



Background paper

UN inter-agency pooled funds

Briefing prepared by the MPTF Office, November 2022

In recent years, inter-agency pooled funds have become increasingly significant instruments for financing joint work, underpinning action and reform at global, regional and local levels on humanitarian, development, peace and transition, and climate and environmental issues. As the UN Secretary General has affirmed ‘the **indivisible and interconnected nature of the Sustainable Development Goals** has reinforced the imperative for more **flexible and predictable funding**. While this involves bringing a **better balance** between core and non-core funding, it also underscores the need to enhance “**core-like**” resources, such as contributions to inter-agency pooled funds. **Inter-agency pooled funds help strengthen coordination and collaboration across entities** of the United Nations development system”. Lessons learned have facilitated a variety of improvements along the way.

The ‘Our Common Agenda’ put forward by the UN Secretary-General outlines the multilateral case to support countries in recovering from the most severe global pandemic and development crisis in decades. Urgent action to safeguard progress towards the Sustainable Development Goals (SDGs) means now is a crucial and pivotal time to fully exploit the potential of UN pooled funding. Inter-agency pooled funds are at the heart of making current UN reform a success. And, as the 2019 Funding Compact stressed, they need to be well designed, sufficiently resourced, and effectively managed.

FLEXIBLE AND PREDICTABLE FUNDING

Longstanding UN discussions regarding core and non-core funding, have highlighted the role of pooled funds, also referred to as “core-like” resources. The 2020 UN Quadrennial Comprehensive Policy Review (QCPR) reiterates the importance of providing flexible non-core funding, and gives priority to pooled, thematic and joint funding mechanisms for implementation

of development-related activities. Member States and United Nations development system (UNDS) entities are encouraged to contribute to the full and effective implementation of the Funding Compact and jointly make progress towards compliance with Funding Compact commitments to help achieve development results on the groundⁱ.

ⁱ Resolution A/RES/75/233, Quadrennial comprehensive policy review of operational activities for development of the United Nations system.

Table 1: Top ten active global, regional and country funds managed by the MPTF Office, accumulated deposits October 2022 (US\$ million)

Top 10 global and regional funds	Deposits	Top 10 country funds	Deposits
Peacebuilding Fund	1,532	Sudan Humanitarian Fund	1,510
Central African Forest Initiative	527	DRC Humanitarian Fund	1,359
Spotlight Initiative Fund	484	South Sudan Humanitarian Fund	924
UN REDD Programme Fund	355	Afghanistan Humanitarian Fund	861
Joint SDG Fund	236	Somalia Humanitarian Fund	691
Womens Peace & Humanitarian TF	93	Somalia Multi Window Trust Fd	500
UN COVID-19 Response & Recover	86	Afghanistan LOTFA MPTF	363
UNPRPD Disability Fund	60	CAR Humanitarian Fund	321
Nature4Health	56	Tanzania One UN Fund	294
Partnership for Action on Green Economy	50	TF for Sustaining Peace in Colombia	204

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

funds: UN Joint SDG Fund and the Peacebuilding Fund.

Moreover, UNDS entities 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, which are spelled out under Commitment 14 in the Compact and cover clear theories of change, solid results-based management systems, and transparency standards.

SUCCESS FACTORS

To fully use the potential of pooled funding mechanisms and its comparative advantages, key elements to address for their success are: i) avoid competition or duplication with existing agency-based funding mechanisms, and ii) need to prioritize efficiency in design and management arrangements to keep transaction costs low. 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.

Joint programming and pooled funds introduce a layer of coordination and intermediation and

can initially increase the risk of higher transaction costs for UN partners compared to core or direct non-core resources. UN inter-agency pooled funds mitigate this risk by operating as pass-through mechanisms, enabling participating organizations to handle implementation according to their own operating procedures.

When considering the cost-efficiencies of pooled funding it is important to measure overall transactions and efficiencies of a 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 2022 UN Secretary-General’s report on the implementation of QCPR figures on UN pooled funding from 2020, the year after endorsement of the Funding Compact, states the positive direction of sustainable growth: “It is encouraging [...] that funding to inter-agency pooled funds continued to increase this year, channeling 11.7 per cent of all non-core funding for development

activities, narrowly surpassing the funding compact target of 10 per cent.”ⁱⁱ

Updated figures for 2021 confirm this trend (Figure 1). Contributions to inter-agency pooled funds totaled \$3.4 billion US dollars in 2021, which is a \$0.4 billion US dollar increase compared to 2020, with about 47%

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, 2022).

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	5% (2017)	10% (2023)	11.7% (2020)	↑
Annual capitalisation of the Joint Fund for the 2030 Agenda	US\$ 43 million (2018)	US\$ 290 million (2020)	US\$ 79 million (2021)	↗
Annual contributions to the Peacebuilding Fund	US\$ 129 million (2018)	US\$ 500 million (2020)	US\$ 192 million (2021)	↗
Number of Member State contributors to development-related inter-agency pooled funds	59 (2017)	100 (2021)	48 (2020)	↓
Common management features across all inter-agency pooled funds	No (2018)	Yes (2021)	In progress (71% of dev related MPTF and 54% of JPs) (2021)	↑

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, 2022) and MPTFO Gateway for 2021 figures on selected funds.

of contributions going towards funds with a development focus. Funding to development-related inter-agency pooled funds nearly tripled since 2016.

Recent figures from the MPTF Office—which acts as the administrative agent for over 80% of UN development, transition, and climate change inter-agency pooled funds—show strengthening of capitalization for global funds while still falling short of Funding Compact targets. Furthermore, country-level pooled funds aligned with the

2030 Agenda in support of UN Sustainable Development Cooperation Frameworks (UNSDCF), or similar programming instruments, had a capitalization of \$319 million US dollars in 2021: A 40% increase compared to 2020.ⁱⁱⁱ While there has been an increase in interest in this type of instrument in recent years, more needs to be done to highlight their added value as they are an important vehicle for reform and measuring country-level impact of UN country teams (UNCTs).

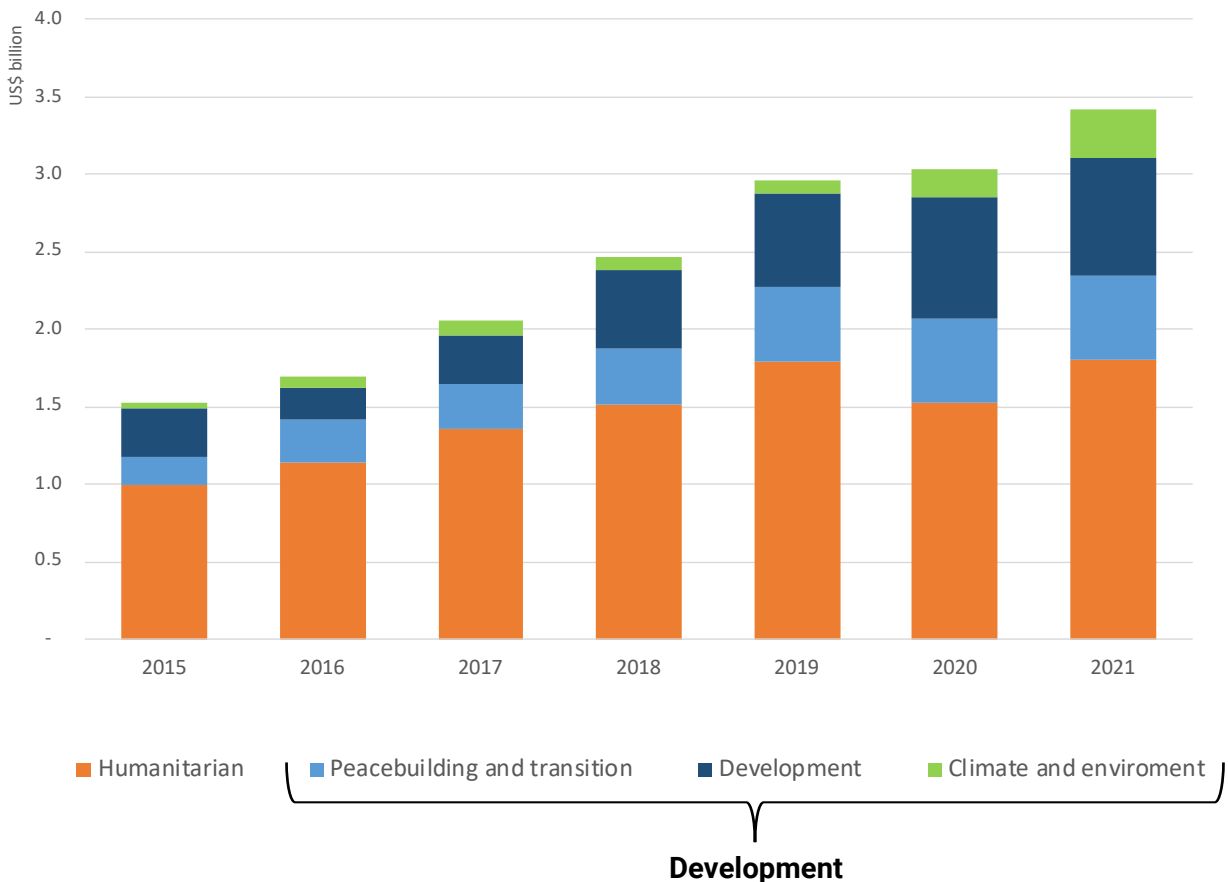
POOLED FINANCING ACROSS THE BOARD

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

- *Funding to pooled mechanisms is excessively concentrated across a few*

contributors and all largest member state contributors channel over 10% of total earmarked contributions to pooled funds (Figure 2).

Figure 1: Deposits to UN inter-agency pooled funds, 2015-2021



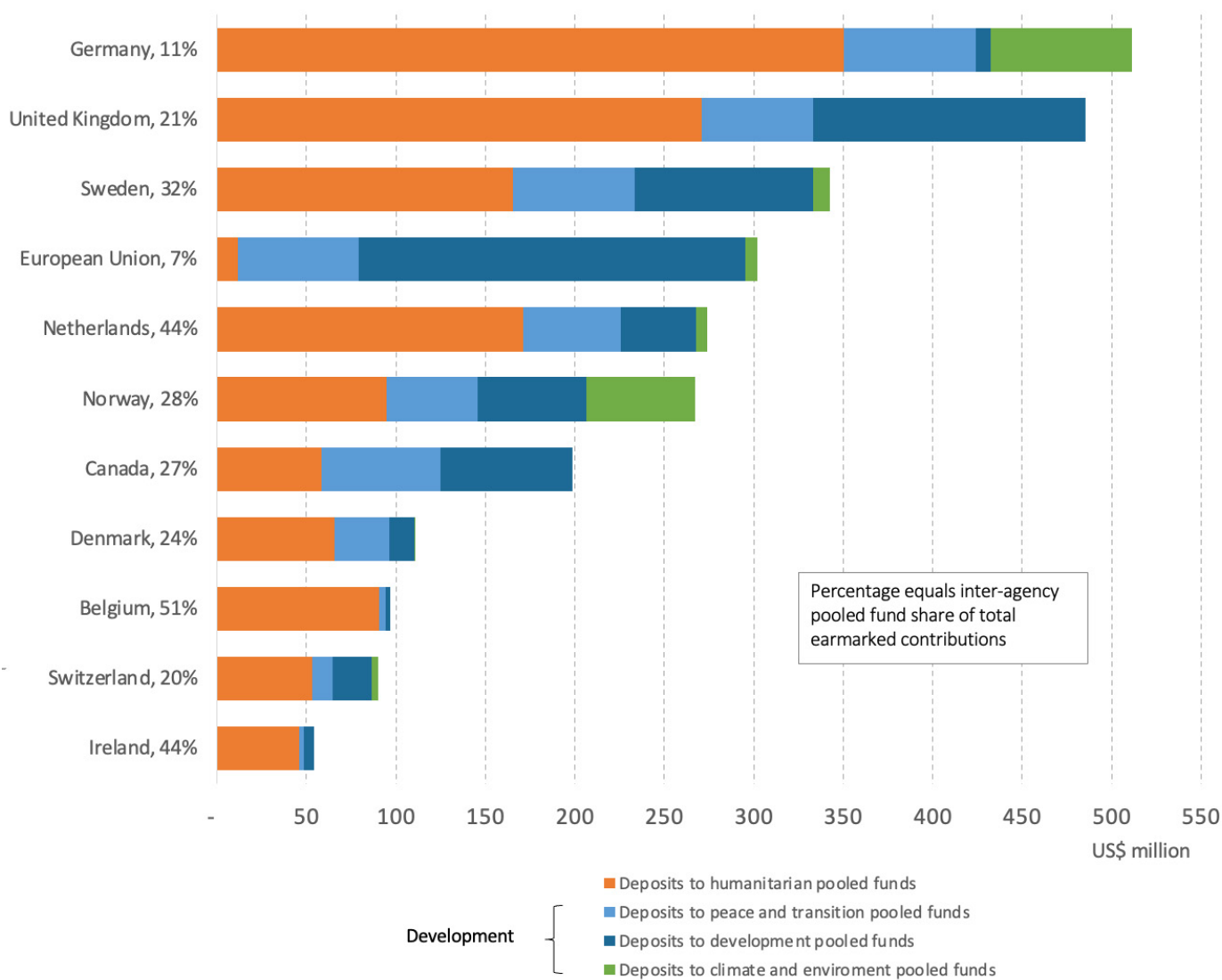
Source: UN Pooled Funds Database

ⁱⁱⁱ United Nations Multi-Partner Trust Fund Office, '2021 Annual Report' (report, UN MPTF Office, 2022).

- *There is a widespread participation by UN entities in pooled funding in 2021. However, only a few received 10% or more of earmarked contributions through UN inter-agency pooled funds, as seen in Figure 3.*
- *Out of the countries with a United Nations presence, the number of countries receiving 15% or more of their earmarked development-related expenditure from*

inter-agency pooled funds grew to 37 in 2020 from 28 in 2019. As seen in Figure 4, in 28 out of 37 countries this share is 20% or more.

Figure 2: Deposits to UN inter-agency pooled funds from the top 12 contributors, 2020



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

Figure 3: Top ten UN entities with the highest revenue streams through inter-agency pooled funds, 2021

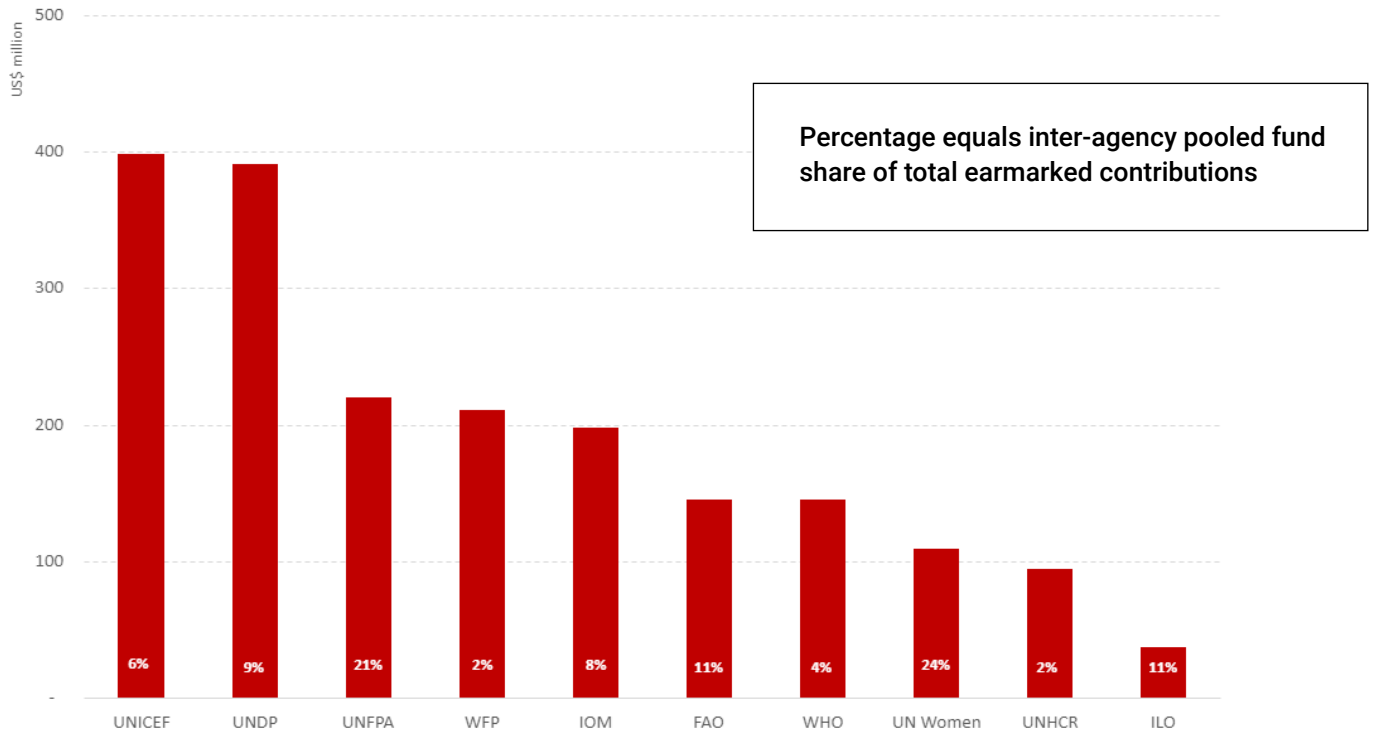
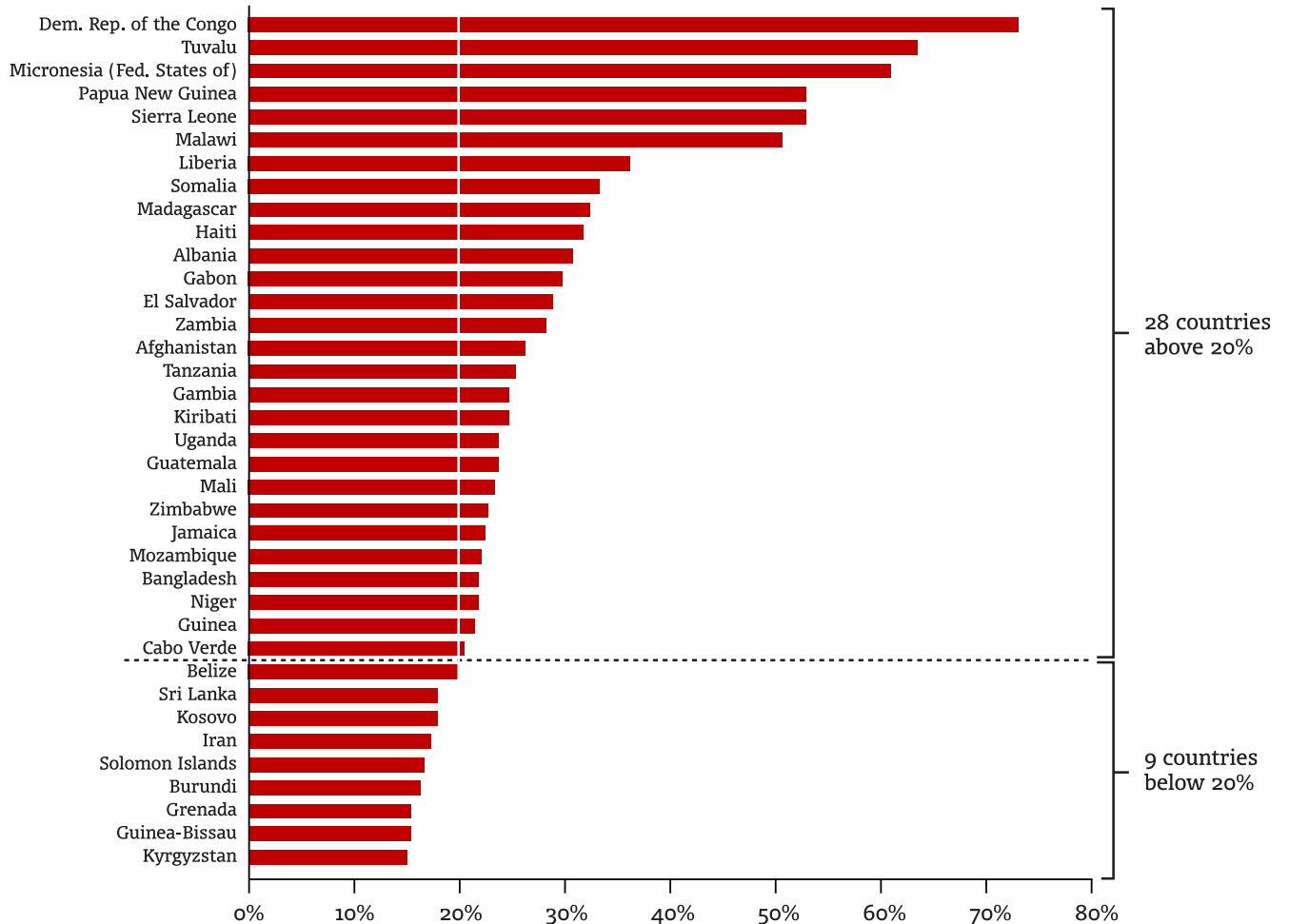


Figure 4: Countries where 15% or more of earmarked development related expenditure comes from UN inter-agency pooled funds, 2020 (37 countries)



Source: Report of the Secretary-General (A/77/69-E/2022/47) and UN Pooled Funds Database

COMMITMENT 14: THE ‘LEAP IN QUALITY’ NEEDED FOR A ‘QUANTUM LEAP’ IN POOLED FUNDING QUALITY

When properly designed, resourced and managed, pooled funds have the potential to bring the UN together, strengthen coherence, reduce fragmentation, broaden the donor base, spread risk across partners, and tackle multi-dimensional challenges with comprehensive and innovative solutions.

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

Table 3: Common management features for UN inter-agency pooled funds, as set out in the Funding Compact



In MPTF Office’s experience, the 12 elements constituting this commitment can be grouped into three blocks: Design, efficiency and transparency.

- Innovative and solid design.* Central to the future effectiveness of a pooled fund is the design phase be a collaborative effort among key stakeholders. Also central is innovation features are incorporated from the outset, whether this includes implementation opportunities for non-UN entities or innovative financing modalities like performance-based payments and blended capital. All pooled funds should be underpinned by a clear theory of change where achievements which can be tracked
- via a solid results-based management system.
- Efficient management.* Well-functioning governance bodies provide oversight and decision-making capabilities and are supported by an effective secretariat or fund-management unit. Roles should be firewalled from the administrative agent (trustee) and participating organizations, ensuring a clear delimitation of responsibilities and high level of accountability. United Nations pooled fund legal agreements should ensure programmatic safeguards in line with organizational norms and values, and be implemented alongside constant monitoring

and due diligence processes. Gender markers and gender financial targets are an example of operationalization of UN norms and standards through pooled funding.

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

These 12 elements have been incorporated into the design of recent inter-agency pooled funds, including those established around SDGs aimed at tackling vulnerabilities, leaving no one behind, and climate finance. The Central African Forest Initiative trust fund continued expanding with a new results-based payment system and other innovative finance elements. Meanwhile, the Joint SDG Fund ensured the application

of principles in new financing components programmes that were launched in 2021.

Funding Compact Commitment 14 on quality management features was also reflected in the UNSDG joint programming guidelines finalised in 2022, and in the work of the UNSDG Fiduciary Management and Oversight Group on monitoring and tracking common management features across development inter-agency pooled funds.

In recent years, the UN attached increased importance to attracting private capital and use blended finance. Greater leverage and expanded partnerships with private capital firms and stakeholders show a series of interesting and growing trends. A prime example: The Global Fund for Coral Reefs uses a mix of grants and investment resources to protect coral reefs worldwide. To support UNCTs in catalyzing strategic programming and investments, the Joint SDG Fund supports a number of United Nations joint programmes in applying blended finance.

POOLED FUNDING THAT SUPPORTS A NEXUS APPROACH

A new generation of pooled funds bridges the humanitarian-development-peace divide. These flexible financing instruments show that well-designed pooled funds can be adapted to quickly pivot a situation, particularly when there are rapid changes in an operative context. The Special Trust Fund for Afghanistan is one of the first largest-scale attempts to operationalize a basic human needs approach within the complex and fast evolving context of Afghanistan. The fund is building bridges with the Afghanistan Humanitarian Fund to maximize UN synergy of interventions under RC/HC leadership across the

nexus. Funds can combine, blend, and sequence development, peace, and humanitarian financial streams for crisis-affected countries. **They can also improve cost-efficiencies, transparency, and collective outcomes by pooling resources and delivery systems—with a risk mitigation approach particularly needed in highly volatile and unpredictable settings.**

Humanitarian and development changemakers share a common vision: Investing in prevention, mitigation, and preparedness for early action is the best way to decrease humanitarian setbacks

and ensure “no one is left behind.” This is how implementing partners can scale up social protection measures, build resilience, and reduce vulnerability and risks across a broad spectrum of programmes. The Conflict-Related Sexual Violence Prevention MPTF (2020) enhances stakeholder accountability and response efforts towards preventing sexual violence in conflict settings. Moreover, to unlock data for raising resilience and support where it matters most, the Complex Risk Analytics Fund (2021) offers an integrated approach for improving action-focused data collaboration.

Financing modalities that support collective outcomes and durable solutions also incentivize collaboration. **The UN MPTF Office works closely with partners on a new generation of pooled funds that facilitate the blending,**

sequencing, and cross-referral of development and humanitarian resources.

Pooled funds are joint endeavors and collective efforts that require leadership, cooperation among partners, capitalization, and moves to enlarge and engage contributor networks. Furthermore, they involve increasing the share of pooled funds amongst UNDS entities and deepening the use of pooled funds by countries across regions and income categories. This is a shared undertaking between the United Nations and all stakeholders. 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 deliver on the SDGs by 2030. As envisaged in the Common Agenda, United Nations pooled funding can, and should, play a transformative role.