



Guidance Note for UN Country Teams UN Country-level Pooled Funds

A financing instrument to invest in
the UN Sustainable Development Cooperation
Frameworks

2020

GUIDANCE NOTE FOR UN COUNTRY TEAMS

UN Country-level Pooled Funds

A financing instrument to invest in the UN Sustainable Development Cooperation Frameworks

WHAT ARE COUNTRY-LEVEL POOLED FUNDS

RATIONALE

With the adoption of the Funding Compact, Member States have asked the UN development system to do more and better in inter-agency pooled funding. And there is good reason for it: pooled funds bring the UN together, strengthen coherence, reduce fragmentation, broaden the donor base, allow sharing risks with partners and tackle multi-dimensional challenges with comprehensive, innovative solutions. While the UN has worked through pooled funds for over a decade in diverse settings and applications, including through standalone joint programmes, a new generation of UNSDCFs offers an excellent opportunity to further scale and improve their efficiency and effectiveness.

Definition of UN inter-agency pooled fund

A UN inter-agency pooled fund is a funding mechanism that has the following four characteristics:

- 1. Fund design and administration:** *The pooled fund is designed to support a clearly defined programmatic purpose and results framework through contributions - usually received from more than one contributor - that are co-mingled, not earmarked to a specific UN entity and held by a UN fund administrator.*
- 2. Joint governance/fund operations:** *Decisions on project / programmatic allocations are made by a UN-led governance mechanism, taking into account the programmatic purpose and results framework of the fund.*
- 3. Fund implementation:** *Fund implementation is (fully or largely) entrusted to UN entities that assume the programmatic and financial accountability for the resources received.*
- 4. Administrative Agent:** *Appointment of a single UN administrative interface with donors and Participating UN organizations to administer the pooled fund.*

CONCEPT

A country-level pooled fund is a financing instrument available to each UNCT to consolidate and leverage funding towards the country priority SDGs as established in the UN Sustainable Development Cooperation Framework (UNSDCF). Country-level pooled funds are complementary to other sources of local funding and are aligned with global pooled funding instruments. UNCTs apply the **common**

management features requested by the Funding Compact: a well-articulated strategy, clear theory of change, solid Results-Based Management system, a well-functioning governance system and the highest standards of operational effectiveness, reporting, visibility and transparency.

POLICY CONTEXT

There are a series of normative documents that establish the legal operational context on pooled funds:

- **Resolution on the repositioning of the UN development system (A/RES/72/279, 2018)**. It commits to reduce fragmentation to “double interagency pooled funds to a total of US\$3.4 billion” per year.
- **Funding Compact (2019)** expands on the resolution and includes specific targets on interagency pooled funding. The target for **Member States**, is that 10% of their non-core resources for development related activities are channeled through inter-agency pooled funds and 100 Member States contribute to pooled funds. The target for UNSDG entities, is that at least 15% of development related expenditures are implemented through joint activities; and that they present funding frameworks to fund the UNSDCFs and apply common management features across pooled funds.
- **New Management and Accountability Framework (2019)**. Describes the different roles and responsibilities for the RC regarding inter-agency pooled funds at the country level.
- **UN Cooperation Framework - Guidance (2019)**. The companion guide “Financing the SDGs and Funding the Cooperation Framework” expects that “every UNCT establish a country-based SDG Fund in support of the Cooperation Framework priorities”.

WHEN TO USE COUNTRY-LEVEL POOLED FUNDS

There is a growing demand for this type of instrument, both from international partners and national governments. As of today, over 27 active country-level pooled funds, many of them successors of the first generation “Delivering as One” funds, are already galvanizing UN joint action. More than 15 UNCTs are currently designing new national versions of this type of mechanism. The MPTF Office acts as an Administrative Agent (AA), also referred as the “trustee” for these funds, providing its expertise in pooled funding, including the transparency and accountability systems that the Funding Compact expects.

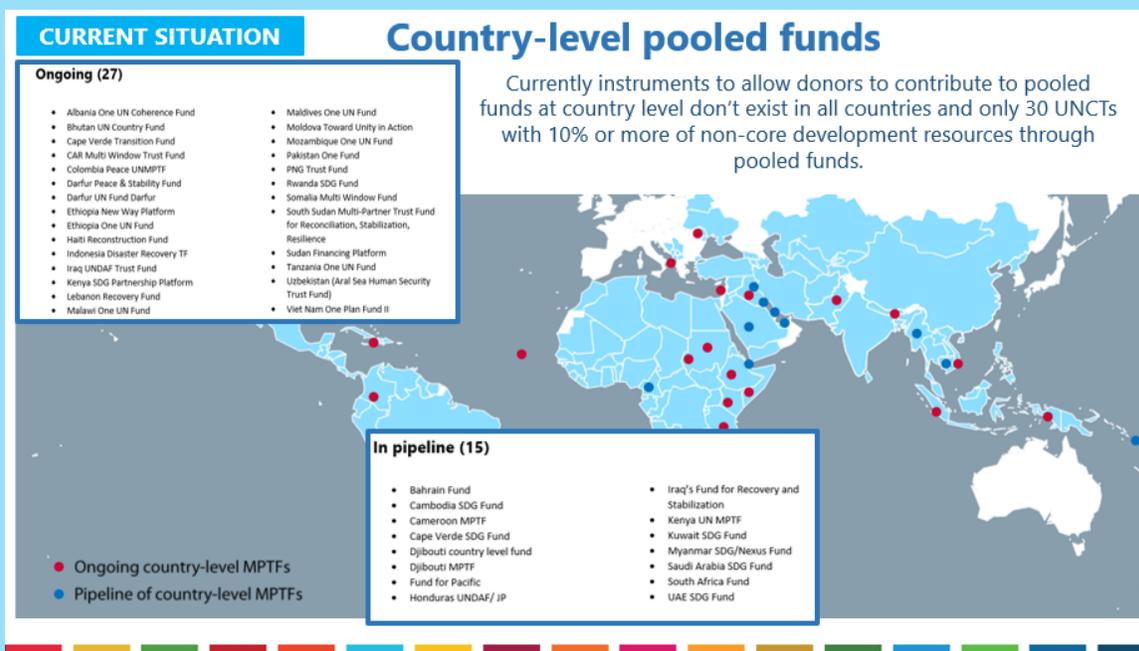
Country-level pooled funds make sense when two or more UN Organizations wish to receive funding from one or more donors to achieve common results, and closely coordinate their implementation. There is a series of features of country-level pooled funds that should be taken into consideration when establishing this type of mechanism:

- **Inter-agency and pass-through**. Resources are allocated by the Fund Steering Committee to two or more UN participating organizations. Using a UNSDG pass-through mechanism, programmes are implemented by UN entities and partners (government and civil society) following their own rules and procedures and retaining accountability for resources and results.
- **Financing catalyzer and complementarity**. Taps into new demand and new funding sources, including host governments and local private sector, to catalyze SDG financing at the country level.

- **Standardized and simplified.** Reduces transaction costs for the UN and partners by using pre-agreed legal templates and harmonized terms for cost-recovery and reporting. A flat and harmonized costing structure avoids the cascading of overheads.
- **Multi-donor.** Allows for consolidation of contributions from multiple financing partners, global and local (including local public and private sector) for nationally-led coherent approaches. The RC leads the UNCT in the effort to capitalize the fund.

Current landscape of inter-agency country level pooled funds

Inter-agency pooled funds at the country level have been widely used for humanitarian, peacebuilding and development activities. Experience demonstrates that, when underpinned by a good design, national ownership, and managed effectively, country-level pooled funds are powerful and transformative financing instruments at the service of UNCTs. They provide flexibility to adapt to different country contexts, including financing joint action across the Nexus, and mobilizing domestic and international resources.

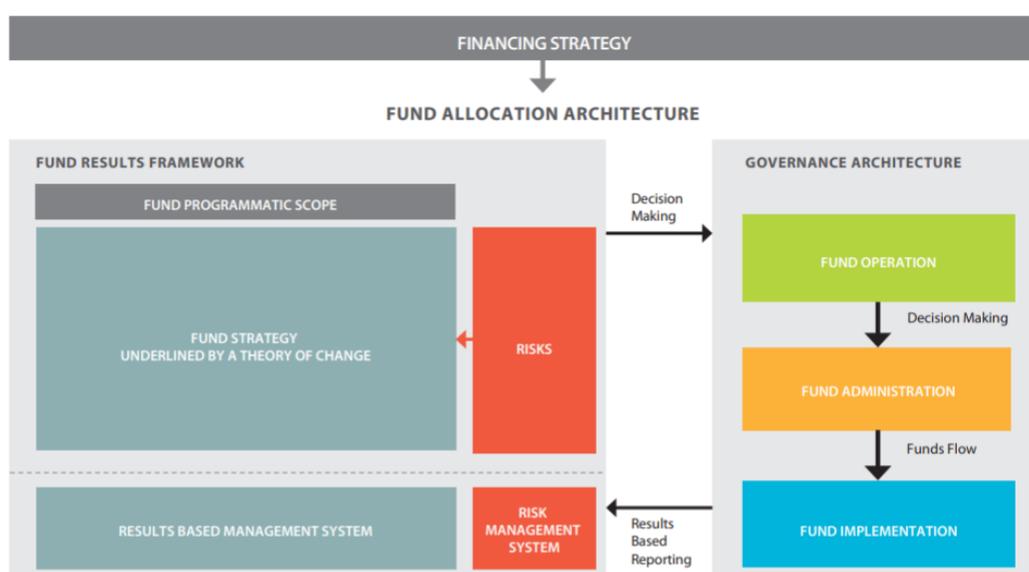


HOW TO SET UP A COUNTRY-LEVEL POOLED

STEPS TO ESTABLISH A FUND:

1. **Convene stakeholder consultations and develop concept note.** Stakeholders (UNCT members, national governments, potential donors, civil society, private sector) agree on the added value and see potential in a new fund and map complementarities and opportunities given existing financing mechanisms. As a result of these consultations, a [concept note](#) stating programmatic scope and purpose is developed. The document also outlines the financial and governance arrangements and a preliminary analysis of financial viability (for example, expressed or anticipated donor interest).

2. **Develop and agree on Terms of Reference.** Using the UNSDG generic [ToRs template](#), the UNCT led by the RC, and in consultation with partners (which ideally also include potential initial contributors) develop and agree the Terms of Reference which spells out the function, objectives and governance structure of the Fund. It is necessary to select an Administrative Agent (for UN MPTF Office contacts please visit: <http://mptf.undp.org/general/contact>).
3. **Signing of legal documents.** The [Memorandum of Understanding \(MoU\)](#) following UNSDG standards is signed by Participating UN Organizations with the Administrative Agent. Once the MoU is concluded by Participating Organizations with the Administrative Agent, the Fund is formally established. Other UN entities can join later in the process.
4. **Conclude SAA with donors and start implementation.** The Administrative Agent concludes a [Standard Administrative Agreement \(SAA\)](#) with donors wishing to contribute to the Fund. Private Sector contributors are subject to due diligence process. With the conclusion of the first SAA the Fund is operational and the SC may convene to allocate resources. Resource mobilization is a joint endeavor of RC, UN entities, national government and Administrative Agent.



TIPS FOR SUCCESS

- **Build a business case.** From the start of the conversation it is key to make the case for the fund and communicate its added value taking into account the existing SDG financing landscape in the country.
- **Develop a robust theory of change.** Each fund requires a nationally-led design that is fully aligned with the UNSDCF. The fund's theory of change must identify how the pooled fund is going to contribute to advance the UNSDCF, for example selecting particular thematic, regional or transversal areas that can galvanize joint UN action. The fund is not a funding-gap filler but a financing catalyzer.
- **Keep it simple.** Avoid the trap of unnecessary management and hierarchy, and particularly the cascading (double charging) of overhead costs and accountability issues that occur with in the absence of an UNSDG passthrough.

- **Design a tailored governance structure.** Fund success depends heavily on a clear delineation of the key roles and responsibilities (box below). The Resident Coordinator provides leadership and coordination, and implementation is carried out by UN agencies, funds and programmes and partners. The UNDP-hosted MPTF Office provides administration services and act as Administrative Agent. Each fund operates through a dedicated management unit or Secretariat.
- **Consider the fund as a center of gravity and alignment.** Explore the fund’s potential to align projects and programmes around the UNSDCF and reduce fragmentation from multiple, separate funding sources to separate projects. Existing (and future) standalone joint programmes may opt to be aligned under the fund’s umbrella, even if maintaining their own management and governance structures. In some cases, global funds like the Peacebuilding Fund or the Joint SDG Fund can allow financing activities through the country-level fund.
- **Think “Nexus”.** Flexible pooled funding is especially suitable for cross-pillar and HDP nexus.
- **Limit earmarking.** Pooled funds are envisioned to reduce flexible and strategic funding, and earmark is only possible at the outcome level (thematic area or cross-cutting issue), but not at the UN agency or project level.

Fund design and administration
(MPTF Office)

Fund allocations and operations - Governance
(Steering Committee – Member States, UN and other stakeholders)

Fund implementation
(Multiple organizations - UN entities, governments and NGOs)

Distinct functions in country-level pooled funds

- **Trustee of the Fund.** Signs legal agreements with UN Agencies and donors; receives and administers funds; disburses funds to Participating UN Organizations; consolidates financial statements and reports. 1% AA fee.
- **Steering Committee.** Chaired by RC or co-chaired with government. Provides overall guidance and direction; approves fund allocation.
- **Fund Secretariat.** Managed through a project (most frequently with UNDP) with reporting line to co/chair of the Fund Steering Committee (RC). Secretariat doesn’t disburse resources to Participating UN Organizations.
- **Participating UN Organizations.** UN entities assume programmatic and financial accountability for the funds disbursed in accordance with its own regulations, directives and procedures. Potentially also Non-UN Organizations NGOs). 7% indirect costs recovery fee. Inter-agency pooled funds are exempt from the coordination 1% levy.

Further reading: “Designing Pooled funds for Performance” ([MPTF Office Gateway](#)).

Pooled Funding Starter Kit: Visit the MPTF Office Gateway with [templates](#) (concept note, ToRs, investment plans, annual reports, etc.) and [legal documents](#) (MoU, SAA) needed to establish a Fund.

FOR ADDITIONAL INFORMATION:

- **DCO:** unsdg.un.org
- **MPTF Office:** mptf.undp.org