UN inter-agency Pooled Funds
– Explanatory note –

1. What are UN pooled funds?

UN inter-agency pooled funds are a financing mechanism that provides the UN system with more flexible and predictable earmarked funding for jointly-agreed UN priority programmes in areas such as development, transition/peacebuilding, and humanitarian interventions. Since pooled funds contribute to the UN system as a whole, they serve as enablers for more collective UN action. Contributions received are co-mingled (hence the term 'pooled funds'), not allocated to a specific UN agency and held in trust by a UN fund administrator. Fund allocation is made by a UN-led steering committee based on fund allocation criteria that have been agreed upon during the design of the fund and documented in the Terms of Reference for that specific fund. Only once a fund allocation decision is made, is the money passed-through to the UN entity responsible for implementing a specific programme.

2. What are thematic funds?

Single-entity thematic funds are funding mechanisms designed to support specific high-level outcomes within an UN entity's strategic plan. The respective UN entity is fund administrator, takes the decision on fund allocations and is also the only fund implementer for all the contributions received in the thematic fund.

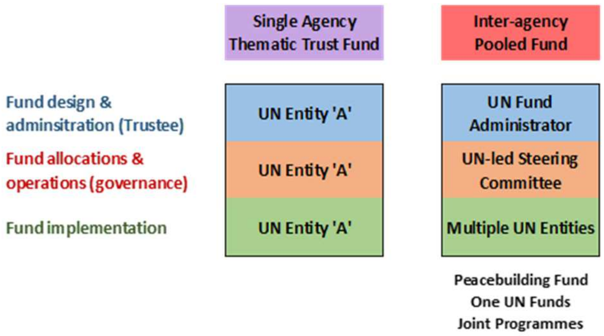
3. What type of pooled funds exist?

Pooled funds can be set up to operate at country, regional and global levels, and can support UN interventions on any topic/theme that is covered by a UN mandate. Some key current examples are:

- <u>Development:</u> Spotlight Initiative; Joint Fund for Agenda 2030; One UN Funds; Joint Programme on Abandonment of Female Genital Mutilation; Central African Forest Initiative
- <u>Transition/Peacebuilding:</u> Peacebuilding Fund; Colombia post-conflict Multi Partner Trust Fund (MPTF); Somalia MPTF
- <u>Humanitarian:</u> Central Emergency Response Fund (CERF); Country Humanitarian Funds
- <u>Combination of above:</u> Ebola Response Fund; Women Peace and Humanitarian Trust Fund

4. What is the difference between agency-specific thematic funds and inter-agency pooled funds

Both type of funds are examples of more flexible non-core. In a UN thematic fund, one specific UN entity in consultation with its partners develops the Terms of Reference for the fund aligned behind its own Strategic Plan / Mandate, receives the money from multiple contributors, records it as revenue, decides on allocations of funding and implements the projects. One UN Organization also decides on the composition of the Steering Committee that oversees the Fun (see also graphic on left).

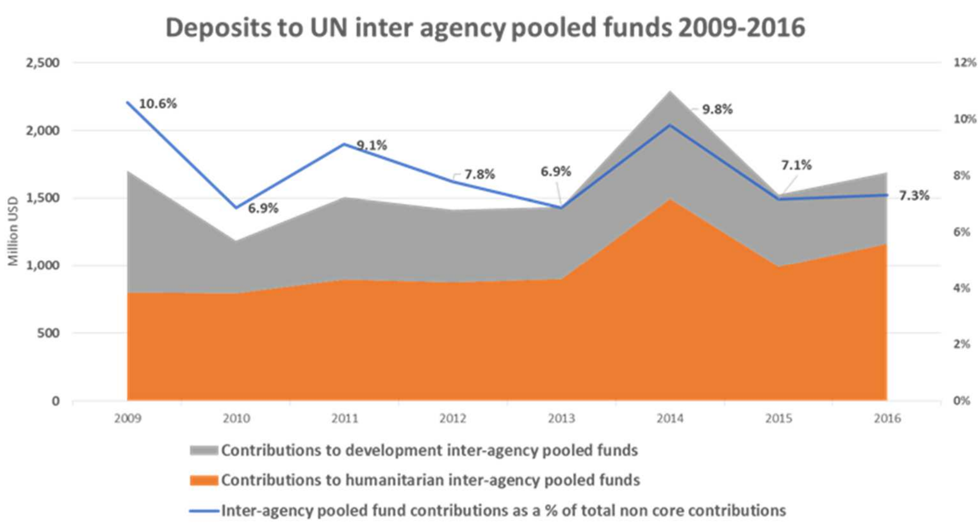


In an inter-agency pooled fund, the design is a joint undertaking, covering integrated areas of UN work. The Steering Committee oversees the fund and decides on priorities for fund allocations. Multiple UN entities receive money for project activities, record it as revenue and implement the projects. They report on their contribution to joint results to both their own governing bodies and the Fund.

5. Basic statistics on pooled funds (status quo)

Even though pooled funds bring many benefits, they currently remain underused making up only a small portion of non-core funds (8% on average in 2014-2016). Moreover, the overall trend of contributions is rather flat (see graphic below); further, only about one third of pooled fund contributions are received for non-humanitarian purposes.

The contributions to pooled funds come from a large number of contributors. Seventy Member States contributed to pooled funds during 2015-2016; this included over 25 Member States of the Group of 77. These contributions were channeled through over 100 Pooled Funds; these ranged from very large Pooled Funds, such as the CERF and the Peacebuilding Fund with dozens of UN implementing agencies, to country-level Joint Programmes involving only two or three UN agencies (for more information please visit the Multi Partner Trust Fund Office website: mptf.undp.org)



6. Why do we argue for more pooled funding and thematic funding in the Funding Compact?

Pooled funds can be powerful mechanisms for better positioning the UN system to deliver on the 2030 Agenda in a more integrated manner. Specifically, pooled funds help to:

- Strengthen country engagement and alignment to national priorities
- Strengthen coordination, collaboration and coherence of the UN System
- Finance transformative change based on a common theory of change

- Improve risk management
- Leverage contributions from non-traditional donors

However, to leverage these advantages, pooled funds need to be well-designed, professionally managed and operated at scale, i.e. mobilize between 15-20 per cent of overall non-core funding portfolio. To leverage the full potential of pooled funds the Secretary General in his December report proposes to double the contributions to UN inter-agency pooled funds over the coming five years from 8% to 16% and to increase agency specific thematic funds from $400 million to $800 million.

The doubling of pooled financing, which would include the capitalization of the Joint Fund for the 2030 Agenda Fund at $290 million per year, would provide enough scale to ensure pooled funds have a systemic impact in changing the way entities approach inter-agency collaboration.

Similarly, thematic funds provide more flexible non-core resources for individual UN organizations for the implementation of their Strategic Plan. These resources have many of the advantages mentioned above in terms of transformative change, alignment to national priorities, improved risk management and leveraging contributions from non-traditional donors. Further, thematic funding enables UN organizations to have financial resources, complementary to pooled funds, to partner with other UN organizations in joint activities.

7. What will the UNDS do to incentivize pooled funding?

There are several ways in which the UNDS is incentivizing pooled funding, namely:

- Enhance the knowledge base on pooled funds, both within the UN system and with member states and other stakeholders.
- Ensure that individual pooled-funds are well-designed and professionally managed, so that they produce excellent joint UN results, and reduce transaction costs for all stakeholders
- Enhance the transparency and accountability of pooled funds through real time access to information on contributions and disbursements, preparing an annual consolidated pooled fund data base and publishing it to IATI, and the publication of annual reports.
- Provide visibility to the Member States contributing to inter-agency pooled funds.

8. How are pooled funds established and resourced?

A UN pooled fund is formally established when the Memorandum of Understanding (MOU) for that fund is signed between the Participating UN Organisations and the Administrative Agent (AA). This MOU, which is a UNDG-wide standard legal agreement, has as an annex the Terms of Reference of the Fund. The Terms of Reference reflect the outcome the fund design process and covers areas such as the functions of the fund, its programmatic scope, the governance arrangements, fund implementation modalities, monitoring, evaluation and reporting, and risk management.

Contributions to a pooled fund can be made by a wide variety of contributors, who sign a Standard Administrative Arrangement with the AA: Member States, multilateral organizations, NGOs, private sector, sub-national governments etc. The role of mobilizing resources for the pooled fund is entrusted to the steering committee. The AA supports the design of the fund and is responsible for the fiduciary management. The UN Multi-Partner Trust Fund Office (MPTF Office) and UN OCHA are the main entities that perform the AA-role in the UN system, but a number of other UN organizations play this role as well, notably for Joint Programmes.

9. What is the role of the RC in country level and global pooled funds?

Pooled funds in country can take different shapes and forms. Pooled Funds such as One UN Funds or other country level development-related Funds are established with strong involvement of the RC, including in the fund design. The RC is normally the co-chair of the Steering Committee - alongside a national authority in the case of development-focused funds. Pooled funds at the country level that are set up as a Joint Programme between a few UN agencies only do not always formally involve the RC. For global pooled funds, the RC is normally involved in the submission of country-level proposals for consideration by global pooled funds that have included that country in their geographical scope.

Under the proposed reinvigorated RC system, the RC is to be granted with a new authority to 'vet' the allocation of pooled funds against national priorities, as articulated in the UNDAF. The main aim is to match and align the mix of UN financial instruments, including UN pooled funds, to the priorities identified in the UNDAF. This builds on current best practices in inter-agency pooled funding. Development-focused funds will remain informed by government priorities and with a focus on the 2030 Agenda.

10. What is the role of governments in pooled funding?

Governments are involved in development-focused pooled funds in different ways. Some key roles are as contributors to global, regional and country-level pooled funds; as co-chairs of the steering committee for country-level development-focused pooled funds; and as members of steering committees or advisory bodies in global pooled funds.

11. What challenges are associated with pooled funds?

- ✓ Do pooled funds compete with agency specific fund-raising efforts?

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 has 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. For more information, please see the UNDG policy note on pooled funds, cited below.

- ✓ Do pooled funds increase transaction costs for UN agencies?

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 funds 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. Even though there are risks of higher transaction costs for UN agencies, the transaction costs for both contributors and recipient governments are significantly reduced.

12. What is the place of the Peacebuilding Fund (PBF) in the UNDS discussions on UN Pooled Funds?

The Peacebuilding Fund is an excellent pooled funding mechanism for the development system to contribute – within its own mandate – to building resilience and helping countries in the transition out of crises. The role of PBF has been recognized by Member States in various statements and resolutions. The Secretary General's request for increasing contributions to the PBF complements his ask for full capitalization of the 2030 Agenda Fund, which is universal and applicable to all developing countries. The PBF allows the UN Development System to adapt to specific situations where development has a role to play in creating peaceful societies. It is important to reaffirm that resources invested in the PBF should be informed by national priorities and should be complementary - and not at the expense of - other sustainable development programmes.

13. How can pooled funding provide better incentives for collaboration "across the nexus"?

As the QCPR acknowledges in its operative paragraph 14, "a comprehensive whole-of-system response, including greater cooperation and complementarity among development, disaster risk reduction, humanitarian action and sustaining peace, is fundamental in attaining the Sustainable Development Goals". The "UNDG Discussion Paper on the Role of Pooled Financing Instruments to Deliver on the 2030 Agenda" (2016, see link below) highlights how such cooperation can be incentivized and supported through pooled funds.

Pooled funds can be set up to support a 'whole of system' response and better operational coordination across UN activities, thereby becoming agile tools that can be quickly adjusted to help governments in addressing changing country needs. For example, a pooled fund can be set up to include, within its programmatic scope, interventions that not only cover development issues but also include humanitarian and emergency response windows, as relevant to the country context. One example of this is the Malawi One Fund, which was set up to resource Malawi's One Plan, but following natural disasters was expanded to include a 'Humanitarian Window'. In such contexts, pooled funds can be instrumental at driving collective action at country-level to support impact at scale.

14. What are good sources for more information on Pooled Funds and Thematic Funds?

- ✓ Report of the Secretary-General : Implementation of General Assembly Resolution Implementation of General Assembly Resolution 71/243 on the QCPR (United Nations, 2018)
- ✓ Financing the UN Development System: Pathways to Reposition for Agenda 2030 (MPTF Office, Dag Hammarskjold Foundation, 2017)
- ✓ The Role of UN Pooled Financing Mechanisms to deliver the 2030 Sustainable Development Agenda (UNDG, 2016)
- ✓ Designing Pooled Funds for Performance (MPTF Office, 2015)
- ✓ Operational Effectiveness of the UN MDTF Mechanism, Independent Evaluation (UNDG, 2012)
- ✓ Making the case for an investment in CERF (UNOCHA, 2017)
- ✓ Website of the UN Multi-Partner Trust Fund Office: mptf.undp.org

Annex 1: Some best practices on UN pooled funds

- ✓ The Central Emergency Response Fund (CERF) is the largest UN pooled fund with an annual capitalization of around $500 million. Since its establishment in 2006, over 150 contributors including Member States, private sector and Foundations have contributed to the CERF. CERF funds are released immediately to humanitarian agencies on the ground at the onset of emergencies, in rapidly deteriorating situations and in protracted crises that fail to attract sufficient resources. Humanitarian organizations on the ground, under the leadership of RC/HCs, jointly prioritize needs and apply for CERF funding. The CERF secretariat provides support to decision makers to ensure an effective and efficient prioritization and application process. The Emergency Relief Coordinator, as Fund Manager, approves CERF grants. Applications are reviewed against CERF's criteria (i.e., needs are urgent and proposed activities are life-saving). Only UN organizations are directly eligible to receive CERF funding, but grants are implemented in partnership with other stakeholders.

- ✓ Established in February 2016, the UN Post-conflict Multi-Partner Trust Fund for Colombia represents an important strategic alliance between the Colombian Government, the UN and the international community, who are working together to advance the post-conflict peace and stabilization agenda in Colombia. The success of the Fund is due to: (i) the strong Government ownership and leadership; (ii) the tri-partite Fund governance structure (government, donors and UN); (iii) quick start up and operationalization and (iv) rapid and diversified mobilization of funds. So far, the fund has received contributions of $83.5 million from twelve donors; 68 projects have been approved for a total of $65.4 million, of which 13 have been implemented. Thanks to the MPTF, some important results have been achieved: the Special Transitional Justice System and the Commission of Truth were established; more than 13.500 m2 of minefields were cleared; 88 children received support in order to be release from the ranks of the FARC; and the international and national mechanisms to monitor and verify the implementation of the Peace Agreement were established.

- ✓ In 2015 a coalition of contributors and six Central Africa partner Countries 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. A CAFI trust fund was established the same year to reduce aid fragmentation and increase predictability through multi-year country based financing strategies. The fund is underlined by a robust theory of change to achieve transformative results. The management of the fund is carried out at three levels: partnership coordination & fund operations (Executive Board and Secretariat) serving the overall CAFI initiative, fund design and administration (MPTF Office), and fund implementation (United Nations, World Bank and International Cooperation Agencies). Up to date, the fund has received $100 million in contributions and has disbursed $89 million for programming in five of the countries covered by the initiative.