



# Inter-agency pooled funds and climate finance

BRIEF

Briefing prepared by the MPTF Office - November 2021

## How do inter-agency pooled funds contribute to advancing climate finance agendas?

“Making peace with nature is the defining task of the 21st century”

–António Guterres  
UN Secretary-General

**Inter-agency pooled funds**, with their inherent unique set of features (flexibility, de-risking, joint action, anchored in the UN normative agenda, combining resources), are proving to be relevant in leveraging climate finance around the world. United Nations action on climate and environmental SDGs is still highly underfunded, which is problematic as addressing the climate emergency through these SDGs requires integrated approaches and substantial investments, something pooled

funds are designed for. In this context, pooled funds are used to catalyze action and structure available finance that complements financial mechanisms established under the Paris Agreement (Global Environment Facility and Green Climate Fund).

The UN Common Agenda (September 2021) called for “urgent and bold steps to address the triple crisis of climate disruption, biodiversity loss and pollution destroying our planet.” As

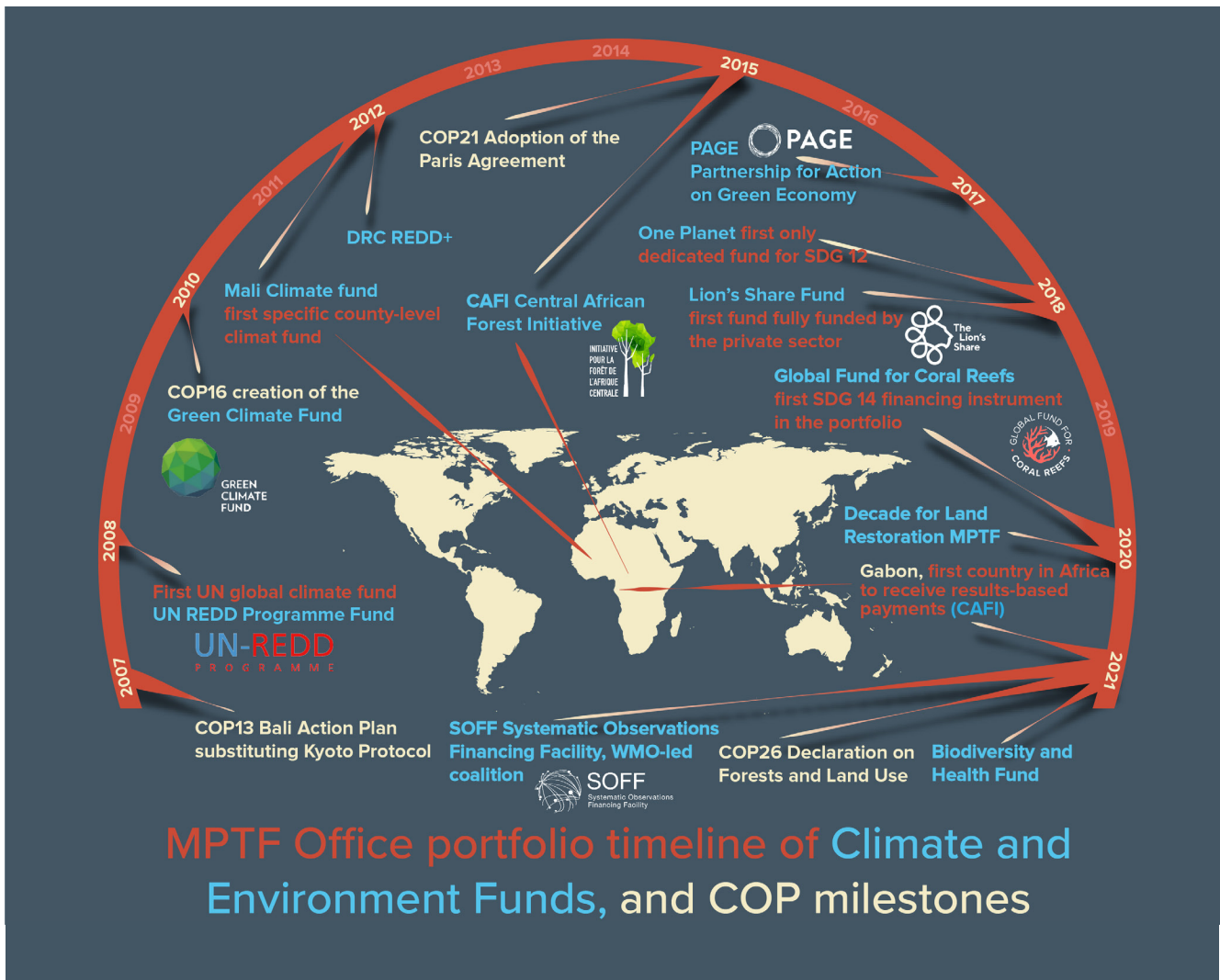
the climate and environment agenda has been pushed to the front and center of UN work, pooled funding, given its inherent flexibility now accompanies important streams of work. Presented in this brief is an overview of the UN

Multi-Partner Trust Fund Office’s climate change and environment portfolio, providing examples that respond to questions of how pooled funding contributes to the overall climate financing ecosystem.

## 2 | MPTF Office climate and environment portfolio: From fighting deforestation to an expansive and integrated portfolio

Over the last ten years, the MPTF Office has worked with partners to progressively build a diversified, innovative, and comprehensive pooled funding portfolio in climate and

environment. These trust funds are not strictly climate focused, but also include humanitarian, development and peace-building elements.



The first climate and environment multi-partner trust fund in the portfolio was UNREDD Programme Fund (reducing emissions from deforestation and degradation), established in 2008. Since then, the total portfolio has passed one point five billion dollars in commitments (as shown in Table 1).

Protecting forests to reduce CO2 emissions, the lungs of the planet, is central to tackling climate change. This, in part, explains how the MPTF Office climate and environment portfolio evolved from a predominantly reforestation profile to encompass biodiversity, blue economy and integrated, sustainable policy development. This expansion led to the establishment of the Central African Forest Initiative (CAFI), a MPTF Office flagship climate finance instrument that has heavily informed the architecture of the climate portfolio.

These trust funds have led to greater gains in forest protection, even in highly complex political contexts, and demonstrated the value of de-risking instruments like pooled funds. CAFI, for example, has progressively become the go-to platform for donors who want to engage in the protection of forests.

The capitalization of climate funds can be slow at the beginning. The MPTF Office worked with CAFI for over ten years to try and leverage investments that did not offer any pay off at the outset. Likewise, UNREDD was not capitalized prior to 2015 and struggled to secure funding for three years. Both instances highlight the importance of upfront investments in designing and structuring financing instruments, as to generate long-term gains.

A common feature of the MPTF Office portfolio is that it provides “integrated climate and environment solutions” that are vital for climate action. Thanks to comprehensive theories of change and strong multi-partner alliances, different sources and spending modalities can be combined and integrated solutions leveraged.

Across its portfolio, the MPTF Office is moving away from siloed programming. Instead, initiatives are based on previous analyses of the financial systems where funds will be invested, identifying synergies and connections. This analysis is central for all new investments and the MPTF Office recommends only launching new instruments where strategic investment opportunities exist.

## 3 Contributions to the MPTF Office climate and environment portfolio

In the portfolio of active funds (Table 1), the first established funds - CAFI, UN REDD Programme Fund and DRC REDD+ - have commitments between \$175 to \$600 million US dollars in contributions (per fund). The newly established Global Fund for Coral Reefs (GFCR) is already in the top six in contributions. Among country-level funds, the Mali Climate MPTF is the one of the largest.

Although the climate and environment portfolio grew incrementally from 2008 to 2015 a significant increase has been seen since then

with \$200 million US dollars in contributions in 2020 (see Figure 1).

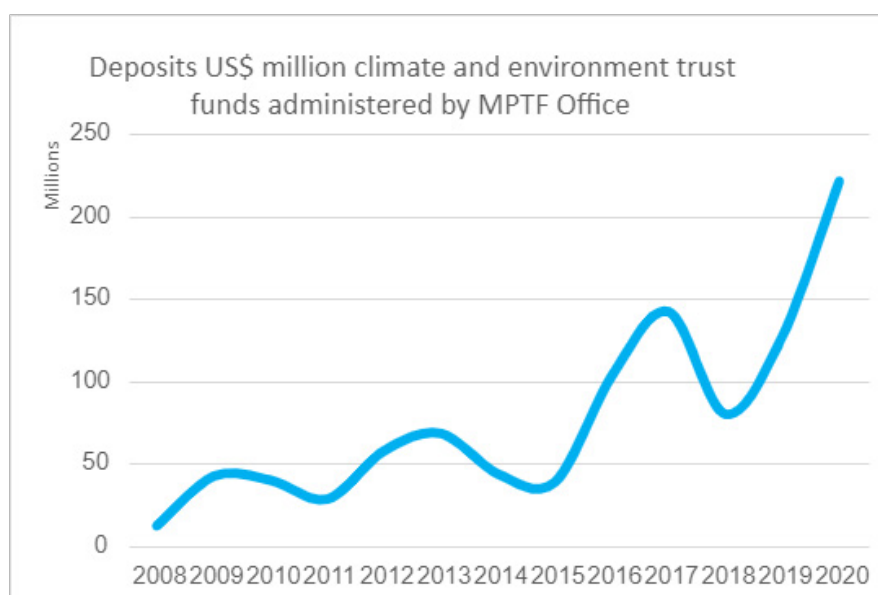
The top two contributors to climate and environment funds in the last decade are Norway and Germany, their contributions account for more than 80% of the total. Other top investors are the European Union, United Kingdom and Sweden (see Table 2). There is also an increasing engagement in contributions by private sector and non-state actors as shown in Table 3.



**Table 1. MPTF Office administered climate and environment funds commitment and deposits for active funds as of November 2021 (US\$)**

Fund	Years	Total Commitments	Deposits as of Nov'21
Central African Forest Initiative	2015-2027	879,913,658	349,671,057
UN REDD Programme Fund	2008-2025	384,871,681	339,067,213
Partnership Action on Green Economy	2017-2022	52,811,627	48,816,227
Global Fund for Coral Reefs	2020-2030	34,002,644	15,360,164
Mali Climate Fund	2012-2025	28,170,268	28,170,268
JP Bangladesh LoGIC	2016-2022	17,250,688	14,902,995
UN Decade of Ecosystem Restoration	2021-2025	16,241,890	16,241,890
Aral Sea Region	2018-2023	15,506,642	14,006,642
JP Cuba EE FRE-DL	2019-2023	11,746,525	9,455,717
Climate Security Mechanism JP	2020-2022	5,116,129	5,116,129
The Lions Share Fund	2018-2030	5,010,361	4,662,361
DRC Fonds National REDD+	2012-2035	4,093,531	3,367,743
UNITLIFE Trust Fund	2018-2022	2,500,000	2,500,000
One Planet MPTF	2018-2022	1,211,927	1,211,927
<b>Recently launched funds</b>			
Bio Diversity - Conservation and Health Fund	2022-2030	58,000,000	-
Systematic Observations Financing Facility	2021-2031	2,000,000	-
Initiative in Burundi on climate, peace and stability	2021-	7,000,000	-
<b>Grand Total</b>		<b>1,525,447,572</b>	<b>852,550,334</b>

**Figure 1. Deposits to climate and environment trust funds administered by MPTF Office 2008 – 2020 (US\$ million)**



**Table 2. Top 10 contributors to MPTF Office climate and environment pooled funds, total commitments and deposits per November 2021 (US\$)**

Contributor	Total Commitments	Deposits Nov 2021
Norway	893,512,734	555,614,956
Germany	337,959,473	109,457,241
European Union	64,736,085	46,308,740
United Kingdom	49,067,259	2,595,449
Sweden	34,171,884	26,446,095
Netherlands	17,000,000	14,000,000
France	13,438,980	13,438,980
Denmark	9,998,183	9,998,183
Switzerland	7,272,737	3,030,955
Spain	5,492,939	5,492,939

**Table 3. Top 10 Non-state contributions to active climate funds**

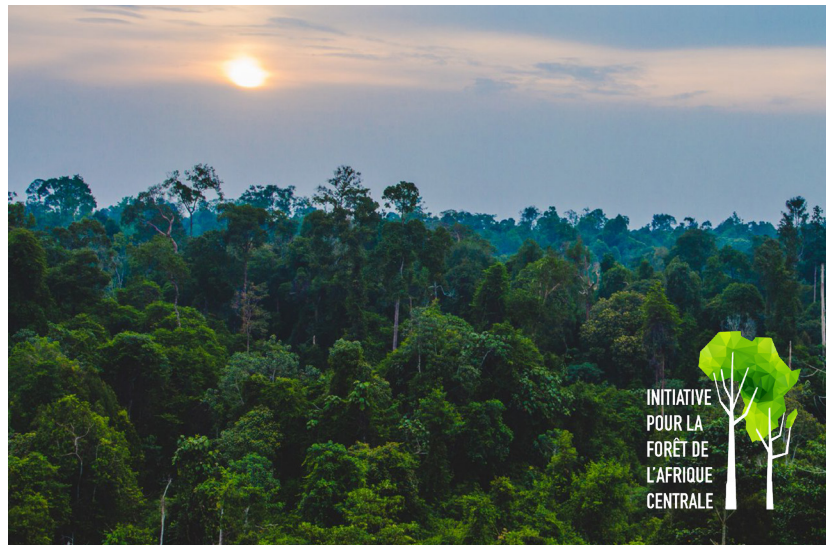
Contributor	Total Commitments	Deposit Nov 2021
Paul G Allen Family Foundation	6,000,000	2,000,000
Builders	5,000,000	
Mars	3,740,000	3,740,000
Banque Paribas	3,471,780	
Private sector	573,167	573,167
Prince Albert II of Monaco Foundation	500,000	500,000
Guccio Gucci	450,000	300,000
Ascential Events	307,015	307,015
Cartier	255,000	85,000
Ryohin Keikaku - Muji	200,140	200,140

## 4 | Featured funds



The [United Nations REDD+ Programme Fund](#) supports nationally-led processes for reducing emissions from deforestation and degradation (REDD+) and promote the informed and meaningful involvement of all stakeholders. Launched in 2008, the United Nations REDD Programme Fund has supported national partner readiness efforts in 65 countries in Africa, Asia-Pacific, and Latin America. With a central focus on indigenous people and communities dependent on forests, partners adhere to national and international REDD+ commitments and priorities. Built into Fund initiatives are four cross-cutting themes: forest governance, tenure security, gender equality, and stakeholder engagement. All are mandatory for achieving inclusive and sustainable results in the fight against climate change and shifting government capacities and societal behaviors to better meet UNFCCC requirements and generate measurable carbon/non-carbon benefits. *Participating Organizations: UNDP, FAO, UNEP*

The [Central African Forest Initiative \(CAFI\)](#) is collaborative in nature and programmes support strategic, holistic and country-level REDD+ and low emission investments in Central African countries that have high-forest cover. The initiative preserves regional woodlands by assisting local communities and authorities in mitigating climate change, reducing poverty, and contributing to sustainable and inclusive development. Central African countries are home to the second largest tropical rainforest in the world, but unfortunately there has been an acceleration in forest loss and degradation because of an increase in greenhouse gas emissions in the region, along with fragmented environmental support and misdirected investments. CAFI acts as a platform for partners to coordinate contextually relevant REDD+ projects in Cameroon, Central African Republic, Republic of Congo, the Democratic Republic of the Congo, Equatorial Guinea, and Gabon—facilitating cross-border learning and information sharing. Focusing on the implementation of National Investment Frameworks, encouraging donor coordination, and promoting inclusive participation, CAFI stakeholders assist local communities and authorities in reversing



and, hopefully, stopping forest loss. The Fund has become a central financing instrument in Central Africa with results that conserve and protect the forests that are major carbon sinks for the planet.

*Participating Organizations: UNDP, FAO, AFP, IBRD*



The [Global Fund for Coral Reefs \(GFCR\)](#) is the first United Nations multi-partner trust fund dedicated to SDG 14 – Life below water. The Fund is the first and only blended finance mechanism devoted to coral reefs globally, aiming to mobilize US\$ 625 million in grants and investment capital for conservation of coral reef ecosystems and strengthening of adaptation interventions for reef-dependent communities. Through an integrated grant-investment deployment model, GFCR promotes a ‘protect-transform-restore-recover approach’ in priority locations with climate-resilient reefs and exceptional

biodiversity. Grants serve to incubate projects, de-risk and catalyze private sector investment in reef-positive business models that reduce local drivers of ecosystem degradation and harness the potential of the blue economy. While scaling adaptation action, GFCR is demonstrating how blended finance is essential to unlock coordinated public-private sector SDG finance. *Participating Organizations: UNCDF, UNDP, UNEP, Blue Finance ECRE, Conservation International, The Nature Conservation, Wildlife Conservation Society, Mesoamerican Reef Fund*

The [Partnership for Action on Green Economy \(PAGE\)](#) puts sustainability and social equity at the heart of global economic policymaking. Reframing existing practices on sustainability not only fosters economic growth, but also increases income, creates jobs, reduces poverty and inequality, and strengthens the ecological foundations of national economies. Bringing together the expertise and convening power of the United Nations and that of national governments, private sector and civil society, PAGE provides comprehensive, coordinated and cost-effective packages of analytical, technical, and capacity services to 20 countries. Aligned with the 2030 Agenda for Sustainable Development (and those SDGs related to economy, jobs, environment, and climate change), PAGE transforms sluggish economies into drivers for growth, sustainability, and social equity. Delivering transformational change relies on supporting the champions of green strategies, as well as informing policy processes, financing policy action, and encouraging strong national ownership. *Participating Organizations: UNDP, ILO, UNEP, UNIDO, UNITAR*



The [Mali Climate Fund](#) supports integrated and ambitious solutions that mitigate the impact of climate change, improve biodiversity, reduce poverty, and achieve a resilient, green climate economy for all. Heavily dependent on natural resources, Mali is economically vulnerable to climate change and already experiences record-high droughts, floods, strong winds, and temperature fluctuations. All sectors of the economy are affected with agriculture, livestock, fisheries, forests, water, and health hit the hardest. The Fund is used to increase the resilience of ecological, economic, and social systems in Mali—incorporating priority policies and initiatives in the most vulnerable sectors. Although Mali has relatively low carbon output, excess greenhouse gas emissions can be reduced through the promotion of win-win strategies for clean development and effectively managing future risks linked to climate change. The Fund framework is built on enhancing national research capacities to better understand the middle ground between climate change, socio-economic, and human factors and sustainable natural resources. *Participating Organizations: UNESCO, FAO, UNDP,*



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## New fund development initiatives

### MPTF Decade on Ecosystem Restoration

As part of the United Nations Decade on Ecosystem Restoration (2021-2030), this instrument helps stakeholders combat declining biodiversity, support livelihoods, enhance natural resource measures, and adapt and mitigate climate change through the restoration of terrestrial, freshwater and marine ecosystems.

### The Systematic Observations Financing Facility

The Systematic Observations Financing Facility (SOFF) will strengthen climate adaptation and resilient development by improving weather and climate observations from lowest income countries and Small Island Developing States. Doing so will, in turn, support better weather forecasts, early warning systems, and climate information services to benefit countries around the world.

### Biodiversity for Health and Pandemic Prevention MPTF

An increasing number of studies confirm that environmental and animal health are critical determinants of human health and well-being and yet such thinking has not been mainstreamed in public health approaches. The Biodiversity for Health MPTF will make global contributions to better connecting these disparate fields through by supporting decision makers, providing them with relevant evidence to prevent future pandemics and enhance planetary health.



## 5 | Where are activities implemented and who implements them?

Regarding the geographical distribution of the portfolio, Table 4 shows the top 10 recipient countries according to approved budget in millions of US dollars. A diverse group of countries benefit from the climate pooled funding portfolio with a substantial investment in countries categorized as least developed countries (LDCs). Of the total approved budgets for country programmes, as of November 2021, 38% of resources were approved for investments in LDCs, and substantially in countries in conflict or transition.

Similarly, Table 5 shows the top participating organizations according to approved amount, with a mix of United Nations entities, multilateral development banks, and international cooperation agencies involved in programme implementation. The portfolio has seen a progressive increase in the participation of other organizations, including environmental and climate-centric ones. Overall, 20 different UN entities are engaged in funds across the portfolio, which showcases the integrated nature of climate and environment programming.

**Table 4. Total approved budget by country from climate and environment funds (US\$, cumulative)**

Country	Approved budget
Congo (the Democratic Republic of the)	241,649,233
Mali	33,074,380
Viet Nam	32,020,697
Bangladesh	18,074,778
Gabon	14,400,000
Cuba	11,590,425
Uzbekistan	9,737,316
Indonesia	7,850,917
Papua New Guinea	6,335,384
Myanmar	5,554,370
Global and Interregional	355,628,427
Other countries	82,270,579

Table 5. Total approved budget by participating organization from climate and environment funds (US\$)

Organizations	Approved Budget
UNDP (United Nations Development Programme)	308,988,506
FAO (Food and Agriculture Organization)	165,069,210
UNEP (United Nations Environment Programme)	97,384,149
IBRD (International Bank for Reconstruction and Development)	41,240,000
AFD (Agence Française de Développement)	37,573,388
UNOPS (United Nations Office for Project Services)	31,022,706
GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit)	30,000,000
UNCDF (United Nations Capital Development Fund)	17,386,579
ENABEL (Belgian Development Agency)	12,000,000
UNESCO (United National Educational, Scientific and Cultural Organization)	10,843,518
Other participating organizations	238,161,753

## 6 Innovating for climate: Innovative features across pooled funds

**Blended finance systems.** The Global Fund for Coral reefs is an example of how blended finance—leveraging concessional financing with non-concessional funding—is structured throughout the fund. A grant funding interface (MPTF) supports the incubation and preparation of projects for investments through an investment window. Private capital can be attracted for investments at an acceptable risk level due to the de-risking provided by the grant window. With a UNCDF mandate, loans and guarantees can be provided at the project level, complementing grants that further support small and medium enterprise development. In the case of GFCR, the investment window holds a catalytic, first loss junior tranche (\$125 million USD) where development actors, here Green Climate Fund (GCF), absorb a higher risk while senior tranche (\$375 million USD) impact investors hold a limited risk and a higher rate of return. In this way concessional funding is

used to catalyze and leverage non-concessional investment capital at scale.

**Results based payments.** Gabon is the first country in Africa to receive results-based payments for reduced emissions from deforestation and forest degradation. CAFI partners and the government of Gabon signed a groundbreaking agreement in 2019 for a total of \$150 million US dollars over ten years. In this manner of disbursing development assistance saw the first transfer for Gabon’s reduction of forest-related emissions being made in 2016 and 2017. Current action involves activities that further decrease CO2 emission.

**Innovation of new financial products.** In September 2021, Indonesia became the first country in Southeast Asia to issue an SDG Bond in the global debt capital market, raising \$584 million US dollars. Developed as a joint

programme under the Joint SDG Fund (see below), the bond will enable the government in financing social and environmental projects by providing an alternative source of financing for Indonesia to fast-track SDG achievement, particularly in light of the COVID-19 pandemic. Prior to issuing the bond, the Government of Indonesia created a securities framework to direct proceeds. This framework—developed with support from UNDP, HSBC, and Credit Agricole—includes selection criteria and indicators to ensure that allocations go towards projects with long-term impacts. The growing interest in green and SDG bonds provides an opportunity for emerging and frontier investors to leverage financing for sustainable development.

**Broad and diverse networks and partnerships.** Pooled funding enables collaboration between different actors. Expanding the types of partners that can engage in climate and environment funds has proved successful and implementation is carried out by UN entities alongside other partners comprised of private sector, NGOs, government institutions, and International Financial Institutions. The “fund alliance,” with the GCF in the GFCR, is an example of MPTF flexibility and how partnerships can structure innovative offers to build joint strategies for simultaneous investments. The blended finance pilot programme in Fiji with the Joint SDG Fund will test the joint theory of change.

## Inside look: How flagship global funds interact with the climate portfolio

As a trustee of a diverse portfolio, climate and environment funds often don't operate isolated and increasingly there are examples of how flagship global funds (such as the Joint SDG Fund and the Peacebuilding Fund) are interacting with climate initiatives.

**The Joint SDG Fund** was established to activate financing as an accelerator for the achievement of the Sustainable Development Goals (SDGs). Accelerating the SDGs demands a re-alignment of public and private investment decisions. Supporting the development of Integrated National Financing Frameworks (INFFs) can help countries define “financing” protocols and measures behind the “policies” that can accelerate SDGs. The Fund supports 16 Joint Programmes in the development of solutions for SDG 13 on climate action.

To catalyze strategic investments the Fund, through [SDG Invest](#), provided \$41 million US dollars to four selected joint programmes where

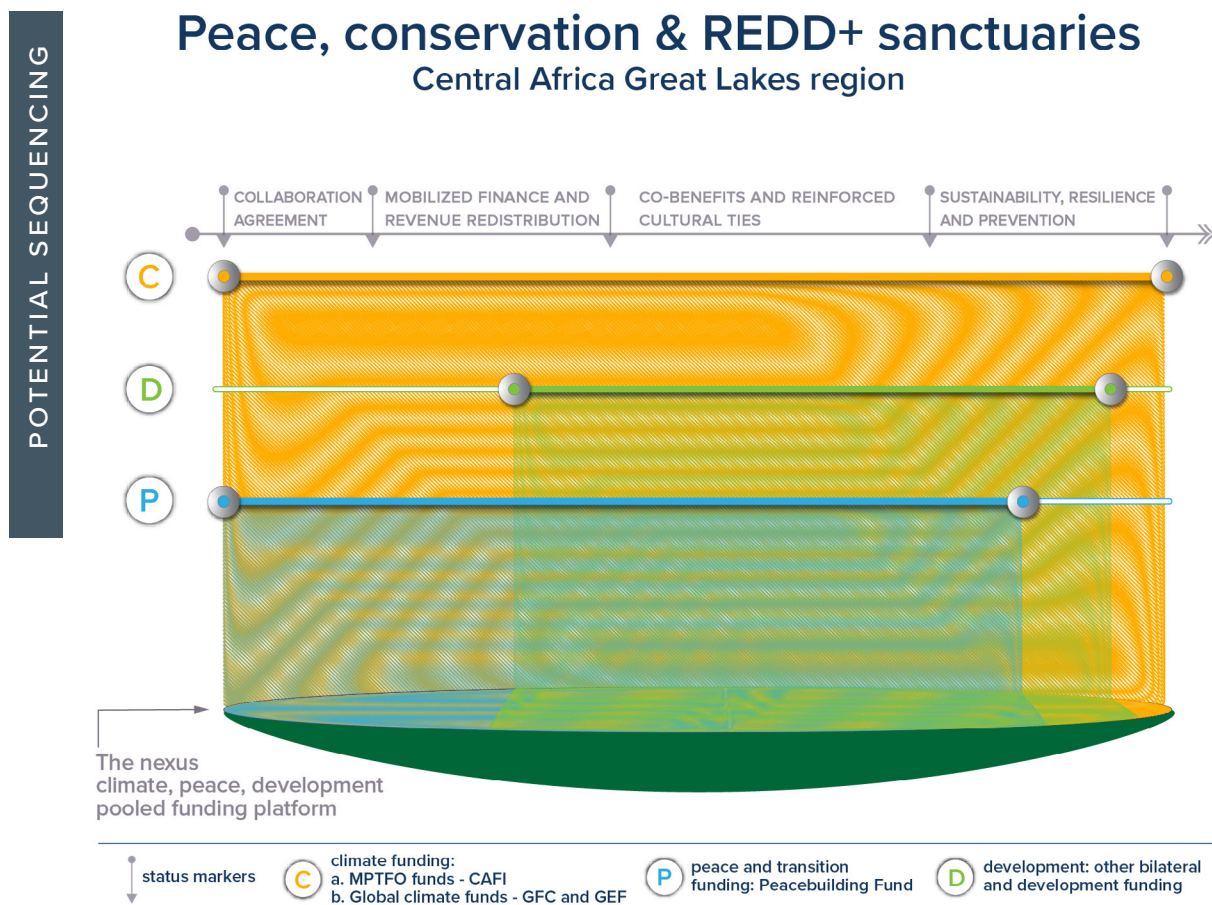
three focus on climate action and adaptation. A new generation of financial products to combat climate change are being created in **Indonesia** and include SDG bonds and the first Indonesian impact fund that aims to leverage \$4.5 billion US dollars. **Uruguay**, meanwhile, is creating the Renewable Energy Innovation Fund, a blended finance window for green transition projects. Programme stakeholders hope to leverage \$68 million US dollars in financing for Uruguay's second energy transition. In **Fiji**, the co-financed adaptation programme launched as a collaboration between the Joint SDG Fund and the Global Fund for Coral Reefs provides an example of how global funds can provide a coordinated support. The initiative leverages grant funding to mobilize commercial investments for sustainable coral reef conservation and accelerate reef-positive livelihoods. Principal transactions of the programme establish a locally managed Technical Assistance Facility to incubate a pipeline of reef-positive business models and

institute Special Purpose Entities (SPEs) with revenue streams to manage Fijian Locally Managed Marine Area networks. The joint programme also supports a new initiative to source sugar cane plantations with a non-synthetic fertiliser and paired with educational programmes to reduce agricultural run-off and erosion harmful to nearby coral reefs. The joint programme aims to leverage US\$60 million for the effective management of 30 marine protected areas, protection of 30.000 ha of coral reefs, 30.000MT GHG emissions reduction per year, and US\$1 billion of tourism loss avoided per year.<sup>1</sup>

**Peacebuilding Fund (PBF).** Collaboration between PBF and CAFI on forest conservation is a new initiative to start in 2022 and exemplifies how integrated programming can bridge the nexus between climate change, peace and stability. Building on achievements and good practices between funds, the initiative

is expected to offer solutions on peace and forest conservation that integrate five sources of funding from the PBF, CAFI, Global Climate Fund, Global Environment Facility and bilateral donors. Another innovative component is engaging the private sector in investing in clean energy solutions that are implemented by private operators. Investment facilities to be built at the country level to engage the private sector will help foster solutions that generate long-term sustainable revenue to address climate concerns and objectives. The bulk of revenue from these investments would go to forest protection. A cross-border initiative between Rwanda, Burundi and DRC is expected to generate \$80-100 million US dollars for increased stability in the region through the prevention of deforestation and creation of livelihood opportunities. Tackling climate change requires complex, comprehensive and transformative solutions that cannot be provided through single partners or programs.

<sup>1</sup> Brief produced by the Joint SDG Fund: Accelerating the SDG 13: Climate Action



# 8 | What makes a climate fund successful?

## Lessons learned

While climate and environment pooled funds operate in different and complex contexts, several lessons are applicable across the portfolio:

**Multi-partner trust funds are platforms for both financing and dialogue.** Having well performing and properly capitalized trust funds make them a political multi-partner dialogue platform and programming tool. These elements go hand in hand and require effective engagement and ownership by governments, contributors, United Nations, and environmental organizations.

**Pooled financing should be strategically used for sequencing available and often disconnected financing for climate initiatives.** The effectiveness of a pooled climate fund comes from tapping into and connecting with existing financial systems, using flexible pooled funds to articulate and structure sources of funding other than climate funds such as national, private and blended resources.

**Pooled financing is particularly fit to support integrated climate solutions.** Multi-partner trust funds combine different sources of funds to derive integrated solutions and require collective commitments from a variety of partners. In CAFI, for example, there is mutual commitment amongst national partners to halt and slow deforestation, and to engage sufficient financial resources on the side of donors with the aim of developing integrated programming in selected regions.

**Innovative finance and climate expertise is embedded across the MPTF portfolio.** In recent years, several flagship global funds recruited specialists in innovative finance and climate. This allowed for them to deploy and innovate financial tools and resources in a more comprehensive manner. What is more, improved articulation between global, regional and country-level trust funds administered by the MPTF Office allows for more coherent and effective investment strategies.

**The climate portfolio benefits from UN reform.** Inter-agency pooled funds build on the complementary expertise of pooled funds. Recent examples, such as the new Systematic Observations Financing Facility (SOFF) show how unique UN mandates have a role in buoying integrated solutions. United Nations Resident Coordinators play an important role in galvanizing joint action at the country level and facilitating political engagement. Part of the success of CAFI, as an example, is engaging RCs in complex political contexts as a sign of UN commitment at the highest level.

# 9 | Forward looking: Risk-weighted solutions that cultivate impact

This brief was prepared as world leaders, climate activists, youth and international organizations gathered in Glasgow for COP26, sharing common messages of the need for urgent action. The MPTF Office, as the UN center of expertise in pooled funding, is ready to support the United Nations and its partners in designing and administering trust funds that contribute to well-articulated and sequenced financing within a growing climate finance ecosystem.

Understanding this climate finance ecosystem, its opportunities and gaps, is essential if climate-focused pooled funds are to provide coherent multi-partner frameworks of engagement. In doing so, climate pooled foster connections between funds and funding streams, building bridges for integrated solutions to be deployed and platforms for multi-stakeholder engagement to grow.

Climate resources provided by MPTFs are often used in high-risk contexts since pooled financing allows for de-risking. Pooling resources through the UN spreads risks wider so many partners can collectively invest in high-risk solutions, as seen with the Peacebuilding Fund, and link climate finance with global sustainable development goals and agendas.

High-risk solutions have enormous potential for spurring innovation and being used to inform effective and integrated action. Pooled funds are emerging as a new type of flexible platform that can be scaled-up or reimagined as other instruments, and inspiring stakeholders to new levels of action by providing examples of successful solutions and benefits of investing and working together.

