

Advantages and Disadvantages of Multi-Donor Trust Fund

Multi-donor trust funds (MDTFs) are established based on the pass-through arrangement in the context of UNDG joint programmes¹. The ToR of the MDTFs that have been developed jointly between the participating UN organizations and the respective country government lay out the programmatic and operational details of achieving the intended results. MDTFs have increasingly been used as appropriate funding mechanisms to address complex challenges (including elections) in post-crisis or transition environments.

In a pass-through arrangement, donors and participating UN organizations agree to channel funding through one of those organizations, which is selected as the administrative agent. Often, UNDP is selected to perform that function. UNDP's administrative agent portfolio has considerably increased since the establishment of the first MDTF, the UNDG Iraq Trust Fund, in 2004². Currently, UNDP administers a number of other MDTFs including country-specific (such as the DR Congo Pooled Fund, Lebanon Recovery Fund, Peace Fund for Nepal, Sudan Common Humanitarian Fund) as well as global funds (such as the UNDP/Spain MDG-Achievement Fund, Central Fund for Influenza Action) and the Peace Building Fund.

Programmatic and financial accountability rests with the participating UN organizations and sub-national partners that would be managing their respective projects funded by the MDTF.

Donor funding is received by the administrative agent on behalf all participating UN organizations on the basis of a standard letter of agreement signed between the donor and the administrative agent. It is important to emphasize that UNDP standard cost-sharing and trust fund templates cannot be used.

Before donor funding can be received, the ToR of the MDTF have to be defined and the standard MoU between at least two participating UN organizations and the administrative agent must be signed.

The 'Resource Mobilization Toolkit'³ contains more detailed guidance on how to receive donor contributions in support of joint programmes. Additional information regarding UNDP's administrative agent function and clearance of related MoUs and letters of agreement may be obtained by contacting the Executive Coordinator of the MDTF office in BRSP.

This is not a modality that has been used in electoral assistance to date, although it may perhaps have application within the context of a large peacekeeping or political mission run by other parts of the UN. In general, however, UNDP's role as a substantive provider of electoral assistance would make the MDTF option a less desirable one.

What to do

- Explore the options, costs and benefits of the various funding models with partners.

¹ For more details, see 2003 UNDG Guidance Note on Joint Programming, www.undg.org/index.cfm?P=240.

² See www.irffi.org for more detailed information.

³ See http://resourcemobilization.brsp.undp.org/3d_Tips_on_JP.cfm.

- Draft cost-sharing agreements or, where applicable, ToR of related trust funds with interested donors and partners and follow up on the status of commitments.
- If necessary, discuss with senior management the possibility of allocating/reallocating more TRAC resources if there is an initial shortfall/delay in donor contributions.
- Ensure senior management is aware of the volume of disbursements likely to be channeled through the CO so that adequate administrative support is provided.

Challenges

- Finalization of donor/partner committees, preparation of co-financing agreements and receipt of funds are time-consuming processes. Delays can have a critical effect on project delivery.
- The project document should address issues of under-subscription to the project. Guidance should be provided on prioritization of activities should this occur, with a certain percentage of resources allocated to address unanticipated emerging issues.