final-Report---MDTF-Operational-Effectiveness-Study---31-May-2011.pdf).

<sup>3</sup> UNDG Joint Programmes Guidance Note, Revised May 2014

Summary of thresholds and the risks addressed		
Stage of MDTF	Thresholds	Risks
Establishment	Small MDTFs with one project per PUNO <sup>4</sup> : \$2 million per year More complex MDTFs with > one project per PUNO: \$5 million per year	Addresses programmatic risks for PUNOs and the MDTF; addresses financial risks for PUNOs and the administrative agent
Management	Minimum size of individual transfers to PUNOs: \$100,000/transfer Transition period (2014-2015) for ongoing MDTFs: \$50,000/transfer	Addresses programmatic and financial risks for PUNOs
Closing	Direct cost charge of \$5,000 per year for delayed closure	Addresses political risks in donor relations, and financial risks for PUNOs and the administrative agent

<sup>4</sup> PUNO = Participating United Nations Organization.

# 1. FINANCIAL ANALYSIS OF EXPERIENCES WITH ONE FUNDS



The financial analysis of experiences with the first cycle of One Funds presents a number of findings that are important to consider reviewing the risks of establishing, managing and closing a multi-donor trust fund, including a One Fund.

***Finding 1: One Funds have remained relatively small compared to total United Nations funding flows in Delivering as One countries.***

In its annual analysis of the funding situation of the United Nations, UNDESA has paid special attention over the last few years to multi-donor trust funds, including One Funds. The 2014 UNDESA report on the QCPR, based on 2012 financial data as provided by the United Nations system, found that “the share of One UN Funds of development-related expenditures in the eight pilot countries combined was about 9.7 percent (from as high as 25 percent in Tanzania to as low as two percent in Uruguay). This represents a notable drop from the 14 percent share in 2011.” The report also noted that, “the success of the

One UN Funds as part of an integrated funding framework for the United Nations development system has therefore been modest.”<sup>5</sup>

Table 1 below (from the UNDESA report) shows funding that was channeled through One Funds in the eight Delivering as One pilot countries and 13 other countries that subsequently adopted the Delivery as One approach on a voluntary basis.

***Finding 2: Contributions to One Funds in more than one-third of the Delivering as One countries averaged less than \$1 million per participating United Nations organization, with average funding for One Funds often not reaching \$2 million per year.***

**Table 1: One Fund share of overall development-related expenditures (2012)**

One United Nations Funds in 2012			
Recipient country	One UN Fund expenditures	Total development-related expenditures	One UN fund share of total
	(USD millions)		(Percentage)
Albania	4.1	27.8	14.9
Cape Verde	1.6	20.9	7.8
Mozambique	6.6	119.0	5.6
Pakistan	17.5	285.5	6.1
Rwanda	9.1	91.8	9.9
Tanzania, United Republic of	28.8	116.7	24.7
Uruguay	0.6	27.1	2.2
Viet Nam	8.5	100.1	8.5
<b>Sub-Total</b>	<b>76.9</b>	<b>788.8</b>	<b>9.7</b>
Non-pilot countries	40.2	613.2	6.6
<b>Total</b>	<b>117.0</b>	<b>1509</b>	<b>8.3</b>

<sup>5</sup> UNDESA, Report of the Secretary-General, Implementation of General Assembly Resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR), February 2014, unedited version.

As Table 2 below shows, the size of One Funds during the first UNDAF cycle, i.e. excluding subsequent extensions of some One Funds to cover the next UNDAF cycle, has varied greatly, from a low of US\$243,000 in Botswana to US\$92 million in Tanzania. The average size of the One Fund was a little over US\$29 million, with an average of 11 participating United Nations organizations.

For eight out of the 20 One Funds, as of October 2013, total funding for the One Fund stood below US\$1 million per participating United Nations organization. Also, for almost one-third of the One Funds, the average funding received through this joint funding channel had not reached US\$2 million per year as of October 2013.

**Finding 3: High numbers of participating United Nations organization projects and multiple rounds of transfers compared to the overall size of the One Fund resulted in a high percentage of transfers being under \$100,000.**

Table 2 (above) provides an overview of data available on transfers made by administrative agents to participating United Nations organizations in the calendar year 2012. In that year, the percentage of small transfers made for the One Funds was high. As table 2 shows, 60 percent of the transfers were on average less than \$100,000. This 60 percent is further broken down as follows:<sup>7</sup>

- transfers between 0 and \$24,999: 22 percent
- transfers between \$25,000 and \$49,999: 17 percent
- transfers between \$50,000 and \$99,999: 21 percent

**Table 2: One Funds: fund structure and transfers<sup>6</sup>**

One Fund	Fund structure (first UNDAF cycle)			2012 Transfer data			
	Size Fund (US\$ contributions)	Fund period (first UNDAF cycle)	# PUNOs that received funding	average # projects/PUNO	% transfers under US\$ 100,000	# transfer rounds in 2012	Average size transfer (US\$)
Botswana UN Country Fund	243,000	2010-2014	5	1.0	0%	0	-
Kiribati One UN Fund	1,285,000	2008-2012	7	2.0	0%	1	142,500
Montenegro UN Country Fund	1,748,000	2010-2015	7	2.6	100%	2	35,348
Bhutan UN Country Fund	2,419,000	2009-2013	9	1.7	75%	2	71,264
Comoros One UN Fund	4,424,000	2010-2014	6	2.0	46%	2	157,737
Lesotho One UN Fund	4,496,000	2010-2011	7	1.7	68%	2	72,240
Kyrgyzstan One Fund	7,352,000	2010-2011	11	1.7	55%	2	135,351
Ethiopia One UN Fund	8,332,226	2012-2015	7	1.3	22%	2	387,424
Maldives One UN Fund	10,187,288	2011-2015	1	2.0	0%	1	423,255
Uruguay One UN Coherence Fund	12,537,846	2007-2010	11	3.2	75%	4	59,049
Cape Verde Transition Fund	14,454,583	2008-2011	17	2.8	50%	1	461,563
PNG UN Country Fund	18,228,049	2009-2011	9	4.2	33%	1	409,261
Sierra Leone MDTF	23,627,126	2009-2011	11	3.5	21%	2	251,232
Albania One UN Coherence Fund	25,645,490	2007-2011	9	7.4	73%	4	88,816
Malawi One UN Fund	42,878,756	2008-2011	12	6.3	78%	4	68,244
Viet Nam One Plan Fund II	64,474,911	2008-2011	13	6.7	79%	4	81,508
Mozambique One UN Fund	68,078,693	2008-2011	18	3.8	40%	1	388,664
Rwanda One UN Fund	77,650,362	2008-2013	17	3.5	29%	3	207,772
Pakistan One Fund	77,983,944	2008-2012	16	6.4	53%	2	258,492
Tanzania One UN Fund	92,097,139	2007-2010	14	4.6	53%	5	225,677
<b>Averages</b>	-		<b>11</b>	<b>4</b>	<b>60%</b>	<b>2.37</b>	<b>168,665</b>

<sup>6</sup> 2012 transfer data derived from MPTF Office GATEWAY on 16 January 2013; fund structure data derived from MPTF Office GATEWAY on 21 October 2013. PUNO project refers to the number of different projects in the MPTF Office ERP system against which PUNOs were participating in a given fund receive transfers and report on expenditures.

<sup>7</sup> 2012 transfer data derived from MPTF Office Gateway on 16 January 2013

The number of small transfers for One Funds was correlated with: (a) the small overall size of some One Funds in absolute terms and as a percentage of the total United Nations development-related expenditures in a given country; (b) a large number of participating United Nations organization projects, given the size of the One Fund; and (c) the number of allocation rounds in 2012.

The small transfer size was not necessarily limited to poorly capitalized One Funds. Even many One Funds which were well capitalized had a very high percentage of small transfers. For example, 79 percent of the Vietnam One Plan Fund II transfers were below \$100,000, with 45 percent below \$25,000. A strong contributing factor seems to have been the relatively large number of transfer rounds in 2012, with the same participating

United Nations organization project receiving funding during each one of the transfer rounds.

**Finding 4: Contributions to One Funds in more than half of the Delivering as One countries have been less than 25 percent of the yearly funding gap.**

Table 3 presents the importance of One Funds in filling the funding gaps in Common Budgetary Frameworks. Comparing the funding gap figures provided by the Delivering as One countries (as submitted to the EFW<sup>8</sup> Secretariat in late 2010) with the actual amount of contributions received, it can be concluded that in 11 out of the 18 countries for which funding gap information was available, the actual contributions received were less than 20 percent of the funding gap. Only five countries were able to cover more than half of their identified funding needs using the One Fund mechanism.

**Table 3: One Funds: comparing funding gaps and contributions**

One Fund	Comparing 2011 Funding Gap and 2011 contributions			
	Total 2011 contributions	2011 Funding Gap in CBF as per EFW submissions	Contributions / Funding Gap (in %)	Total 2011 expenditures
Botswana UN Country Fund	243,000	14,290,000	2%	15,563
Montenegro UN Country Fund	394,000	13,355,000	3%	534,826
Lesotho One UN Fund	1,499,000	27,547,000	5%	309,241
Comoros One UN Fund	1,932,000	23,100,000	8%	861,052
Bhutan UN Country Fund	508,000	5,983,000	8%	187,051
Uruguay One UN Coherence Fund	1,346,000	12,182,000	11%	1,152,557
Malawi One UN Fund	11,438,861	97,938,000	12%	6,830,163
Pakistan One Fund	21,009,597	179,380,000	12%	15,057,285
Kyrgyzstan One Fund	3,726,000	28,122,000	13%	406,760
Kiribati One UN Fund	285,000	1,980,000	14%	195,133
Sierra Leone MDTF	13,409,046	75,471,000	18%	5,128,480
Mozambique One UN Fund	8,983,000	39,641,000	23%	16,397,612
PNG UN Country Fund	12,564,199	27,927,000	45%	6,465,903
Rwanda One UN Fund	10,321,750	21,064,000	49%	13,706,811
Cape Verde Transition Fund	2,411,678	4,073,000	59%	3,876,191
Tanzania One UN Fund	31,505,215	40,500,000	78%	24,597,783
Albania One UN Coherence Fund	2,383,702	2,892,000	82%	7,323,805
Viet Nam One Plan Fund II	15,253,903	18,384,000	83%	25,073,439
Maldives One UN Fund	10,187,288	7,758,000	131%	130,047
Ethiopia One UN Fund	6,009,123	no EFW	n.a.	429,792
<b>Averages</b>	<b>7,770,518</b>	<b>33,767,736.84</b>	<b>23%</b>	<b>6,433,974.70</b>

<sup>8</sup> EFW = Expanded Delivering as One Funding Window for Achievement of the Millennium Development Goals.

## 2. THRESHOLDS AS A TOOL FOR RISK MANAGEMENT OF MULTI-DONOR TRUST FUNDS, INCLUDING ONE FUNDS



Thresholds are internal control mechanisms that help to manage risks. Thresholds for multi-donor trust funds, including One Funds have as their objective enabling the UNDG to collectively manage risks, whether political, strategic, programmatic or financial, in their common programming. To effectively manage risks, some thresholds should have the status of policy, while others are proposed as guidance.

### 2.1 THRESHOLDS FOR ESTABLISHING FUNDS

In order to establish a new multi-donor trust fund, including a One Fund, or extend an existing fund for a new full programming cycle, the multi-donor trust fund should have the following:

- For small multi-donor trust funds with a simple structure of only one project per participating United Nations organization and no hard earmarking of contributions: expected contributions of \$2 million per year for the full operational duration of the fund, with a minimum expected duration of five years of operational activities.<sup>9</sup>
- For more complex multi-donor trust funds with several outcomes at thematic and sector level at which contributions can be earmarked and participating United Nations organizations can set-up projects: expected contributions of \$5 million per year for the operational duration of the fund, with a minimum duration of five years of operational activities.

The administrative agent is entitled to a direct cost charge for funds that do not meet the \$2 million per year or \$5 million per year thresholds, equal to the difference between the

administrative agent fee that would have been earned if the fund had met the threshold, minus the actual administrative agent fee that has been earned. If an administrative agent would like to use this possibility, a reference to this direct cost charge needs to be included in the programmatic document underlying the multi-donor trust fund. The Steering Committee of the multi-donor trust fund will need to approve the direct cost charge based on a request from the administrative agent.

In addition to these thresholds, the following guidance is provided for establishment of One Funds:

- It is recommended to consider the creation of a One Fund only when the fund is expected to achieve contributions equal to at least 15-20 percent of the total amount of expected funding for the One Programme, as outlined in the Common Budgetary Framework. The only exception might be for One Funds in countries with a small One Programme which would not be able to meet the threshold of \$2 million per year because their total Common Budgetary Framework is less than \$25 million. In those countries, a One Fund could still be considered if the expected contributions could equal at least 35 percent of the total amount of funding

<sup>9</sup> A good joint resource mobilization strategy for a One Programme combined with a realistic funding gap in the Common Budgetary Framework and a solid financial viability analysis for new multi-donor trust funds are important to estimate as accurately as possible the expected contributions.

<sup>10</sup> The operational duration of the fund would normally be derived from comparing the date at which the Memorandum of Understanding for the fund was signed with the date upon which its last project or programme is considered operationally closed, i.e. all activities for which the participating United Nations agency is responsible under the approved programmatic document have been completed.

for the One Programme, as outlined in the Common Budgetary Framework.

- It is recommended to make the One Fund's expected operational end date the same end date as the One Programme, plus a maximum of one year after the end of the UNDAF cycle to permit operational closure of projects funded through the One Fund. The maximum expected total duration of a multi-donor trust fund from signature of the Memorandum of Understanding to operational end date should not exceed six years (if a One Fund is linked to only one UNDAF programming cycle). Extension of a One Fund for another UNDAF cycle can be considered during the formulation phase of the next UNDAF, provided thresholds for establishment are again met.
- If a multi-donor trust fund is established and the proposed administrative agent has been informed that it will not meet the above-mentioned thresholds based on a financial viability analysis undertaken by the multi-donor trust fund stakeholders, the administrative agent will report this to UNDG's Fiduciary Management Oversight Group through its annual report to the UNDG Advisory Group.<sup>11</sup>

These thresholds, in combination, address the risks described below.

- The programmatic risk of a multi-donor trust fund being undercapitalized compared to the total size of the programmatic framework, the number of participating United Nations organizations and the complexity of the fund setup in terms of projects. This could lead to a situation of not being able to produce significant results attributable to the fund due to the absence of resources to cover both the required programmatic interventions and the coordination and management costs. In addition, the institutional setup may be hard to manage, fragmented and too complicated to be effective.

- The financial risk for participating United Nations organizations, for who the total costs of involvement in a multi-donor trust fund (establishment, managing and closing) can exceed the benefits. These costs include both the costs of the country level involvement and the costs borne by finance and resource mobilization units at headquarters.
- The financial risk for the administrative agent of not being able to cover the costs of rendering their services, from establishment through closing out of the received administrative agent fees.<sup>12</sup>

The above thresholds for establishment of a fund aim to address most of the programmatic risks that come into play during the implementation stage of multi-donor trust funds.

## 2.2 THRESHOLDS FOR MANAGING FUNDS

The following thresholds are proposed to take effect as of 1 June 2014 for all new and ongoing multi-donor trust funds:

- For new multi-donor trust funds: the minimum size of individual transfers from the administrative agent to the participating United Nations organizations during the implementation phase should be at least \$100,000 per individual transfer. Transfers can be smaller during the last year of the programmatic framework, when the final round of allocations is made.
- For ongoing multi-donor trust funds: the minimum size of individual transfers from the administrative agent to the participating United Nations organizations during the implementation phase should be at least \$50,000 per individual transfer for the period 2014-2015, and at least \$100,000 per individual transfer from 1 January 2016 onwards. Transfers can be smaller during the last year of the programmatic framework, when the final round of allocations is made.

THE THRESHOLDS FOR THE ESTABLISHMENT OF A FUND AIM TO ADDRESS MOST OF THE PROGRAMMATIC RISKS THAT COME INTO PLAY DURING THE IMPLEMENTATION STAGE.

<sup>11</sup> The option of providing half-yearly updates to the FMOG is being considered as well.

<sup>12</sup> The proposed shift of the narrative reporting responsibility for One Funds from the administrative agent to the United Nations Country Team will reduce the financial risk for the administrative agent of handling a One Fund portfolio.

KEY RISKS  
FOR MULTI-DONOR  
TRUST FUNDS  
LIE IN THE EXTENSION  
OF OPERATIONAL  
END DATES AND  
DELAYS RELATED TO  
FINANCIAL  
CLOSURE.

- It is recommended to limit the number of transfer rounds per year so that each project funded from a given multi-donor trust fund receives funding at maximum only once per year.

These thresholds address notably the below risks.

- The programmatic risk for a participating United Nations organization of not being able to produce timely results due to cash flow issues.
- The financial risk for the participating United Nations organization, for who the total costs of involvement in a One Fund (establishment, managing and closing) can exceed the benefits. The transaction costs of small contributions weigh particularly heavily on the finance units of participating United Nations organizations at their headquarters.

### 2.3 THRESHOLDS FOR EXTENDING AND CLOSING FUNDS

Considering that the duration of a multi-donor trust fund is closely linked with the duration of the underlying programmatic framework, the key risk for multi-donor trust funds lies in (a) the extension of operational end dates of participating United Nations organizations projects funded from the fund for more than one year beyond the end date of the underlying programmatic framework, and (b) delays related to financial closure.

In this context the following policy is proposed:

- The administrative agent is entitled to a direct cost charge of \$5,000<sup>13</sup> per year to cover the cost of continuing to render administrative agent services during the period (rounded to whole years) that the financial closure of the multi-donor trust fund surpasses the maximum period of two years after operational closure of the multi-donor trust fund due to delays of participating United Nations organizations in closing projects funded from the fund.

This direct cost charge is meant as a concrete disincentive to Steering Committees and participating United Nations organizations for extending the operational life of their projects under the fund and/or delaying their financial closure. The direct cost charge may not necessarily cover the full cost of rendering administrative agent services. Equally, the possible sources of funding for this direct cost charge may not be enough to cover the charge. Still, the ability to use the remainder of sources of funds, such as interest and refunds, for this direct cost charge will have the added benefit of reducing the transaction costs of the administrative agent for having to refund to donors small amounts of interest and refunds.

This threshold addresses the below risks.

- The political risk that a multi-donor trust fund is extended financially beyond the expected life span to which contributors have committed themselves. This may have an adverse effect on donor relations.
- The financial risk for participating United Nations organizations, if the multi donor trust fund has received contributions from a donor that does not accept expenditures incurred beyond a given date or might have strict policies on financially closing and reporting on projects.
- The financial risk for the administrative agent of not being able to cover the costs of rendering their services from establishment through closing out of the fund.

<sup>13</sup> UNDG will undertake a separate analysis of actual experiences with closing participating United Nations organization projects, the accountability for timely closing of projects and possible incentives that can be put in place to promote timely closure, which may result in a recommendation to adjust the figure of \$5,000.





For more information: [UNDG.org](https://www.undg.org)



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