United Nations
MPTF Office

FACT SHEET

Background paper on UN inter-agency pooled funds[1]

Briefing prepared by the MPTF Office

Compared to other United Nations financing instruments, inter-agency pooled funds are a relatively new modality for financing UN joint action. The first was the UN Development Group Iraq Trust Fund, established in 2004, followed almost two years later by the Central Emergency Response Fund (CERF). Since then, pooled funds have underpinned action at the global, regional and local levels on humanitarian, development, peacebuilding, transition and climate issues. Table 1 presents the top ten 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 UN celebrating its 75th anniversary in the midst of 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 good time to evaluate how best 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 perennial UN discussion regarding core and non-core funding, pooled funds sit in the middle, drawing on the attributes of both. The UN Secretary-General himself, in his 2019 annual report on quadrennial comprehensive policy review (QCPR) implementation, underscored 'the need to enhance "corelike" resources, such as contributions to inter-agency pooled funds', as inter-agency pooled funds 'help strengthen coordination and collaboration across entities of the United Nations development system'.[2]

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

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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.

Table 1: Top ten funds managed by the MPTF Office (2004–2020)

Fund	Deposits (US$)
UNDG Iraq Trust Fund	1,358,392,474
Sudan Humanitarian Fund	1,331,995,182
DRC Humanitarian Fund	1,202,525,344
Peacebuilding Fund	1,085,788,140
South Sudan Humanitarian Fund	764,031,320
Millennium Development Goals (MDG) Achievement Fund	705,794,972
Somalia Humanitarian Fund	531,364,553
Somalia Multi -Window Trust Fund	344,828,652
Afghanistan Humanitarian Fund	324,752,074
UN REDD Programme Fund	317,323,126

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. Analyzing the trends of non-core financing and pooled funding has revealed no pattern of inverse correlation between non-core and pooled funding. 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 fund 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 2020 on the implementation of the quadrennial comprehensive policy review (QCPR) figures on UN pooled funding – which date from 2018, prior to the endorsement of the Funding Compact – reveal the green shoots of sustainable growth: 'There are signs that the shift required to double the share of non-core/earmarked contributions to pooled funds, as called for in the Funding Compact, is beginning to take hold'.[3]

Updated figures for 2019 confirms the trend. Contributions to inter-agency pooled funds totaled US$ 2.94 billion in 2019, an increase of 20% compared to 2018, with about 39% of these contributions going towards funds with a development focus. Funding to development-related inter-agency pooled funds has increased by 107% since 2016, and now represents approximately 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 saw their capitalisation increase by close to 80% between 2018 and 2019, from US$ 47 million to US$ 84 million.[4]

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$ 55 million (2019)	→
Annual contributions to the Peacebuilding Fund	US$ 129 million (2018)	US$ 500 million (2020)	US$ 135 million (2019)	→
Number of Member State contributors to development-related inter-agency pooled funds	59 (2017)	100 (2021)	41 (2019)	↓

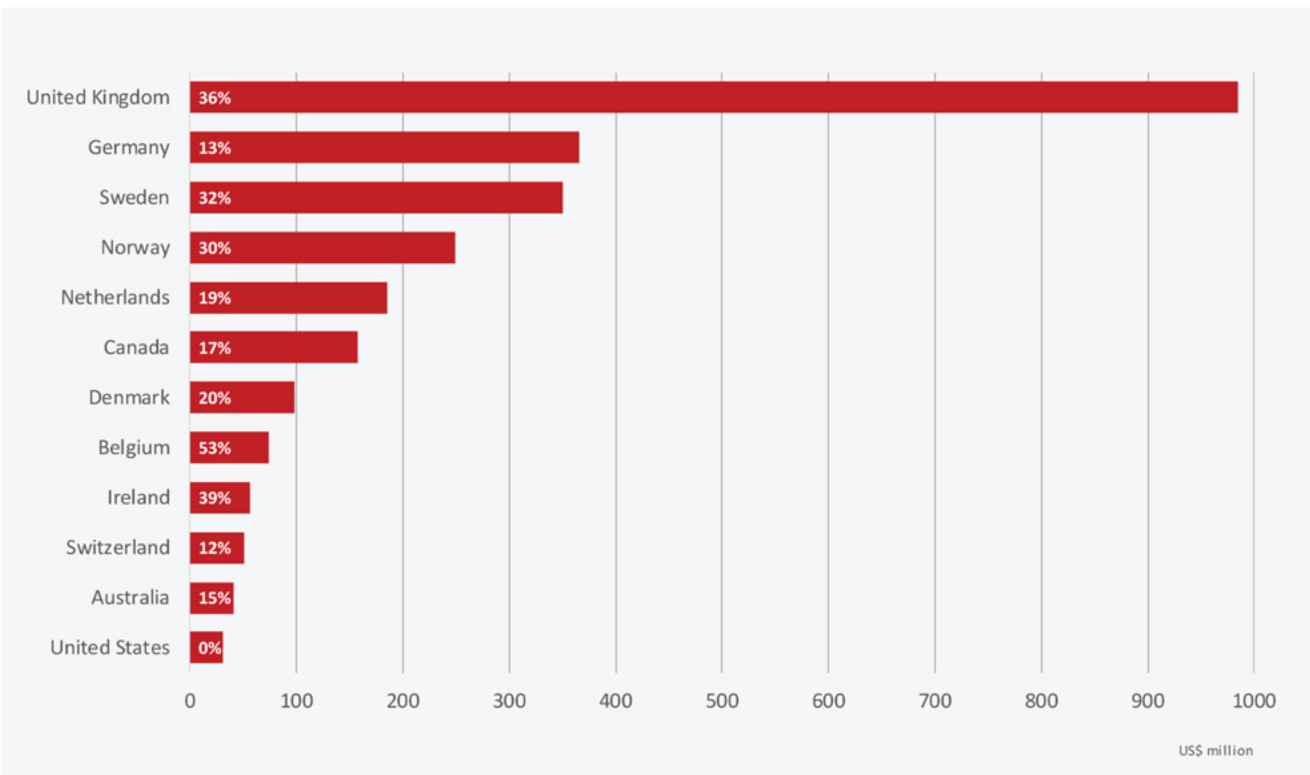
Source: United Nations Secretary-General, 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR)', (Report of the Secretary-General, 2020)

POOLED FUNDING ACROSS THE BOARD

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

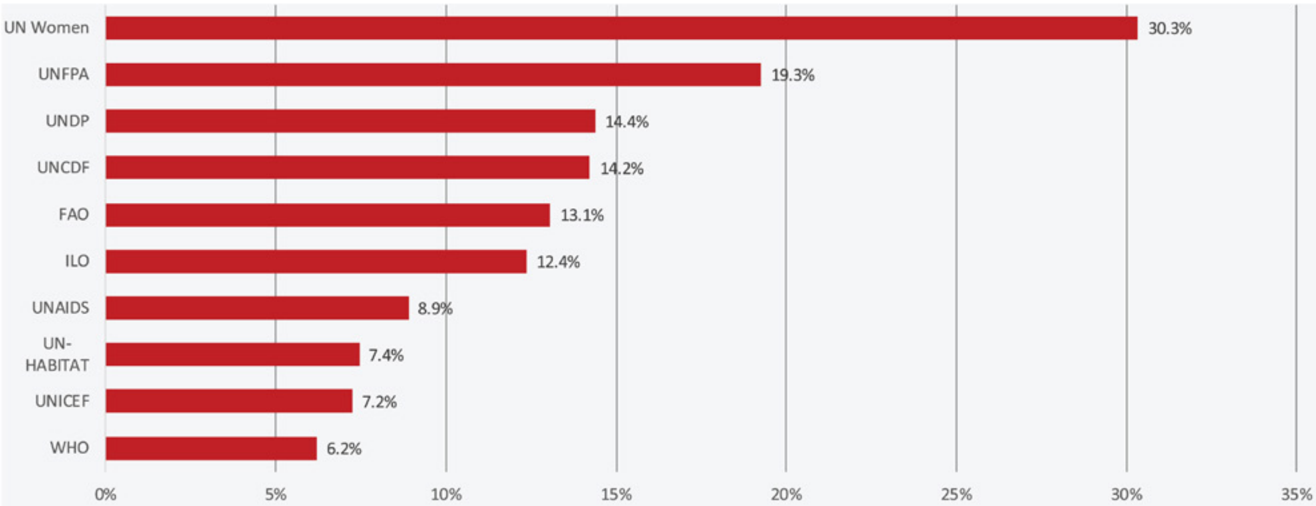
- *Funding to pooled mechanisms it is still excessively concentrated in a few contributors. Several of the largest contributors to the UN are already channeling over 10% of their total earmarked contributions to pooled funds (see Figure 1 below).*
- *Most UN entities are increasing their participation 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 is just 28 in 2018, down from 30 in 2017. As can be seen in Figure 3, for 13 of these 28 countries this share is 20% or more.*

Figure 1: Deposits to UN inter-agency pooled funds from the 12 largest contributors, and percentage share of their total earmarked contributions to the UN, 2019



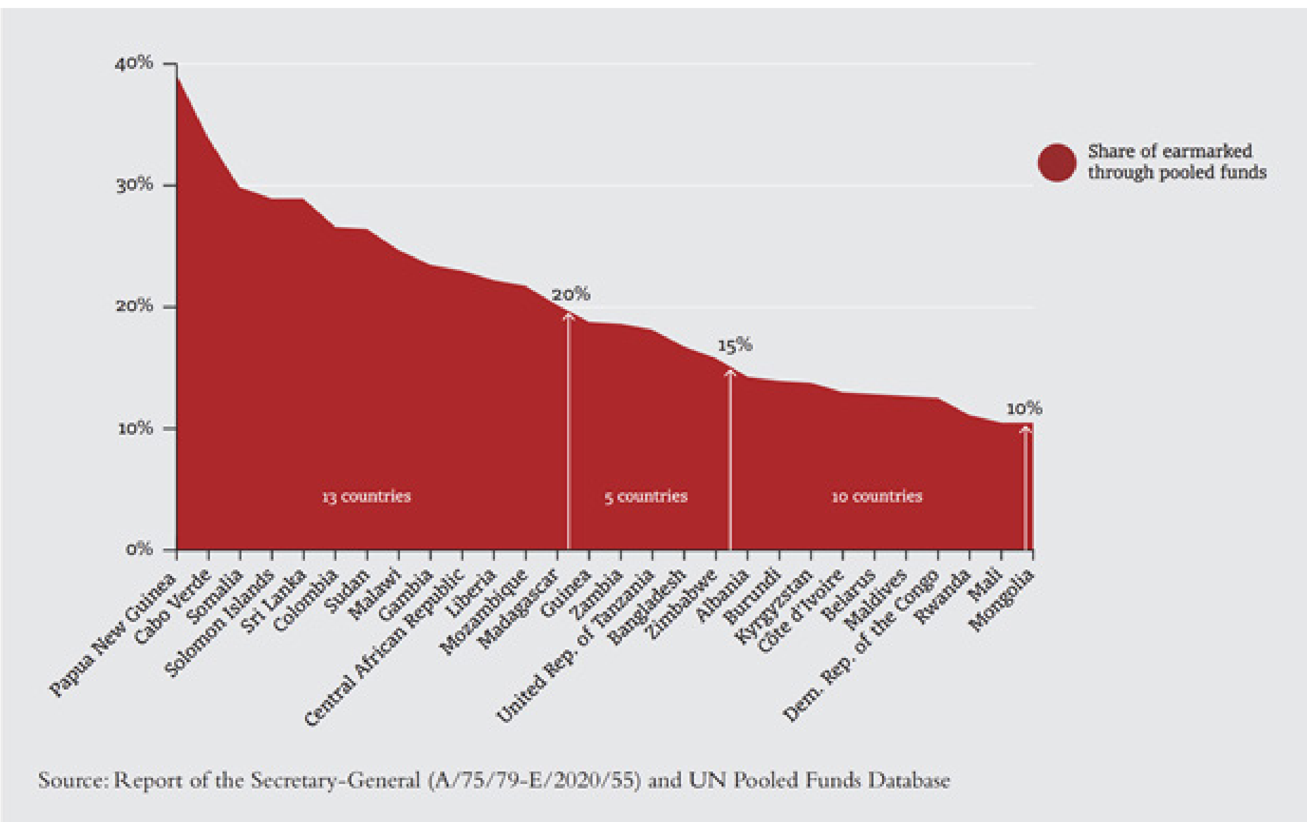
Source: UN System Chief Executive Board for Coordination (CEB) and UN Pooled Funds Database

Figure 2: UN entities that receive a higher share of their earmarked revenue through inter-agency pooled funds, 2019



Source: CEB, UN Department for Economic and Social Affairs (DESA) 2018 OAD coefficients, UN Pooled Funds Database

Figure 3: Countries with 10% or more of earmarked development related expenditure comes from UN inter-agency pooled funds, 2018 (28 countries in 2018, 21 in 2015)



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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.

However, in order to achieve the 'quantum leap' needed in terms of fund capitalisation, it is necessary to ensure a 'leap in 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).

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 (2020)	Complete update of 2014 operations manual (2020)	Launch new Gateway (2020)	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	•	•		•	•

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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 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. For example, a landmark results-based payment system is contributing to protecting Gabon’s forests as part of the Central African Forest Initiative, while a pay-per-performance scheme is increasing women’s meaningful participation and engagement in peace operations as part of the Elsie Initiative Fund for Uniformed Women in Peace Operations. 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. The workplan of the Fiduciary Management Oversight Group (FMOG)also features specific work on improving pooled funds management features, including training activities.

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 showcases an interesting and growing trend. For example, the new Global Fund for Coral Reefs will use 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 2020, in order to support UN Country Teams catalyse strategic programming and investments, the Joint SDG Fund launched a new call for UN joint programme proposals.

POOLED FUNDING ADVANTAGES IN THE CONTEXT OF COVID-19

The social and economic impact of COVID-19 has required the UNDS to adapt to a rapidly changing global landscape, the repercussions of which in terms of development are still being understood. In such circumstances, it is crucial to safeguard (and hopefully accelerate) 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 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 set up in April, is already supporting 75 programmes with UN country teams in 61 countries.

Pooled funds are joint endeavors and collective efforts that require cooperation among partners, 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. The growth, maturing 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 Agenda 2030, UN pooled funding

Endnotes

1 This document is an update of the essay "A coming-of-age story: UN pooled funds" published in September 2020 as part of the report "Financing the UN Development System: Time to Walk the Talk", produced by the MPTF Office and the Dag Hammarskjöld Foundation. Full report and data visualization available at: https://docs.daghammarskjold.se/time-to-walk-the-talk/.

2 United Nations Secretary-General, 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations System, 2019: monitoring and reporting framework' (Report of the Secretary-General, A/74/73/Add.3–E/2019/14/Add.3, United Nations General Assembly Economic and Social Council, 22 April 2019). https://undocs.org/A/74/73/Add.3

3 United Nations Secretary-General, 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR)' (Report of the Secretary-General, 2020).

4 United Nations Multi-Partner Trust Fund Office,'2019 Annual Report' (report, UN MPTF Office, 2020).

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