



**UNDG Discussion Paper<sup>1</sup>**

**The Role of UN Pooled Financing Mechanisms to deliver the 2030 Sustainable Development Agenda**

**Executive Summary**

The rapid evolution of the development finance landscape will have a significant impact on the UN Development System's capacity to support an integrated implementation of the 2030 agenda for sustainable development. As part of this evolution, UN pooled financing mechanisms are expected to play an increasingly strategic role in financing the new development agenda. Notably, the synthesis report of the Secretary General on the post-2015 sustainable development agenda states that for the United Nations to be more 'fit for purpose,' *"sustained development financing for longer-term support, which enables pooling of resources and brings together development and humanitarian financing, will be critical, as will more coherent United Nations funding mechanisms that unite rather than fragment the development policy framework."*

Accordingly, the UNDG Principals requested a concise discussion paper focused on the comparative benefits and potential drawbacks of UN pooled financing mechanisms in supporting the integrated implementation of the 2030 sustainable development agenda. Based on the UN's experience with these mechanisms over the past 10 years and a review of the existing literature, this paper draws out five key comparative advantages of pooled financing mechanisms: (i) improving aid coordination and coherence; (ii) promoting better risk management; (iii) broadening the donor base for the UN system; (iv) facilitating transformative change; and (v) bridging the silos between humanitarian, peace and security, and development assistance. It also highlights that two potential drawbacks of such mechanisms are the risk of competition with existing agency-based funding mechanisms and thus, a zero sum game; and higher transaction costs.

A first conclusion of the paper is that inter-agency pooled funding mechanisms can play an important role in financing the UN for purpose as part of a broader portfolio of financing instruments. The indivisible and interconnected nature of the SDGs reinforces the need for multi-partner financing that can drive integrated approaches, encourage cross-sectoral responses and break sectoral silos. However, UN financing architecture consists of a variety of instruments and the role of inter-agency pooled financing mechanisms is to complement and not substitute for agency specific instruments.

A second conclusion is that the UN system should invest in its capacity to design and manage a consolidated portfolio of pooled funds at the global, regional and country levels in order to maximize their comparative benefits and minimize their potential drawbacks. This will include enhancing the capacity of UN staff to identify, access, combine and sequence the right type of financing instruments to meet global and national priorities.

A third conclusion is that financing should not be divorced from strategic planning. It is suggested to incorporate a dedicated chapter on pooled and innovative financing instruments in the updated UNDAF guidance. In addition, the role and scope of relevant UNDG Working Groups could be adjusted to comprehensively address the issues of financing-for-purpose as part of the UNDG architecture review in the last quarter of 2016.

As a follow-up on this paper, UNDG Principals might request the UNDG ASG Advisory Group to explore the potential of four to five pooled financing mechanisms that the UN System could champion to support Member

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<sup>1</sup> This paper was endorsed by the UNDG as of 28 March 2016.

States in the localization and implementation of the 2030 Agenda for Sustainable Development, and examine how these funds could be financed, particularly from non-traditional donors and innovative sources of finance.

While it focuses on UN pooled funds, the paper also recognizes that pooled funds represent only a small component of the broader UNDS response required to bridge the SDGs financing gap. As an additional next step, a broader review of the development finance landscape could be conducted to identify complementary financing solutions to implement the SDGs in partnership with a wide range of stakeholders. However, the scope and practicalities of such an exercise would have to be further discussed.

## **Introduction**

Three trends within the present development landscape have a significant impact on the UN Development System's capacity to support an integrated implementation of the 2030 development agenda. In 2014, total funding for UN system-wide activities reached US\$46.2 billion, with 62 %, or \$28.4 billion, spent on UN operational activities, representing 21% of total global official development assistance from DAC countries and 16% of total development cooperation flows.<sup>2</sup> These totals represent only a small share of overall global financing. Recent estimates have international resource flows to developing countries in 2012 reaching close to \$2 trillion<sup>3</sup> in a global economy that has tripled in size over the past 20 years to about \$75 trillion.<sup>4</sup> With the expansion and diversification of sources of finance, the UN System will need to increasingly work in a synergetic and catalytic manner with a growing and diverse range of partners in order to achieve transformative change for the 2030 Sustainable Development Agenda.

Second, the current UN financing architecture is strongly silo-ed between humanitarian, peace and security and development. With its focus on leaving no one behind, the SDGs will require the UN Development System to develop synergies across the crisis-peace and security-development contiguum and to find integrated solutions to efficiently implement an ambitious, indivisible and universal development agenda. This creates an added imperative for the integration of the different pillars of the United Nations system in terms of human rights, peace and security, humanitarian assistance, development and global challenges such as climate change or pandemics.

Third, a rapid growth in earmarked contributions have characterized the financing of the entire UN Development System for the past 20 years. In 2013 non-core resources accounted for some 75 per cent of total UNDS resources, compared to 56 per cent in 1998<sup>5</sup>. The strategic distortions and substantial transaction costs resulting from this increased reliance on earmarked resources have dominated the discussions on the financing of the UN Development System. It has also led to the organization of structured dialogues on how to secure a critical mass of core resources and increase the quality of non-core resources through soft earmarking or innovative financing mechanisms to preserve the strategy integrity of the UN system.

In light of these three trends, a dozen of recent inter-governmental and technical UN reports (see annex I) call for less fragmented and more coherent UN funding instruments. They recommend in particular a greater use of pooled funding mechanisms to effectively support and deliver the post-2015 Agenda and better bridge the humanitarian, peacebuilding, climate and development funding channeled through the UN System (collective financing to support collective action). Notably, the synthesis report of the Secretary General on the post-2015 sustainable development agenda states that for the United Nations to be more 'fit for purpose,' *"sustained development financing for longer-term support, which enables pooling of resources and brings together*

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<sup>2</sup> Source: OECD and Implementation of GA Resolution 67/226 on the QCPR: 2016.

<sup>3</sup> Ibid

<sup>4</sup> Dag Hammarskjöld Foundation and MPTF Office (2015).

<sup>5</sup> United Nations General Assembly Economic and Social Council, 2015, [Report of the Secretary-General A/70/62-E/2015/4](#)

*development and humanitarian financing, will be critical, as will more coherent United Nations funding mechanisms that unite rather than fragment the development policy framework.”*

While pooled funds have been long used by the private sector to finance initiatives that are too risky or capital intensive for individual investors, such instruments are a recent addition to the UN financial ecosystem. The first UN pooled fund was established in the immediate aftermath of the war in Iraq in 2004. For the first time, the ‘Iraq Trust Fund’ made it possible for donors to contribute to the UN system as a whole, while relying on standing operating procedures of individual agencies. Since 2004, inter-agency trust funds make up about 8.5% of overall non-core to the UN system (or \$1.8 billion/year) and operate in a wide range of humanitarian, transitional, development and climate financing contexts in over 100 countries, as well as on different geopolitical scales (global, regional, national and subnational funds).

In recognition of the critical role that pooled financing mechanisms<sup>6</sup> could play in enabling the UN system to support as one the 2030 sustainable development agenda, the UNDG Principals requested the UNDG ASG Advisory Group in December 2015 to prepare a short, strategic discussion paper by 19 February on the “Role of Joint and Pooled Financing in Support of the 2030 Agenda.” In response to this request, this paper was prepared by an ad hoc inter-agency task team lead by the UN Women ASG, Yannick Glemarec. While it focuses on UN pooled funds, the paper recognizes that these financing mechanisms are only one element of a broader UNDS response to the fast evolving development financing landscape. Based on the UN’s experience with pooled financing mechanisms over the past 10 years and a review of the existing literature, the paper draws out the key potential comparative advantages and drawbacks of pooled funds and makes recommendations in order to maximize their contributions to the financing of the UN System.

## **I. Comparative advantages of pooled financing mechanisms**

### **a. Coordination and Coherence**

Aid is often fragmented across different donors or channeled through a proliferation of funding instruments. Experience particularly in humanitarian and fragile contexts, have shown that a small number of well capitalized pooled funds act as centers of gravity to improve effectiveness, reduce duplication and promote alignment among a wide range of actors.<sup>7</sup> Such funds have used financial resources to unify interventions by UN agencies, multilateral development banks, bilateral institutions and civil society, in support of strategic national priorities. By doing so, they have created positive externalities, economies of scales and incentives for governments, donors and development partners to ‘opt-in’, rather than ‘opt-out’.

For example, the Government of Somalia, under the New Deal and in partnership with the international community, has established the Somalia Development and Reconstruction Facility (SDRF). The SDRF is a key element of a joint vision by the Government and international community as articulated in the Somali Compact to create a critical mass of resources that can be channeled more strategically, coherently and effectively.

The SDRF has successfully consolidated a number of different funding instruments and individual programmes under a single coordination platform, in support of a common reconstruction strategy. Development partners have agreed to reduce the number of parallel funding channels and gradually increase the amount of aid channeled through priorities under the SDRF as mutually agreed benchmarks are met.<sup>8</sup> Building on the positive experience between the UN and World Bank in the framework of Iraq Trust Fund, the SDRF includes three major

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<sup>6</sup> This includes both UN inter-agency trust funds and joint programmes.

<sup>7</sup> For example, a number of evaluations (Scanteam, 2007 & 2009; Pricewaterhouse Coopers, 2011; Swiss Trust Fund, 2013) have noted that much of the impact of the Iraq Trust Fund was attributed to its significant size of multi-year funding by multiple donors (more than \$1.9 billion).

<sup>8</sup> Federal Republic of Somalia (2013). Somali Compact.

windows operated by the UN, the World Bank and the African Development Bank. The arrangement has facilitated a clear division of responsibilities across three institutions based on comparative advantage of each institution to deliver on a set of shared goals. The UN window promotes inter-agency coherence through a number of large joint programmes.

Similarly, humanitarian pooled funds, which became more prominent following the 2005 Humanitarian Reform agenda, have been serving as centers of gravity for greater alignment and coordination of emergency response. The former Common Humanitarian Funds (CHFs) channeled an average 10 percent of total humanitarian funding (USD 3.1 billion cumulatively).<sup>9</sup>

Although the success of the One UN Funds as part of an integrated funding framework for the United Nations development system has been modest<sup>10</sup>, the experience of Tanzania, Rwanda and PNG<sup>11</sup> among others has proven the ability of well-capitalized Delivering-as-One (DaO) funds to improve UNDS coherence. Notably, the pooled funding operational effectiveness study, commissioned by DOCO, concluded that the pooled funds have contributed to strengthen coordination among UN organizations, between the UN and government, and by donors; 86 percent of survey's respondents (including Offices of Resident Coordinators, UN Agencies, donors, governments and NGOs) confirmed that the pooled funds are "a good mechanism to encourage coordination between UN and government agencies".

Pooled funds also provide a best practice in terms of the UN system's capacity to manage resources in a unified manner based on standard operating procedures. Similarly, pooled funds have been particularly effective at promoting joint programming between UN agencies. For example, with a \$700 million contribution from Spain, the MDG Achievement Fund supported 130 joint UN programmes in 50 countries.

## **b. Improving risk management**

Pooled funds potentially offer a number of options to better manage risk for individual development partners, particularly in fragile and conflict-affected contexts. The governance arrangement of a pooled fund, which brings together government, UN and development partners as a steering committee, provides a unique platform for development of a shared understanding and coordinated management of risks, including a better balance between contextual risk, programmatic and institutional risks. Shared decision making and oversight in pooled funds spread individual donor exposure to political and reputation risk.

Fully leveraging this risk management potential of pooled funds could support an earlier release of development finance. The SDRF has developed a comprehensive risk management strategy, which has facilitated the release of \$116 million (as of January 2016) to the UN window from eight contributing partners (including the European Union).

However, UN system's efforts in using pooled funds to manage risks in complex development contexts are still at a nascent stage and additional investment in staff capacity will be required to maximize the risk management potential of pooled funds. In complement, continuous investment in transparency will need to be supported.

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<sup>9</sup> This analysis is limited to the former CHFs administered by the MPTF Office.

<sup>10</sup> UNDESA, Report of the Secretary-General, Implementation of General Assembly Resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR), February 2014, unedited version.

<sup>11</sup> Annex III provides a sample of well-capitalized UN pooled funds that play a critical role in improving coherence and coordination of international assistance.

The MPTF Office's web-based portal, the Gateway<sup>12</sup>, which offers public, real-time information, has often been commended by donors as a best practice in this regard.

### **c. Broadening the donor base**

UN pooled funds have created an opportunity for the UN system to expand and diversify its donor base, particularly towards emerging and non-resident donors. The analysis of capitalization of UN trust funds<sup>13</sup> demonstrates a steady increase in the number of non-traditional donors and associated financial flows. In 2004, UN trust funds were capitalized by 20 different donors, with 6.7 percent coming from non-top 10 donors<sup>14</sup>. In 2014 the donor base expanded to 53 donors with 21.1 percent coming from non-top 10 donors, including emerging and non-resident donors. At the height of the Ebola crisis the UN pooled fund on Ebola received 55% of its USD 165 million contributions from 40 not-top 10 donors, including non-traditional donors and multiple private/individual funding sources.

Pooled financing instruments also provide a mechanism to develop, collect and channel resources from innovative financing instruments. While experience within UN pooled funds is limited, several vertical funds have developed innovative mechanisms. For example, the Vaccine Alliance GAVI and the Global Fund against AIDS, Tuberculosis and Malaria have relied on a number of innovative financing instruments such as the international finance initiative or the Pneumococcal advance market commitments (AMC). Similarly, the Adaptation Fund is partly funded by a levy on international carbon market transactions. However, designing and implementing innovative financing mechanisms can be expensive, complex, time-consuming and fraught with political risks. For example, building the case for the Pneumococcal AMC required an investment of more than \$30 million. Pooled funds can offer the UN system a platform to achieve economies of scale and an expertise that would improve the relative cost-effectiveness of designing and implementing innovative finance mechanisms.

Pooled funds also provide a mechanism to improve the quality of non-core resources for UN agencies to support transformative change. Financial partners softly earmark contributions either at the thematic level or country level and leave the specific allocations to the UN, national government and other development partners to determine based on priorities.

### **d. Financing Transformative Change**

Pooled funds are investment vehicles designed to promote integrated, cross-cutting initiatives over a long period of time. Compared to individual projects from individual institutions which support incremental change, well designed pooled funds are based on comprehensive theories of change, which articulate the causal linkages and actions required by all partners in a development context in order to achieve transformative results.

These theories of change ensure that pooled financing is tightly linked to development analysis and planning. Notably, this enables pooled funds to identify and address critical gaps in UN financing that risk undermining interventions, thereby complementing rather than substituting agency specific funding and improving overall coherence.

The theories of change can also be translated into a fund result-based management system, which allows a fund to aggregate the performance of individual projects and report on fund output efficiency, outcome effectiveness and overall impact. The Central African Forest Initiative (CAFI) provides a good illustration of a fund underlined

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<sup>12</sup> <http://mptf.undp.org/>

<sup>13</sup> The sample size of this analysis includes only UN MPTFs administered by the MPTF Office.

<sup>14</sup> Top 10 donors of UN MPTFs are UK, Spain, Norway, Sweden, Netherlands, EU, Japan, Australia, Canada, Denmark, and Ireland.

by a robust theory of change and aiming at achieving transformative results through addressing critical funding gaps (see annex, V).

The capacity of pooled funds to support cross-cutting initiatives over a long period of time to achieve transformative change could be particularly critical to simultaneously address multiple SDGs in a synergistic manner. Jointly developing the theories of change that would underlay these transformative initiatives could enable the UN system and its partners to better identify and articulate opportunities to work in more integrated manner.

#### **e. Bridging the silos between humanitarian, peace and security and development assistance**

Silo funding for development and humanitarian action at country level can undermine the ability of the UN System to promote synergies and integrated multi-year action between humanitarian responses and longer-term development, particularly in protracted crisis. A new generation of pooled funds facilitate blending, sequencing and cross-referring development and humanitarian funding.

There are two ways that pooled funds have demonstrated their ability to bridge silos. The first is to establish parallel country humanitarian, transition, peacebuilding and development funds and to manage them in an integrated manner under the triple “hat” of the DSRSG/HC/RC. In such contexts, a system of **cross referencing** enables one pooled fund to refer projects that fall outside its scope to another.

For example, the water supply and sanitation needs of a community can be initially met by a humanitarian fund during an emergency. Should the emergency move to prolonged displacement, more sustainable water solutions could then be supported by a transition or development fund. The presence of *both* Country-Based Pooled Funds (CBPFs) and Recovery Funds, in a given country, offers opportunities to bridge silos through such cross referencing. However, experience in the Central African Republic, DRC, and South Sudan shows that this option tends to be under-utilized due to the limited familiarity of UN managers with fund cross-referencing modalities.

The second option is to develop **bridging pooled funds**. The Peacebuilding Fund (PBF), for example, with its greater risk appetite and catalytic ambition, plays an important role in promoting UN integration at HQ and in country, while increasing cooperation with other partners. Experience has also shown that the PBF’s ability to provide fast and flexible funding has catalyzed and leveraged additional development assistance. For example, in the Central African Republic, the PBF’s \$4.6 million through the CAR MPTF, was critical in leveraging over \$15 million from other donors in 2014, including a first time contribution from the U.S. The UN Ebola Response Trust Fund, which was designed to address a complex set of humanitarian, emergency response and development issues, was funded by a blend of humanitarian and development financing. A third example is the new Global Acceleration Instrument (GAI). The GAI is specifically designed to bridge the silos between humanitarian, peace, security and development finance by investing on enhancing women’s engagement, leadership and empowerment across all phases of the crisis, peace, security, and development contiguuum. Bridging pooled funds have proven versatile and could further enhance the UN system’s ability to address the interconnected nature of the SDGs.

## **II. Potential Drawbacks**

### **a. Additionality – is it a zero sum game?**

One of the concerns about UN pooled financing mechanisms is that they might compete with agency specific fund raising efforts. However, evidence shows that the introduction and growth of pooled funding instruments in the UN system over the past 10 years has not been a zero sum-game in relation to agency-specific non-core funding. While pooled financing to the UNDS agencies have grown by approximately 30% since 2007, the agency-

specific non-core resources increased by 60% during the same period. This points to a complementary, portfolio optimizing funding pattern between pooled and agency-specific mechanisms rather than a competitive one.

The existing documented cases of competition have taken place among different multi-partner trust fund solutions (UN, European Union, IFIs and bilateral trust funds) rather than between UN trust funds and other UN streams. The Global Financing Facility and EU Regional Trust Fund in response to the Syrian crisis are examples in this regard. As shown by the experience in Somalia, the UN system seems competitively better positioned when aligned together around a pooled instrument rather than acting individually.

As highlighted above, pooled funds are also able to broaden the donor base, attracting resources that would otherwise have not been channeled through the UN system. Even where the donor base may overlap, pooled financing mechanisms **only need to mobilize between 15-20 percent** of overall non-core funding portfolio in order to leverage their comparative advantages in terms of addressing funding gaps for coherence and using money as a unifier rather than as a divider. This way, they would complement and not substitute agency specific fund-raising, and be designed and managed as such.

#### **b. Transaction costs**

Pooled funds do introduce a layer of intermediation and thus 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. Thus, they do not require all participating organizations to comply with the operating procedures of a lead agency. Instead, pooled funds offer a flexible mechanism that enables participating organizations to handle implementation according to their own operating procedures for procurement and financial management. By avoiding any duplication of operating procedures, pass-through mechanisms minimize implementation delays and transaction costs.

The *pooled funding operational effectiveness study*<sup>15</sup> revealed that any increase in transaction costs may have been due to the humanitarian and One UN reforms at the time, and not as much to the pooled fund mechanism itself. As pooled funds were meant to improve the UN delivering together, this implied added costs of coordination. However, over 70% of respondents (governments and donors) confirmed that the pooled funds did not increase transaction costs (in terms of planning, coordination processes & meetings), compared with other financing mechanisms. And 52% of UN Agency respondents stated no increase in transaction costs of planning and coordination from their participation in pooled funds. These trends must continue to be studied.

Similar conclusions emerge from the independent evaluation of lessons learned from “Delivering as one”. For governments and partners, pooled funds seem to actually reduce transaction costs. As UN inter-agency pooled funds almost always reduce transaction costs for national governments and donors, it increases the UN value proposition as an operational partner-of-choice. For UN participating entities, it appears that transaction costs vary across funds. As shown by some poorly capitalized One Funds, the risk of higher transaction costs associated with coordination and reporting is directly related to the size of the fund itself and the average size of its transfers. Poorly capitalized funds tend to make small transfers, increasing the transaction costs for individual agencies. Funds are poorly capitalized when they are poorly designed and do not bring an added value within the broader financing ecosystem; or when there is a proliferation of comparable pooled funding instruments.

Today, 66% of all UN Multi-Agency Trust Funds and over 90% of joint programmes are capitalized at above the UNDG established threshold for pooled fund operations (USD 5 million/year for MDTFs and USD 1 million per Participating UN Organization for joint programmes). The efforts to improve the overall capitalization of UN pooled funds continue and have led to phasing out or redesigning of undercapitalized funds. Tightly earmarked

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<sup>15</sup> [Operational Effectiveness of the UN MDTF Mechanisms, May 31, 2011](#)

contributions from donors to pooled funds also increase transaction costs for agencies. UNDG guidelines allow for broad earmarking only at the thematic or outcome level to discourage donors from this practice.

### **Conclusions and Recommendations:**

The UN has accumulated a wealth of experience over the past decade with system-wide development, humanitarian and recovery pooled funds. This experience has highlighted that pooled funds can be powerful mechanisms for better positioning the UN system to deliver the 2030 Agenda, as part of a portfolio of financing instruments. Funding drives change and well-designed collective funding can drive collective action and UN reforms. At the same time, they have potential drawbacks and could create new inefficiencies if not done right.

The strength and success of UN-pooled financing instruments will depend on the capacity of the UN system at three levels: fund design and administration, fund operations and fund implementation. To leverage the potential benefits and limit the potential drawbacks, upfront investment in fund design will save time, increase the likelihood of capitalization, lower transaction costs and increase impact. The analysis presented in the previous section points to a number of features that pooled funding mechanisms should present. These include:

1. Objectives that spell out the added value and complementary of the pooled financing instrument vis-à-vis alternative financing solutions and link its financing strategy with the policy and programmatic strategies;
2. A robust theory of change and result framework that capture the transformative impacts that a pooled funding mechanism seeks to bring about and facilitate reporting arrangements, minimizing transaction costs and leading to effective fund allocation for results.
3. Transparent risk and fund management systems that are IATI compliant<sup>16</sup> and include streamlined governance arrangements; and
4. A clear resource mobilization strategy that leverages and complements agency based mechanisms.

To increase the likelihood of capitalization and further reduce transaction costs, efforts should be made to consolidate small pooled funds into fewer and larger UN funds at the global, regional and country levels. In addition, there is a need to invest in the capacity of the UN system and partners to identify, access, combine and sequence the right type of financing instruments to meet national priorities across the humanitarian-development contiguum. This will require support to UN managers on different financing options at the global, regional and country levels; the comparative advantages and drawbacks of these options; when inter-agency pooled financing mechanisms are likely to be the most appropriate vehicles; and how to deploy and access these mechanisms in the most effective manner. This could be part of the 2016 UNDAF guidance.

Given the rapid evolution in pooled financing instruments and the increasing range of fund modalities employed by the WB, EU and perhaps other development partners in the future, the UN system's coordination mechanisms should be strengthened to ensure that innovation, quality assurance and communication around UN pooled financing mechanisms and financing-for-purpose is not a once-off, but an on-going process. Such would encourage the development of new business solutions, especially in response to country-led demand, and also focus on improving the UNDG's capacity to strategically approach pooled funding. An option would be to adjust the role and scope of relevant UNDG Working Groups as part of the UNDG architecture review in the last quarter of 2016.

As a follow-up on this paper, UNDG Principals might request the UNDG ASG Advisory Group to explore the potential of four to five pooled financing mechanisms that the UN System could champion to support Member

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<sup>16</sup> It is recognized that not all UNDG entities are signatories of IATI but transparent risk and fund management systems are a shared value across all UNDG member entities.

States in the localization and implementation of the 2030 Agenda for Sustainable Development, and examine how these funds could be financed, particularly from non-traditional donors and innovative sources of finance.

It is also recognized that pooled funds represent only a small component of the broader UNDS response required to bridge the SDGs financing gap. Accordingly, UNDG Principals may consider conducting a more comprehensive analysis and review of the evolving development financing landscape to identify complementary financing solutions for implementing the SDGs in an integrated manner together with IFIs, private sector, key donors and other engaged stakeholders.

## **Annex:**

### **1. List and links to recent reports**

A number of reviews undertaken over the past eighteen months call for more coherent funding instruments and recommend using pooled funding mechanisms to address integration, coherence, and effectiveness of the post-2015 Agenda and associated humanitarian and development funding channeled through the UN System.

- Synthesis Report of the Secretary-General On the Post-2015 Agenda, [http://www.un.org/disabilities/documents/reports/SG\\_Synthesis\\_Report\\_Road\\_to\\_Dignity\\_by\\_2030.pdf](http://www.un.org/disabilities/documents/reports/SG_Synthesis_Report_Road_to_Dignity_by_2030.pdf)
- Background Note for 2015 ECOSOC Dialogue on Longer-term Positioning on the UN Development System, [http://www.un.org/en/ecosoc/newfunct/qcpr\\_workshop\\_ii.shtml](http://www.un.org/en/ecosoc/newfunct/qcpr_workshop_ii.shtml)
- Financing the UNDS: Getting it right for a post-2015 world, Dag Hammarskjold/MPTF Office, 2015, <http://mptf.undp.org/document/download/14461>
- Financing Recovery for Resilience: Enhancing the coverage, capitalization and coherence of pooled financing mechanisms for recovery to strengthen synergies between humanitarian, development and climate finance, MPTF Office, 2014, <http://mptf.undp.org/document/download/13201> -
- Report of the High-level Independent Panel on Peace Operations, 2015, [http://www.un.org/sg/pdf/HIPPO\\_Report\\_1\\_June\\_2015.pdf](http://www.un.org/sg/pdf/HIPPO_Report_1_June_2015.pdf)
- 2015 Review of the UN Peacebuilding Architecture by Secretary-General's Advisory Group of Experts, <http://www.un.org/en/peacebuilding/pdf/150630%20Report%20of%20the%20AGE%20on%20the%202015%20Peacebuilding%20Review%20FINAL.pdf>
- High Level Panel on Humanitarian Financing: Report to the Secretary General
- Reports of the Working Group on Transitions
- FMOG Reports on Pooled Funds in UNDS
- Implementation of General Assembly Resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR): 2016 - [http://www.un.org/en/ecosoc/qcpr/pdf/SGR2016-Implementation\\_of\\_QCPR\\_advance\\_unedited.pdf](http://www.un.org/en/ecosoc/qcpr/pdf/SGR2016-Implementation_of_QCPR_advance_unedited.pdf)
- Designing Pooled Funds for Performance , MPTF Office, 2015, <http://mptf.undp.org/document/download/14290>
- Financing development together: The role of pooled financing mechanisms in enhancing development effectiveness , MPTF Office, 2013, <http://mdtf.undp.org/document/download/12276>
- Operational Effectiveness of the UN MDTF Mechanism, Independent Evaluation, 2011, <http://mdtf.undp.org/document/download/6916>
- Report of the Secretary-General for the World Humanitarian Summit (January 2016), <https://www.worldhumanitariansummit.org/file/521033/view/569103>
- Financing Integrated Peace Consolidation Efforts, <http://mptf.undp.org/document/download/14174>

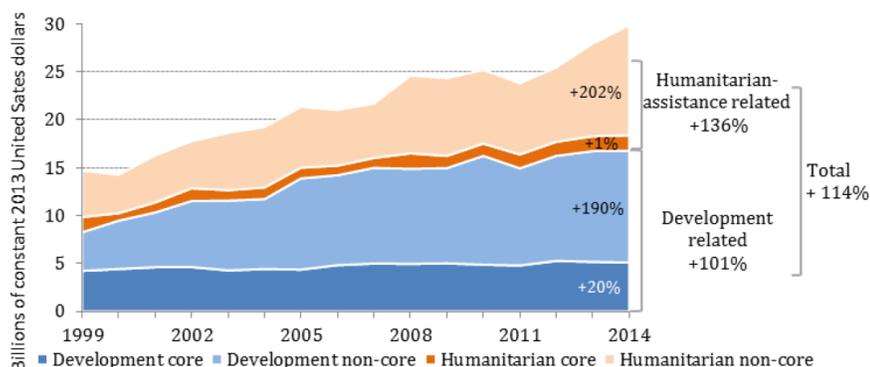
## 2. Trends on inter-agency pooled fund mechanisms

The overall economic landscape has changed over the past twenty years. The world GDP increased from USD 30 trillion in 1995 to USD 78 trillion in 2014. The Official Development Assistance grew from USD 65 billion in 1995 to USD 178 billion in 2014, and represents 0.2 percent of the world GDP today. The UN System is just one player within a much broader financial ecosystem. In 2014, overall contributions to the entirety of the UN system amounted to around USD 46.2 billion, with some USD 28.4 billion for UN operational activities for development (UN-OAD), which include both development and humanitarian activities, but exclude peacekeeping and normative activities. Core contributions constituted only 24 percent of the overall funding, while over three-quarters of the funding for UN-OAD were in the form of non-core resources. Funding for UN-OAD, when core and non-core flows are combined, accounted for 18 percent of total ODA in 2014.

Over the past 15 years real-term growth of funding for UN-OAD has been positive for both development and humanitarian assistance activities. Growth in core resources has been minimal compared to growth in non-core resources for both development-related activities and humanitarian assistance activities.<sup>17</sup>

**Figure 1**

**Real change over time of funding for UN-OAD, 1999-2014**  
(Percentage change relative to 1999)



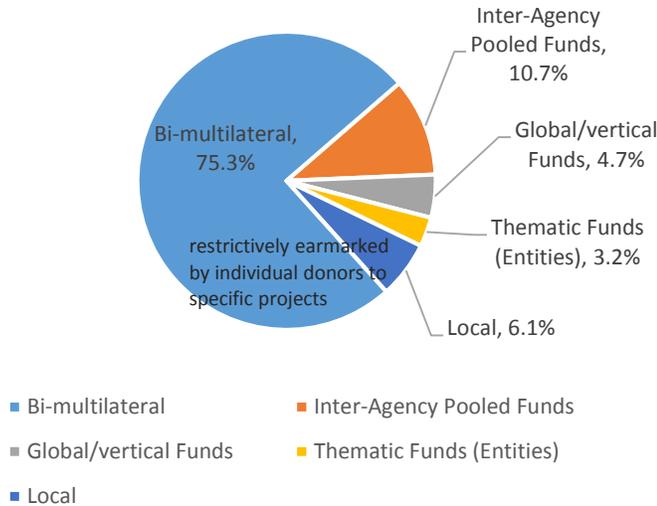
Non-core pooled funding mechanisms have been developed over time to enable pooling of non-core funding from different sources and channeling them to the UN System entities. These modalities are a result of efforts by the international community to promote coherence, alignment and aid effectiveness, counterbalancing high fragmentation caused by the predominantly single-donor and single-programme nature of non-core resource flows.

Most non-core funding is restrictively earmarked by individual donors to specific projects. In 2014 around 10.7 percent<sup>18</sup> of overall non-core resource flows were channeled through UN inter-agency pooled funding instruments which include humanitarian multi-donor trust funds, development multi-donor trust funds, and joint programmes.

<sup>17</sup> Implementation of General Assembly Resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR): 2016

<sup>18</sup> Without the contribution of Saudi Arabia to the humanitarian pooled fund in Iraq, the share of the UN inter-agency pooled funding instruments would have been 8.5 percent

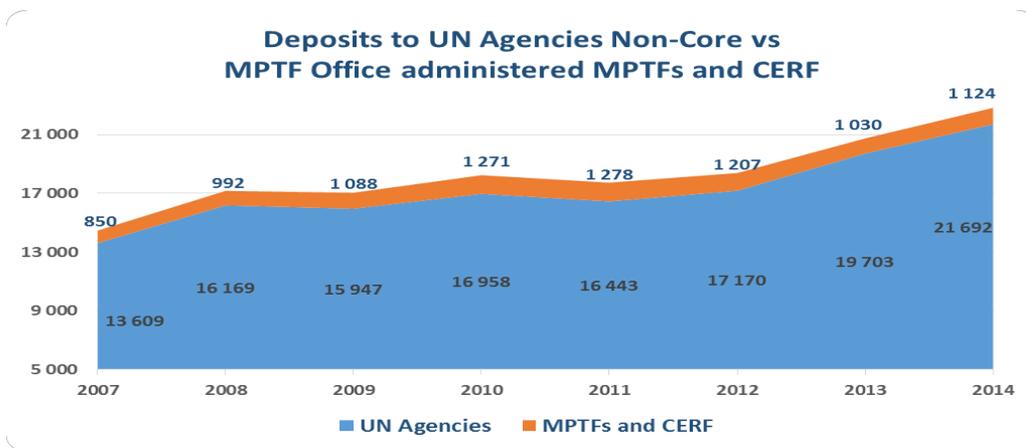
**Figure 2: Non-core funding modalities for UN-OAD: 2014**



Source: Figure XVa, Secretary-General’s Report “Implementation of GA Resolution 67/226 on (QCPR): 2016

Analyzing the trends of non-core financing and pooled funding revealed no pattern of inverse correlation between non-core and pooled funding, infirming the zero-sum-game assumption.<sup>19</sup> Inter-agency pooled fund resources added to the increase in the annual amount of non-core resources of the UN System.

**Figure 3**



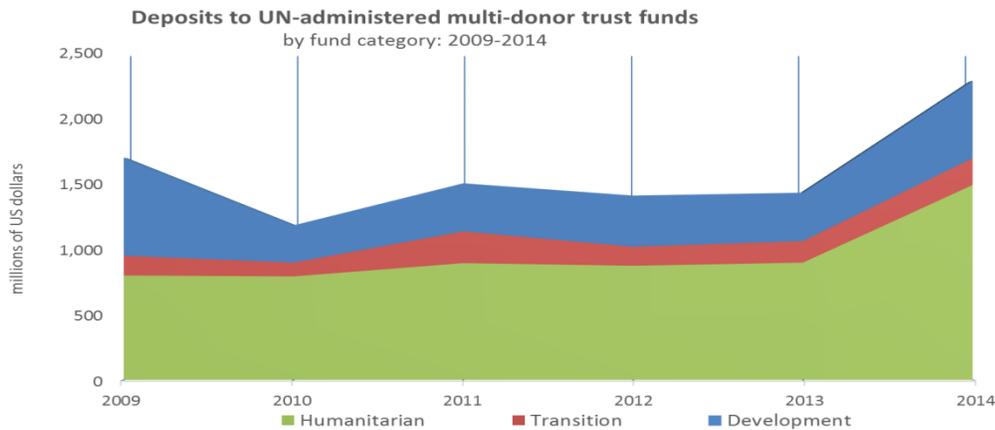
The importance of inter-agency pooled financing mechanisms to finance the UN Development System (UNDS) has substantially grown over the past 10 years, in line with the increased focus on issue-based financing and system coherence. Starting from a marginal base at the turn of the century, UN inter-agency pooled funding mechanisms together channel about USD 1.8 billion per year today<sup>20</sup>. The Multi-Partner Trust Fund Office (MPTF Office) of UNDP, which serves as a UN service provider of pooled fund design and administration services, in 2014 received USD 0.9 billion for UN humanitarian, transition, and development inter-agency UN trust funds.

<sup>19</sup> This analysis included the 2014 QCPR data on non-core levels and MPTFs administered by the MPTF Office and CERF.

<sup>20</sup> In 2014 this figure reached USD 2.3 billion due to the USD 500 million one-off contribution of Saudi Arabia to the Humanitarian Fund for Iraq.

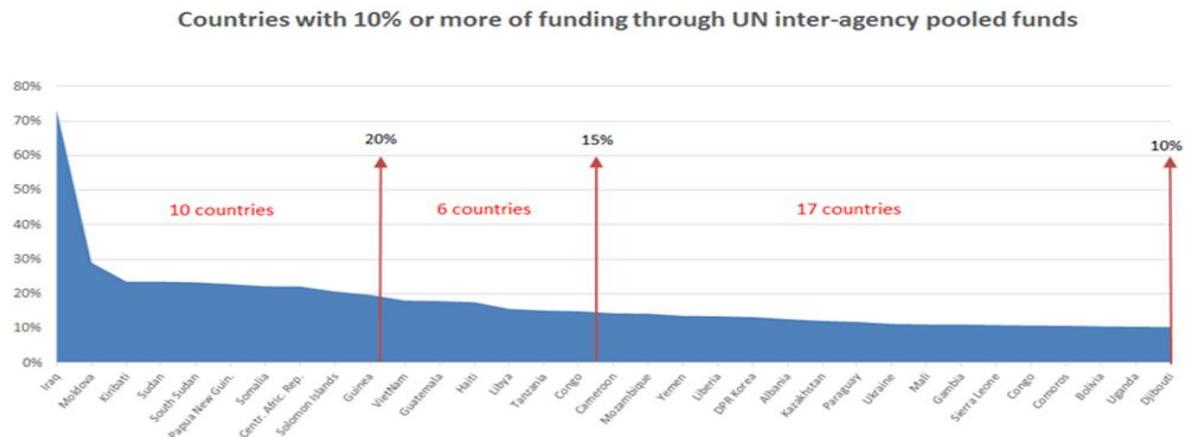
On the humanitarian side around USD 0.48 billion were received in 2014 by the Central Emergency Response Fund (CERF).

**Figure 4**



The number of countries that use inter-agency pooled funds to deliver substantial volume of their programmes remains low. While the 2012 QCPR resolution encourages Member States making non-core contributions to give priority to pooled, thematic and joint funding mechanisms, the implementation of this point in the resolution remains weak. The analysis of the QCPR indicator of countries with more than 20 percent of funding flowing through inter-agency pooled funds reveals that only 10 programme countries (6 percent of all countries) achieved this indicator.<sup>21</sup> Five of those countries (CAR, Iraq, Somalia, South Sudan, and Sudan) have strong humanitarian pooled funding mechanisms and somewhat sizable transition pooled funding portfolio.

**Figure 5: Countries with 10% or more of funding through UN inter-agency pooled funds**



<sup>21</sup> <http://www.un.org/en/ecosoc/qcpr/pdf/QCPRMonitoringFramework2016.pdf>

### **3. Data on pooled fund capitalization**

Well capitalized pooled funds act as strategic and unifying tools, creating positive externalities, economies of scale and greater incentives for governments, donors and other partners to ‘opt-in’ rather than ‘opt-out’.

**Table 1: Sample of well capitalized trust funds**

Name of Funds	Total deposits	# of years	Ave. annual size (USD mln)
<b>TRUST FUNDS</b>			
<b>Thematic Global</b>			
MDG Achievement	706	6.0	<b>118</b>
Ebola Response	165	1.5	<b>110</b>
Peacebuilding	671	10.0	<b>67</b>
Central African Forest Initiative	250	5	<b>50</b>
<b>Humanitarian</b>			
South Sudan	470	4.0	<b>118</b>
DRC	923	10.0	<b>92</b>
Somalia	335	5.5	<b>61</b>
Afghanistan	85	1.8	<b>49</b>
Human Fund for Iraq (Saudi Fund)	500	1.0	<b>500</b>
<b>Transition</b>			
Iraq IRFFI (UN)	1358	10.0	<b>136</b>
Iraq IRFFI (WB)	495	10.0	<b>50</b>
Somalia SDRF (UN)	73	0.8	<b>98</b>
Somalia SDRF (WB)	100	1.5	<b>67</b>
<b>Delivering as One</b>			
PNG	78	6.5	<b>12</b>
Malawi	84	7.0	<b>12</b>
Tanzania	218	8.2	<b>27</b>
<b>JOINT PROGRAMMES:</b>			
<b>Transition</b>			
oPT - Rule of Law	13	1.5	<b>9</b>
Somalia - Local Governance	72	7	<b>10</b>
<b>Development</b>			
Ghana WASH	17.3	1.5	<b>12</b>
Support to IDP	12.2	2	<b>6</b>
<b>Government-funded JPs:</b>			
Kazakhstan (3 Joint Programmes)	19.3	4	<b>5</b>
<b>NATIONAL FUNDS:</b>			
Mali Stabilization Fund	43	2	<b>22</b>

#### **4. Typology of Pooled Funding Modalities and Lessons Learned**

**Global Pooled Funds:** CERF, Peacebuilding Fund, Ebola Response Fund, MDG Achievement Fund, SDG Fund and others

**Country-level Funds:** Country-Based pooled funds (CBPFs) (includes both former Common Humanitarian Funds and Emergency Response Funds), UN Transition Funds (Iraq, Somalia, CAR, DRC), Delivering as One Funds (21 Funds)

**Joint Programmes:** thematic country-level Joint Programmes involving two to five UN Agencies

#### **CERF**

The Central Emergency Response Fund (CERF) provides fast and predictable and flexible funding to UN Agencies. CERF resources are not earmarked for specific countries or crises, and are deployed quickly wherever needs are greatest whether a crisis is sudden or protracted and whether it is in the news or not. Since its establishment in 2006, over 150 contributors that include Member States, private sector and Foundations have contributed to CERF. The Fund financed humanitarian projects in over 90 countries.

#### **PBF**

The Peacebuilding Fund (PBF) was launched in 2006 as one of the cornerstones in the Secretary General's Peacebuilding Architecture. The fund was created to provide rapid and catalytic funding to support activities, actions, programmes and organizations that seek to sustain peace over the long-term by reducing the risk of lapse or relapse into violent conflict. PBF activities range from support for the implementation of peace agreements, political dialogue and strengthening of national capacities, to support for revitalizing the economy and establishing or re-establishing essential administrative services. Since 2006 the PBF has received funding from 56 contributors and funded projects in 33 countries.

#### **Ebola Response MPTF**

The Secretary-General launched the UN System Response to the Ebola Outbreak to unite efforts of all concerned UN Entities and act as a platform for the global oversight and coordination of the Ebola Outbreak. To respond to the unfunded needs defined in the Overview of Needs and Requirements, the UN Secretary-General launched the Ebola Response Multi-Partner Trust Fund to ensure speedy, coordinated, and rapid UN action. Funding channeled through the inter-agency pooled fund mechanism for Ebola (USD 165 million) represented 11 percent of the funding that was implemented by the UN entities. The Fund was set up in four days, it mobilized over USD 125 million in its first three months of operations in 2014, and the project funds were allocated through an efficient 7-day allocation cycle. Building on strong advocacy, shared responsibility and global solidarity over 40+ Member States have contributed to this global Trust Fund, with 55 percent of resources from not-top-10 MPTF Office donors. Eleven UN Agencies participated in the Fund, which enabled them to fund critical activities on the ground ranging from deployment of medical professionals to logistical operations to community mobilization. The Fund served as a global resource to the UN System to support activities of the UN System to get to zero cases of Ebola.

#### **The Spain-MDG Achievement Fund**

The MDG Achievement Fund was established in 2006 as a result of a USD 720 million contribution from the Spanish Government. Spain was seeking a major partnership with the UN with the aim of making a significant

impact on the achievement of the MDGs. The Fund financed joint programmes in 50 countries, which were implemented by 27 UN entities. The MDG Achievement Fund leveraged the capacity of the UN system to support policy change to achieve transformative results. It also mobilized complementary domestic and bilateral resources to scale its activities.

### **Sustainable Development Goals Fund**

SDG Fund is a multi-donor and multi-agency funding mechanism created in 2014 to support sustainable development activities through integrated and multidimensional joint programmes. It builds on the experience, knowledge, lessons learned, and best practices of the MDGs, while expanding its activities towards sustainable development and a higher attention on public-private partnerships. SDG Fund joint programmes are supported through matching funds. National and international partners, including private sector, are contributing a substantial amount of financial resources via matching funds. With USD 33 million invested in 20 joint programmes, the fund leveraged an additional USD 30 million to support the investments.

### **“Delivering Results Together” Fund (DRT-F)**

The United Nations Development Group (UNDG) established the “Delivering Results Together” Fund (DRT-F) at the global level to support the second Delivering as One generation, building on the experience and lessons learned from the Expanded “Delivering as One” Funding Window for Achievement of MDGs 2009-2012 (EFW). It supports targeted policy interventions identified by UN Country Teams (UNCTs) within their Joint Work Plans, in line with the DRT-F’s objectives and outcomes. The overall objective of the DRT-F is to “support DaO countries to achieve transformative, sustainable development results through funding the UN’s integrated policy interventions in One Programmes in alignment with national development goals and priorities.”

## **COUNTRY-LEVEL FUNDS**

### **Country-Based Pooled Funds (former Common Humanitarian Funds)**

The former Common Humanitarian Funds (CHFs), one of the country-based humanitarian pooled funding instruments, became more prominent following the 2005 Humanitarian Reform agenda, which focused on improving the international community’s ability to achieve more effective and timely humanitarian responses. One of the three key reform objectives focused on financing and specifically the need to ensure that funding for emergency response was timely, flexible and predictable. The CHF is one of the pooled funding mechanisms that emerged as part of that agenda that also sought to enhance leadership of Humanitarian Coordinators, improve functioning of the cluster system and strengthen humanitarian accountability. Six CHFs, with the earliest established in 2006 and the latest in 2014, attracted USD 3.1 billion of resources. The key attraction of CHFs for the main donors has been their ability to leverage other donor funding and allocate funds to locally identified and prioritized needs and help deliver humanitarian response at scale. The CHF evaluation found that CHFs are important instruments and are appreciated by stakeholders who recognized the value in the mechanisms’ ability to adapt to the needs to of the countries and contexts in which they operate, thus contributing to a strong, collective response.

The 2014 evaluation emphasized that a key factor determining the merits of a CHF is the amount of funding it can allocate. The report recognized that funding of CHFs depends on country contexts and their visibility, donor budgets and resource mobilization efforts, but also significantly on the perceived merits and performance of a given fund. The evaluation called for improved monitoring and reporting systems to ensure appropriate accountability and to better acknowledge the contribution of CHFs to humanitarian response. CHF allocations

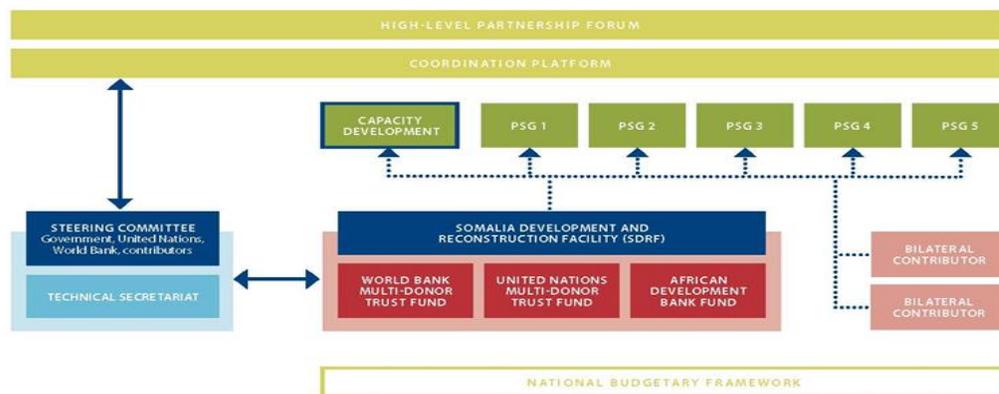
on average represented 10.8 percent of total humanitarian funding received, but this reduced to 6.6 percent in 2014. The reduced size of CHFs has prevented the CHF mechanism from performing as foreseen and covering many urgent programming needs and critical gaps as anticipated. In 2015, Global Guidelines for CBPFs applicable for all funds were endorsed. The policy guidance unified the two existing types of humanitarian pooled funds, introduced flexible operational modalities to disburse funds in tranches, and adjusted monitoring and reporting requirements on the basis of partner capacity, risk, and performance. This enhanced accountability by ensuring implementing partners have the financial capacity to deliver project activities in a timely manner.

**Somalia Development and Reconstruction Facility (SDRF)**

As part of the Somali Compact, the Federal Government of Somalia and development partners agreed to establish the Somalia Development and Reconstruction Facility (SDRF) as a centrepiece of the New Deal partnership and in order to enhance the delivery of effective assistance to all Somalis. The SDRF responds to the Government’s call for a “paradigm shift” in the way international assistance is channelled to Somalia. The SDRF is both a coordination framework and a financing architecture for implementing the Compact. Closely aligned with the Somalia Compact principles, it serves as a platform for government and development partners to provide strategic guidance and oversight for development activities in Somalia over the next ten years.

A consolidation of the large number of small recovery funds and individual programmes into a smaller number of larger pooled funds created a critical mass of resources, acting as a center of gravity for improving integration and alignment in Somalia. The Government in partnership with the international community has brought together several different recovery funding instruments – Somalia UN Multi-Partner Trust Fund, WB Multi-Partner Fund and ADB Fund, amounting to over USD 220 million at present - under the common SDRF. It has provided a critical mass of resources that can be channeled more strategically, coherently and effectively.

***SDRF Governance Structure***



**Local Governance Joint Programme in Somalia**

Also in Somalia, five UN Agencies in Somalia united to deliver the Local Governance and Decentralized Service Delivery Joint Programme to support good governance and the effective and efficient management in regional and district councils, increase public investment in basic services, and strengthen civic awareness and participation in local decision-making and development. The Joint Programme attracted over USD 75 million from six donors.

### **Delivering-as-One: Papua New Guinea UN Country Fund**

The PNG UN Country Fund was established in 2009 to contribute to the national development vision and goals as outlined in the GoPNG's Medium-Term Development Plan (MTDP) 2011-2015 and the Development Strategic Plan 2010-2030. As concluded by the review of the Fund by Australia, the Fund provides a clear value added. Its structure is closely aligned with development priorities of the PNG Government and highly complementary to the priorities of donor aid programme in the country. UN Agencies are all strongly committed to Delivering-as-One and the PNG Country Fund. Australia most efficiently managed the multi-sector nature of the Fund through the sector-specific earmarked investments to the Fund, thereby easing tensions around the need to demonstrate sector-specific development results whilst channelling investments through a multi-sector pooled fund. The Fund improved the quality of UN programming, with better coordination, more cross-fertilization of ideas and approaches, and less duplication. The transaction cost to the donor was reduced through making just one consolidated annual payment to the PNG Country Fund which was channelled to 13 UN entities. As a result, Australia continues supporting the UN's Delivering as One approach in PNG and channelling funds through the PNG Country Fund, including offering multi-year funding commitments to the UN. In 2015, Australia tripled its contribution to the UN Country Fund in PNG.

### **Kazakhstan's UN Joint Programmes (a host-country funded Joint Programme)**

The Government of Kazakhstan has called on the UN to support in developing and implementing innovative approaches to delivering economic, social and environmental services to the local population in three regions through creating joint programmes to be implemented by UNICEF, UNDP, UNFPA, WHO, UNHCR, UN Women and UNESCO. The three joint programmes were fully funded by the Government at USD 19 million.

## **5. CAFI and a Theory of Change**

A coalition of willing donors (EU, Germany, Norway, France and UK) together with the Central Africa partner Countries (Central African Republic, DRC, Cameroon, Republic of Congo, Equatorial Guinea and Gabon) entered into a collaborative partnership and established the Central African Forest Initiative (CAFI). The objective of this initiative is to slow down and halt deforestation and forest degradation in the region through the implementation of country-led, national scale, holistic REDD+ and Low Emissions Development investment frameworks that include policy reforms and measures addressing drivers of deforestation and forest degradation. A CAFI trust fund was established in 2015 to reduce aid fragmentation and increase predictability through multi-year country based financing strategies, with Norway pledging USD 250 million. The fund is underlined by a robust theory of change shown as below to achieve transformative results.

