



Background paper on UN inter-agency pooled funds

Briefing prepared by the MPTF Office, November 2021

In recent years, inter-agency pooled funds have consolidated as key instruments for financing UN joint work, underpinning action and reform at the global, regional and local levels on humanitarian, development, peace and transition as well as climate and environment issues. Table 1 presents the top ten active global, regional and country-level pooled funds managed by the UN Multi-Partner Trust Fund (MPTF) Office. Lessons learned have facilitated a variety of improvements along the way.

With the new Our Common Agenda put forward by the Secretary-General, to support countries in the midst of the recovery from the most severe global pandemic and development crisis in decades, and with urgent action required to safeguard progress towards the Sustainable Development Goals (SDGs) in the Decade of Action, now is a crucial and pivotal time to fully exploit the potential of pooled funding. Inter-agency pooled funds are in fact at the core of making current UN reform a success. However, as recognised by the 2019 Funding Compact, to do so they need to be well designed, sufficiently resourced and effectively managed.

FLEXIBLE AND PREDICTABLE FUNDING

In the longstanding UN discussion regarding core and non-core funding, pooled funds sit in the middle, drawing on the attributes of both. The 2020 UN quadrennial comprehensive policy review (QCPR) reiterates the importance of providing flexible non-core funding, giving priority to pooled, thematic and joint funding mechanisms for implementation of development-related activities. Member States and entities

of the United Nations development system are encouraged to contribute to the full and effective implementation of the Funding Compact and to jointly make progress towards compliance with their funding compact commitments to help achieve development results on the ground.¹

Table 1: Top ten global, regional and country funds managed by the MPTF Office, accumulated deposits November 2021 (US\$ million)

Top 10 global and regional funds	Deposits	Top 10 country funds	Deposits
Peacebuilding Fund	1,384	Sudan Humanitarian Fund	1,441
Spotlight Initiative Fund	442	DRC Humanitarian Fund	1,307
Central African Forest Initiative	350	South Sudan Humanitarian Fund	871
UN REDD Programme Fund	339	Somalia Humanitarian Fund	620
Joint SDG Fund	183	Afghanistan Humanitarian Fund	548
UN COVID-19 Response & Recover	86	Somalia Multi Window Trust Fd	461
UNPRPD Disability Fund	50	Afghanistan LOTFA MPTF	363
Women’s Peace & Humanitarian TF	49	Tanzania One UN Fund	290
Partnership for Action on Green Economy	49	CAR Humanitarian Fund	283
Human Rights Mainstreaming TF	36	PNG UN Country Fund	188

The UN General Assembly’s endorsement of the 2019 UN development system (UNDS) Funding Compact represents explicit recognition by both Member States and the UN of the importance of pooled funds, including the specific targets to be achieved (see Table 2). Member States have committed to doubling their share of contributions to pooled funds by 2023, and to channeling 10% of non-core resources through this joint financing instrument. There are also specific targets regarding increasing the number of pooled fund contributors to 100 by 2021 (from 59 in 2017), and fully resourcing two key flagship funds: the UN Joint SDG Fund and the Peacebuilding Fund.

Furthermore, UNDS entities have pledged to increase the efficiency and effectiveness with which they use development-related inter-agency pooled funds. This involves a series of common management features, fully spelled out under Commitment 14 in the Compact, covering such aspects as clear theories of change, solid results-based management systems, and transparency standards.

POTENTIAL CHALLENGES

While pooled funding mechanisms have important comparative advantages, the main potential challenges or drawbacks of such mechanisms are identified as i) the risk of competition or duplication with existing agency-based funding mechanisms; and ii) potentially higher transaction costs for some pooled fund participants. Regarding the first challenge of competition, UN financing architecture consists of a variety of instruments and the role of inter-agency pooled financing mechanisms is to focus on collaborative and synergetic outcomes that complement agency specific instruments. Pooled funds reduce bilateral agreement transactions by having a consolidated and flexible financing instrument. Regarding the second challenge of transaction costs, joint programming and pooled funds do introduce a layer of coordination and intermediation and thus can initially increase the risk of higher transaction costs for UN agencies compared to their core or direct non-core resources. UN inter-agency pooled funds mitigate this risk by operating as pass-through mechanisms. That enables participating organizations to handle implementation according to their own operating procedures. Furthermore, when considering cost-efficiency

of pooled funding, it is important to measure the overall transactions and efficiency of the Fund, including transaction savings that accrue to host Governments and contributors as compared to other non-pooled, project or programme approaches.

CAPITALIZATION TRENDS

In the UN Secretary-General’s report 2021 on the implementation of the quadrennial comprehensive policy review (QCPR) figures on UN pooled funding – which date from 2019, the year of the endorsement of the Funding Compact – reveal the green shoots of sustainable growth: There is ‘good progress towards the funding compact commitment to channel 10 per cent of non-core funding for development activities through inter-agency pooled funds by 2023.’ⁱⁱ

Updated preliminary figures for 2020 confirm the trend. Contributions to inter-agency pooled funds totaled US\$ 3.1 billion in 2020, an US\$ 0.1 billion increase compared to 2019, with about 48% of

these contributions going towards funds with a development focus. Funding to development-related inter-agency pooled funds has nearly tripled since 2016. With data from 2019 it represents 9% of all non-core funding to UN development-related activities.

Recent figures from the MPTF Office – which acts as the administrative agent for nearly 80% of UN development, transition and climate change inter-agency pooled funds – show some strengthening of capitalisation for global funds such as the Peacebuilding Fund, the Spotlight Initiative Fund and the Joint SDG Fund, albeit still falling far short of Funding Compact targets. Furthermore, development country-level pooled funds aligned with the 2030 Agenda in support of the UN Country Cooperation Frameworks for Sustainable Development or similar programming instruments had a capitalisation of US\$ 225 million in 2020.ⁱⁱⁱ There has been a growth in interest in this type of instrument in recent years, but this needs more attention as they are an important vehicle for reform and country-level impact of UN country teams.

Table 2: Selected Funding Compact indicators on pooled funding

Indicator	Baseline	Target	Latest value	Trend
Percentage of non-core resources for development-related activities channeled through inter-agency pooled funds	5% (2017)	10% (2023)	9% (2019)	↑
Annual capitalisation of the Joint Fund for the 2030 Agenda	US\$ 43 million (2018)	US\$ 290 million (2020)	US\$ 43 million (2020)	→
Annual contributions to the Peacebuilding Fund	US\$ 129 million (2018)	US\$ 500 million (2020)	US\$ 180 million (2020)	↑
Number of Member State contributors to development-related inter-agency pooled funds	59 (2017)	100 (2021)	39 (2019)	↓

Source: United Nations Secretary-General, ‘Implementation of General Assembly resolution 71/233 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR)’; (Report of the Secretary-General, 2020) and MPTFO Gateway for 2020 figures on selected funds.

POOLED FUNDING ACROSS THE BOARD

While aggregate trends are positive, a more detailed analysis reveals the following trends:

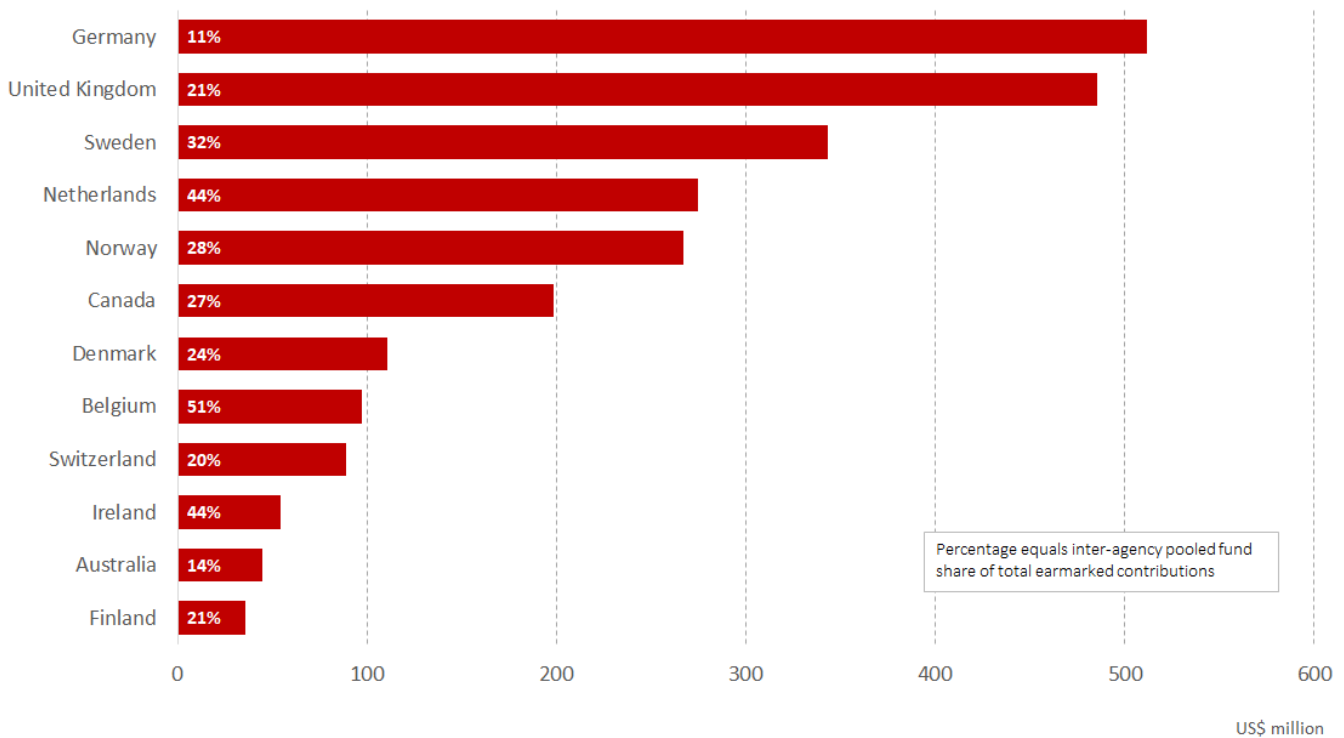
- **Funding to pooled mechanisms is still excessively concentrated in a few contributors** and all the largest contributors are channeling over 10% of their total earmarked contributions to pooled funds (see Figure 1 below).
- **Most UN entities are increasing their participation in pooled funding.** However, only a few receive 10% or more of their earmarked contributions through UN inter-agency pooled funds, as showcased in Figure 2.
- **Of the countries with a UN presence, the number that receive a 10% or more share of earmarked development-related**

expenditure from inter-agency pooled funds has grown to 40 in 2019 from 28 in 2018. As can be seen in Figure 3, for 18 of these 40 countries this share is 20% or more.

COMMITMENT 14: A 'LEAP IN QUALITY' NEEDED FOR A 'QUANTUM LEAP'

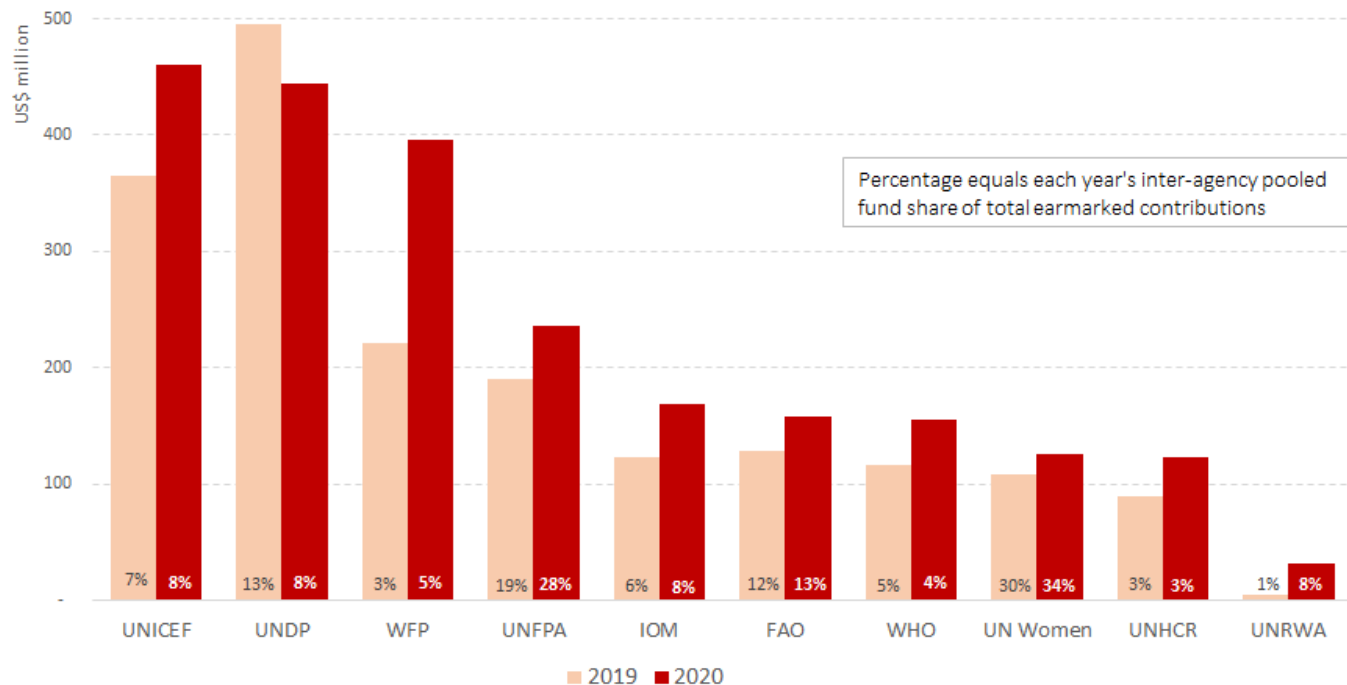
The experience of the past few years has shown the UN system and its partners are coming of age in terms of pooled funding. When properly designed, resourced and managed, pooled funds have the potential to bring UN entities together, strengthen coherence, reduce fragmentation, broaden the UN donor base, spread risk across partners, and tackle multi-dimensional challenges with comprehensive and innovative solutions.

Figure 1: Deposits to UN inter-agency pooled funds from the top 12 Member State contributors, 2020



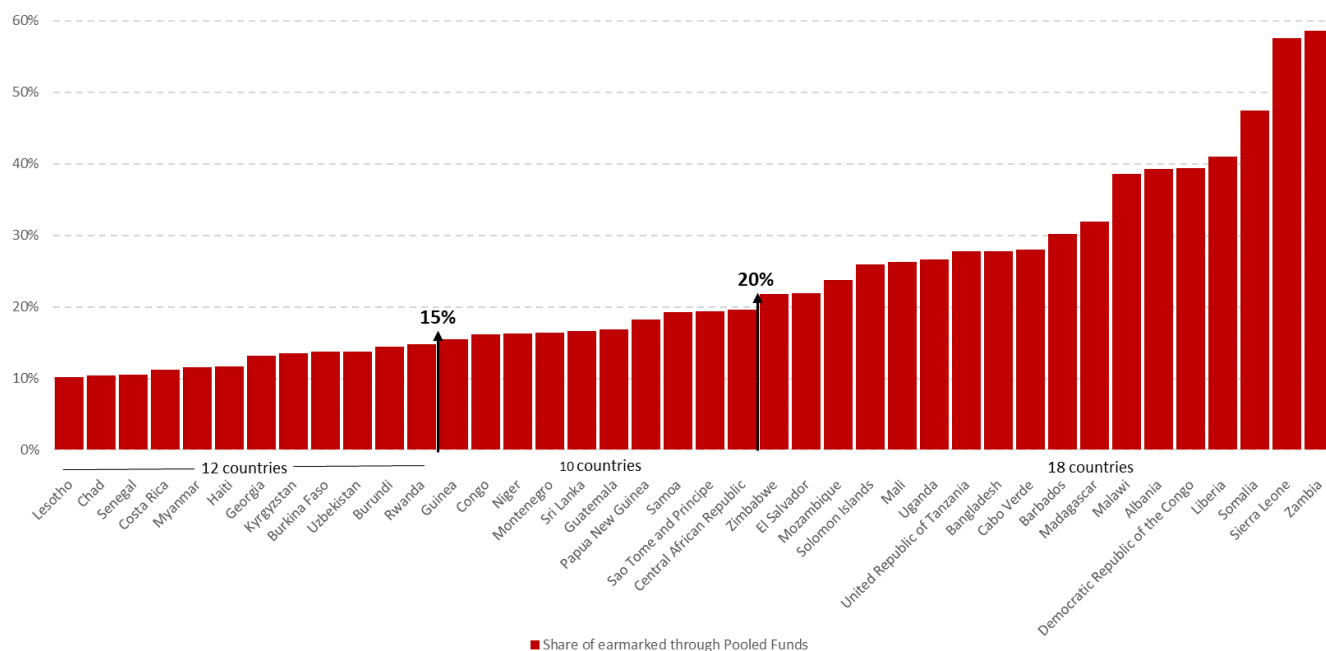
Source: UN System Chief Executive Board for Coordination (CEB) and UN Pooled Funds Database

Figure 2: Top ten UN entities that receive the highest revenue through inter-agency pooled funds, 2019 - 2020



Source: UN System Chief Executive Board for Coordination (CEB) and UN Pooled Funds Database

Figure 3: Countries where 10% or more of earmarked development related expenditure comes from UN inter-agency pooled funds, 2019 (40 countries)



Source: Report of the Secretary-General (A/76/75-E/2021/57) and UN Pooled Funds Database

However, in order to achieve the ‘quantum leap’ needed in terms of fund capitalisation, it is necessary to ensure a ‘leap in consistent quality’ of all pooled funds. The best articulation of this new gold standard in pooled funding quality is spelled out in Commitment 14 of the Funding Compact, on common management features (Table 3).

The 12 elements constituting this commitment can be grouped into three blocks: design, efficiency and effectiveness.

- **Innovative and solid design.** Central to the future effectiveness of a pooled fund is that its design phase be a collaborative effort among key stakeholders. Also key is that

innovation features are incorporated from the outset, whether this be implementation opportunities for non-UN entities or such innovative financing modalities as performance-based payments and blended capital. All pooled funds should be underpinned by a clear theory of change, the achievement of which should be tracked via a solid results-based system.

- **Efficient management.** Well-functioning governance bodies provide oversight and decision-making capability and must be supported by an effective secretariat or fund-management unit. This role should be firewalled from the administrative

Table 3: MPTF Office implementation of inter-agency pooled fund common management features, as set out in the Funding Compact

	Ongoing	Further work planned by MPTF Office			
	Covered in current MPTFO manuals and Gateway	Update 2015 design manual (2021)	Complete update of 2014 operations manual (2021)	Launch new Gateway (2021)	Secretariat support services
Innovation features		●		●	●
Clear theory of change	●	●		●	●
RBM system	●	●		●	●
Well-functioning governance bodies	●	●	●	●	●
Supporting by effective secretariat	●	●	●	●	●
United Nations norms and values	●	●	●	●	●
Risk management	●	●	●	●	●
Operational effectiveness	●	●	●	●	●
Reporting	●	●	●	●	●
Visibility	●			●	
Transparency	●			●	
Joint and system-wide evaluations	●	●		●	●

agent (trustee) and participating organisations, ensuring a clear delimitation of responsibilities and a high level of accountability. UN pooled fund legal agreements should ensure programmatic safeguards in line with UN norms and values and should be implemented alongside constant monitoring and due diligence processes.

- **Effectiveness.** Pooled funds are about effectively achieving results, with improved reporting processes and better aggregation of results, specifically regarding SDG achievement. Throughout, the highest standards of transparency regarding the availability of and access to information should apply. Due to the multi-partner nature of pooled funds, managers need to adopt a comprehensive approach to visibility, ensuring all partners involved are properly recognised. Strong monitoring and evaluation systems mean results can be effectively attributed and lessons gathered.

These 12 elements have been incorporated into the design of recent inter-agency pooled funds, including those established around SDGs aimed at tackling vulnerabilities and leaving no one behind and climate finance. For example, the Central African Forest Initiative trust fund has continued expanding with the new results-based payments and other innovative finance elements. The Joint SDG Fund ensured the application of these principles in the new financing components programmes started in 2021. Work has also started to embed commitment 14 in several inter-agency workstreams, notably as part of the UN Sustainable Development Group new joint programming guidance currently under development. An specific task team of pooled funding has been established within the Fiduciary Management Oversight Group (FMOG) also features specific work on improving pooled funds management features, including training activities, with a Training of Trainers (ToT) initiative already implemented in fall 2021.

In recent years, the UN has attached increased importance to attracting private capital and to use blended finance, for instance through bond options. Increased leverage and partnerships with private capital showcase an interesting and growing trend. For example, the newly established Global Fund for Coral Reefs uses a mix of grants and investment resources to protect coral reefs worldwide. Similarly, in attempting to expand education, training and employment opportunities for two billion young people, the Generation Unlimited catalytic fund will consolidate a portfolio of investable ideas and strong proposals to access other sources of – mostly private – financing. In order to support UN Country Teams catalyse strategic programming and investments, the Joint SDG Fund supports a number of UN joint programmes applying blended finance.

POOLED FUNDING ADVANTAGES IN THE CONTEXT OF COVID-19

The recovery from the social and economic impact of COVID-19 required the UNDS to adapt to a rapidly changing global landscape, the repercussions of which in terms of development are now being seen, particularly regarding the losses in progress towards SDGs. The flexibility and coherence embedded in pooled funding has allowed the UN and partners to use the instruments to adapt quickly.

Existing pooled funds – such as the Peacebuilding Fund, the Joint SDG Fund, the Spotlight Initiative, the UN Fund for the Rights of Persons with Disabilities, and the Migration Multi-Partner Trust Fund – have since 2020 made use of pooled funding flexibility to adapt quickly to the new context; repurposing, adjusting and expanding their activities towards COVID-19-related needs. Meanwhile, the Secretary-General's UN Response and Recovery Trust Fund, a global development emergency instrument that was set up in April 2020, was able to support 99 programmes with UN country

teams in 77 countries. After its impact, the Fund's lesson learned, legacy and impact are now being integrated in the Joint SDG Fund.

Pooled funds are joint endeavors and collective efforts that require leadership, cooperation among partners, capitalization as well as enlarging and engaging contributor networks. Furthermore, they involve increasing the share of pooled funding among UN entities and deepening the use of pooled funds by countries

across regions and income ranges is a shared undertaking between UN and partners. With the recognition, growth and evolution of pooled funds over recent years means that now is the moment to make use of this financing instrument in response to the UN Secretary-General's global call to deliver the SDGs by 2030. Thus, as envisaged in the Common Agenda, UN pooled funding can (and should) play a transformative role.

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- i Resolution A/RES/75/233, Quadrennial comprehensive policy review of operational activities for development of the United Nations system
 - ii United Nations Secretary-General, 'Implementation of General Assembly resolution 71/233 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR)' (Report of the Secretary-General, 2021).
 - iii United Nations Multi-Partner Trust Fund Office, '2020 Annual Report' (report, UN MPTF Office, 2021).