INVESTING IN MULTI-PARTNER FUNDS

(UNITED NATIONS & INTERNATIONAL FINANCIAL INSTITUTIONS)

DEVELOPMENT CO-OPERATION **FUNDAMENTALS**

WHAT IS A MULTI-PARTNER FUND?

Both the United Nations (UN) and international financial institutions (IFIs) hold pooled funds.

IFI trust funds are financing arrangements set up with contributions from one or more development co-operation partners, to complement core funding. These funds allow the IFIs to mobilise and direct concessional resources to strategic development priorities alongside the resources of other development partners.

The UN inter-agency pooled funds have distinct characteristics in three areas:

1. **Design and administration**: Pooled funds support a clearly defined programmatic purpose, guided by a clear results framework. Financing is allocated to a specific UN organisation or held by a UN fund administrator.
2. **Joint governance and/or fund operations**: A UN-led governance mechanism decides on project/programmatic allocations, taking into account a fund's programmatic purpose and results framework.
3. **Fund implementation**: Implementation of fund activities is (fully or largely) entrusted to relevant UN organisations, which assume programmatic and financial accountability for resources received.

WHY IS IT IMPORTANT?

Multi-partner funds can be useful tools to efficiently pool the resources of an array of development partners to help meet a shared goal.

For development partners these pooled instruments can – if used correctly – provide the following benefits:

They can pool funding to work towards shared strategic frameworks and goals

They can benefit from the convening power of the UN or the IFIs, gain efficiency from working together, and share technical expertise, financial controls, monitoring capacity, and reporting.

They can allow for engagement in fragile, crisis and other complex situations where bilateral instruments alone may be ill-adapted and monitoring arrangements are complicated by security constraints.

They can support innovative or emerging policy areas in which individual development partners may not have the necessary competencies.

CORE PRINCIPLES

The UN Funding Compact commits member states to double the share of non-core contributions that they provide through development-related inter-agency pooled funds (and single-agency thematic funds).

There are few formal guidelines on **what it means to invest in multi-partner funds effectively**. However, emerging good practice provides the following pointers:

- Use existing channels as default
- Support local systems instead of using parallel mechanisms
- Use pooled mechanisms as an alternative to tight earmarking
- Use new funds to encourage innovation and reform
- Ensure development co-operation partner visibility is promoted
- Ensure multi partner funds have clear results and timeframes

Pillar 3 of the OECD DAC Peer Review Analytical Framework sets out the Development Assistance Committee's (DAC) expectations for multilateral partnerships, i.e., that co-operation across boards and between members, as well as engagement with multilateral partners, respects their mandates, promotes agreed system-wide reforms, and supports joint approaches, making individual organisations and the multilateral system as a whole more effective.

GOOD PRACTICES

Use existing channels as default

Use existing channels for delivery as the default, rather than setting up new funds. Setting up new parallel structures to deliver funds has high start-up costs and creates too many bodies with which partner governments need to deal.

- The Peacebuilding Fund is the UN's financial instrument to sustain peace in countries or situations at risk or affected by violent conflict. The fund enables flexibility in addressing urgent needs without being bound by any one development partner's political sensitivities. Nearly all DAC members contribute to the Peacebuilding Fund.

Support local systems instead of using parallel mechanisms

Support harmonisation among all development partners involved in a country. If social protection or cash transfer systems already exist in a partner country, use them, and scale them up, rather than investing in a parallel multi-partner fund. Partner country governments should be encouraged to challenge and expose parallel efforts.

- Tanzania's Health Basket Fund has been active for over 20 years and helps local government authorities through the Ministry of Finance and Planning to fund dispensaries, heath centres and district hospitals, alongside support to regional secretariats. The fund has received support from a range of DAC members – including Ireland, Switzerland, Korea, Denmark and Canada – as well as UNICEF, UNFPA and the World Bank.

GOOD PRACTICES

Use pooled mechanisms as an alternative to tight earmarking

Although core, un-earmarked contributions give multilateral partners the flexibility to match funding to urgent needs, core funding may not always be possible. Investing in multi-partner funds may be a useful alternative – providing flexibility to the multilateral system but also allowing financing gaps to be filled through rapid injections of “pooled” funds.

- In Colombia, the UN Multi-Partner Trust Fund for Sustaining Peace finances co-ordinated responses that guarantee stabilisation, reintegration and transitional justice for the implementation of the national peace agreement, including in rural areas. The UNMPTF mobilised USD 182.1 million from 2016 to 2021, including from Canada, Germany, Norway, Sweden and the United Kingdom.

- In the Democratic Republic of Congo (DRC), the International Security and Stabilization Support Strategy (ISSSS) is funded by the DRC Stabilization Coherence Fund, whose main contributors are Norway, Germany, the Netherlands, Sweden and the United Kingdom. The fund invests in six priority zones in the eastern part of the DRC, where participating organisations receive support (totalling USD 50.5 million in 2022) to promote joint action and multi-stakeholder partnerships.

GOOD PRACTICES

Use new funds to encourage innovation and reform

Multi-partner funds can provide useful entry points for trying new ways of working, piloting innovative projects, and encouraging system-wide reforms – including working together with common approaches towards broader policy challenges.

- The Iraq Reform, Recovery and Reconstruction Fund (I3RF) was founded in partnership with the Government of Iraq in 2018 and is managed by the World Bank. Canada, Germany, Sweden and the United Kingdom are principal funders. The fund provides a platform for financing and strategic dialogue for reconstruction and development in Iraq, with a focus on promoting targeted national reform efforts and improving the effectiveness of public and private investments in socio-economic recovery and reconstruction.

GOOD PRACTICES

Ensure development co-operation partner visibility is promoted

The individual contributions to multi-partner funds should be made visible to ensure that key stakeholders at home – including parliaments and taxpayers – maintain their support for this type of financing.

- The Central Emergency Response Fund (CERF) highlights its top 10 development partners on its homepage and provides good visibility to its development partners in emergencies and protracted crises.

Ensure multi-partner funds have clear results and timeframes

Ensure that any new funds are time-bound, with a clear end date and transparent provisions on how to deal with residual funds. Monitor trends and progress to curb the proliferation of new funds and channels, especially those created at the global level rather than in response to country dynamics.

- The Somalia Multi-Window Trust Fund highlights a number of results, including access to gender-based violence services and information for 4.6 million people; the sustainable increase in the budget allocated by Puntland and Somaliland authorities for the Service Delivery Model; and improved capacity and facilities of 16 prisons across the country.

MEASURING SUCCESS

How do we know if DAC members are moving in the right direction?

- **Economies**: Multi-partner (pooled) funds are reducing administrative costs for development co-operation partners. The funds themselves have a minimal overhead rate.
- **Efficiency**: Partner countries and/or implementing partners are experiencing less fragmentation and reduced transaction costs.
- **Effectiveness**: There is clear alignment between pooled funding and bilateral development investments, and partner country priorities.
- **Equity**: The mechanisms are inclusive and delivering results – even indirectly – for those most left behind.

RESOURCES

2022 Financing the UN Development System annual report presents and analyses the UN funding situation, reviews how available funding is being used and offers recommendations.

OECD's report on *Multilateral Development Finance 2022* examines the evolution of financial flows to, and from, multilateral organisations and presents an overview of challenges and ongoing reform efforts.

This *brief on earmarked funding to multilateral organisations*, takes stock of the existing knowledge on donors' earmarking, how it is used and what constitutes good practice.

Find relevant evaluations via the DAC Evaluation Resource Centre (DEReC).

Relevant topics in this series

Engaging in fragile contexts, as multi-partner trust funds are well adapted to support these contexts.

Partnering with the multilateral system, on how to partner with the multilateral system to better equip it to deliver development objectives and longer-term change.

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DEVELOPMENT CO-OPERATION **FUNDAMENTALS**

This series unpacks development co-operation standards and illustrates how DAC members are applying them. Applying standards can help all actors to fulfil their ambitions and commitments.

Each ***Fundamentals*** document introduces a key aspect of effective development co-operation, sets out ***basic standards***, offers ***good practice*** examples, and identifies ***relevant resources.***

Other topics in this series, which will be expanded and updated over time, can be found on the **Development Co-operation TIPs • Tools Insights Practices** peer learning platform. For comments, contact DCD.TIPs@oecd.org.