How to Manage an MDTF

The strategic direction, oversight and overall management of a Multi-Donor Trust Fund (MDTF) is the primary role of the MDTF Steering Committee. The MDTF Terms of Reference (ToR) should outline a number of management issues that will need to be addressed by the Steering Committee and other stakeholders during the lifetime of a MDTF. Management and coordination practices may vary depending upon the specific context in which the MDTF operates, and the overall purpose of the MDTF. Regardless of the context, the management of the MDTF should always be guided by the need to not only achieve the overall purpose for which the MDTF was created, but also to maximize the benefits of the MDTF as a funding instrument. The key management issues are:

Internal Coordination

MDTFs preferably operate utilizing existing UN Country Team coordination structures in order to avoid duplication, ensure coordination and reduce costs. Where existing sector/cluster groups operate or other coordination structures are in place, such as DaO or UNDAF groups, it is recommended to utilize such structures where relevant. Where structures do not exist, they may need to be established.

To support the Steering Committee in the day to day management and coordinator issues, the Steering Committee may approve the use of MDTF direct cost resources to establish a Secretariat. The responsibilities of the Secretariat shall be outlined in the Steering Committee ToR.

Fund Allocation & Transfer

The Steering Committee is responsible for establishing and documenting the procedures and criteria for which approvals of project/programmatic allocations and fund allocations will be taken. The procedures, documented in the Steering Committee ToR and Rules of Procedures or other Strategic Documents, shall be agreed upon with the relevant stakeholders and UN Participating Organizations, and made available to all interested parties.

Commonly used criteria for fund allocation may include:

- overall quality of proposal;
- relevance to MDTFs' strategic priorities and work plan;
- demonstrated value for money;
- realistic implementation period within MDTF end dates;
- recognized comparative advantage of UN Participating Organization;
- scope for leveraging additional resources.

Subsequent allocations or approvals may include criteria such as the disbursement and expenditure rate for previously approved allocations.

Guidance on the process for submitting the programmatic documents should be provided in the start up phase of the MDTF. Each approved project/programmatic allocation should include a specific end date by which the activities will be concluded (operational closure date) that also enables the financial closure of the project within the MDTF end date. Where multiple transfers or allocations are made to programmatic outcomes or activities, end dates should be established in line with the overall programme implementation period.

To ensure maximum flexibility and adaptation to national priorities, donors are strongly encouraged to contribute with multi-year, un-earmarked resources. If this is not possible, earmarking by donors will be allowed up to the level of sectors in line with national priorities. Earmarking to a UN Organization is not permitted. The Administrative Agent (AA) will disburse approved funds to each of the UN Participating Organizations in accordance with instructions from the Steering Committee.

Revisions to Approved Programme Documents/Budgets: Once the resource allocation is approved, any substantive changes to the scope of the approved programmatic document are subject to mutual agreement in writing between the UN Participating Organization and the Steering Committee. Timeline extensions should be granted within the timeframe of the MDTF end date. Formal procedures for submission and approval of budget revisions and timeline extensions should be established during the start-up phase of the MDTF and outlined in the MDTF ToR. As outlined in the Memorandum of Understanding (MOU), UN Participating

Organizations are to promptly notify the AA through the Steering Committee, of any changes in the budget as set out in the programmatic document.

Funding Availability

The AA provides periodic consolidated financial updates to the Steering Committee, including donor contributions, earmarking-if applicable, interest and refunds, for approval of programmes as outlined in the Guidance Note on Joint Programming.

Monitoring & Evaluation

Within the framework of an MDTF, monitoring and evaluation (M&E) takes place at two levels.

At the Project/Programme Level: Each UN Participating Organization is responsible for M&E of the projects/programmatic allocations in accordance with its respective regulations, rules and procedures. Moreover, the UN Participating Organizations are responsible for implementing the M&E arrangements included in the approved projects and/or the UNDAF M&E Plan. In line with the 2005 UN Evaluation Norms, UN Participating Organizations are encouraged to make evaluation reports available to the Steering Committee as a major stakeholder in all projects/programmatic allocations funded by the MDTF.

At the MDTF level: As stipulated in the standard MOU, M&E of the MDTF will be undertaken in accordance with the provisions contained in the ToR, which are consistent with the respective regulations, rules and procedures of the UN Participating Organizations. Additionally, the MOU notes that the donor(s), the AA and UN Participating Organizations will hold annual consultations to review the status of the MDTF. In this context, the use of standard monitoring instruments and reports is encouraged, wherever feasible.

The Steering Committee is responsible for monitoring implementation of the MDTF in order to track progress made towards achieving the overall purpose for which the MDTF was created, to document lessons learned and good practices, and to identify challenges and risks that may affect the achievement of the MDTF's overall purpose and ways to address them. One tool to be used in this monitoring process is the Annual Report consolidated by the AA, as well as the quarterly progress updates, based on the submissions of UN Participating Organizations. In an effort to avoid duplication, existing UN Country Team tools, such as the Annual

UNDAF review mechanism, may also be used to track MDTF progress.

In addition, the Steering Committee is responsible for monitoring the adherence to the overall timeline of the MDTF. The Steering Committee should ensure that project/programmatic allocation end dates are within the approved MDTF end date. To enable the Steering Committee to carry out its monitoring function, it should establish tools that enable it to track project and/or funding allocation end dates, operational and financial end dates.

Reporting

The annual reporting requirements of UNDG MDTFs are outlined in the standard UNDG-approved MOU and Standard Administrative Agent (SAA), and are harmonized with regards to frequency and structure across all UNDG MDTFs and JPs. Financial reporting takes place using the UNDG harmonized budget categories. Expenditures for Steering Committee approved use of direct costs shall be reported to the AA annually in accordance with the annual reporting requirements for the MDTF.

Oversight

Oversight functions, set out by the *UNDG Protocol on the AA for MDTFs and Joint Programmes and One UN Funds,* are the responsibility of the Steering Committee, Fiduciary Management Group (FMOG) and the ASG Advisory Group. Functions include:

- Ensuring adherence to standard UNDG-agreed documents;
- Take decisions on deviations in the design of MDTFs and required departures from the standard MOUs, SAAs and Steering Committee ToRs;
- Provide guidance to UN Participating Organizations on inter-agency audit issues.

Audit

Audit provisions are covered in the standard MOU. For MDTFs, the Framework for Auditing Multi-Donor Trust Funds applies and is designed to facilitate periodic summary reporting of the management of risks, the status of internal controls and recommendations made by the Internal Audit Services of UN Participating Organizations in the MDTFs. **For more information, visit mdtf.undp.org. For UNDG-approved documents, visit: http://www.undg.org/index.cfm?P=1370.**