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DESIGNING POOLED FUNDS FOR PERFORMANCE

A MANUAL PREPARED BY THE MULTI-PARTNER TRUST FUND OFFICE

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Acknowledgements

This manual builds on the efforts of a number of inter-agency working groups under the United Nations (UN) system. In particular, it forms part of the biennial work-plan 2015–2016 of the UN Working Group on Transitions (UNWGT). It also builds on the work of the United Nations Development Group (UNDG) Business Operations Working Group on risk management, the recent UNDG standard operating procedures for countries adopting the Delivering as One approach, and the Integrated Working Group's efforts on enhancing UN integration. The manual draws on the UN's experience with over 100 pooled funds administered by the Multi-Partner Trust Fund Office (MPTF Office). It supports recommendations from several thematic studies conducted by the MPTF Office in partnership with concerned UN agencies on how to better leverage pooled financing mechanisms to improve UN coherence and development effectiveness. Specific contributions from the UN and its partners in the Democratic Republic of the Congo, Somalia and Ukraine are acknowledged with appreciation. The manual also benefitted from valuable comments by a range of UN and contributing partners through a one day Symposium held on the 26th March 2015 in New York. Following the Symposium, a working draft of the manual was published for six weeks to enable a wide review by a range of stakeholders. This final publication incorporates comments received during the review period.

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Acronyms

AA	Administrative Agent
CBF	Common budgetary framework
IDMC	Internal Displacement Monitoring Centre
IFI	International financial institutions
INCAF	International Network on Conflict and Fragility
M&E	Monitoring and evaluation
MOA	Memorandum of Agreement
MONUSCO	United Nations Organization Stabilization Mission in the Democratic Republic of Congo
MOU	Memorandum of Understanding
MPTF	Multi-partner trust fund
MPTF Office	Multi-Partner Trust Fund Office
NGO	Nongovernmental organization
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PCNA	Post-conflict needs assessment
PDNA	Post-disaster needs assessment
PSG	Peacebuilding and Statebuilding Goal
RBM	Results-based management
RMT	Risk management team
RPA	Recovery and Peacebuilding Assessment
SAA	Standard Administrative Arrangement
SDRF	Somalia Development and Reconstruction Facility
SGBV	Sexual and gender-based violence
SOPs	Standard Operating Procedures for Countries adopting the Delivering as One approach
SRP	Strategic response plan
TOC	Theory of change
UNCT	United Nations country team
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group

Overview

Pooled funds are investment vehicles designed to support transformative change. Well designed, capitalized and operationalized pooled funds can act as gravity centres to improve aid effectiveness, increase alignment among a wide range of actors and reduce transaction costs for donors, country governments and implementing partners.

Box 1

What is a pooled fund?

A United Nations inter-agency pooled fund is a mechanism used to receive contributions from multiple financial partners and allocate such resources to multiple implementing entities to support specific national, regional or global development priorities. These open-ended funds operate as pass-through mechanisms and as such 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. Single-agency pooled funds, on the other hand, receive contributions from multiple financial partners and allocate such resources to projects implemented by the receiving agency only.

For more details on pooled financing mechanisms, see '[Financing Development Together](#)'.¹

As a centre of excellence in UN pooled financing mechanisms, the MPTF Office in partnership with a number of UN agencies has conducted several studies aimed at better leveraging pooled financing instruments to improve UN coherence and development effectiveness. Figure 1 summarizes the MPTF Office's work in this regard over four areas of finance (humanitarian, transition,² development and climate change).

¹ MPTF Office (2013).

² The Organisation for Economic Co-operation and Development (OECD) International Network on Conflict and Fragility (INCAF) (2010) defines transition financing as: "cover(ing) a broad spectrum of resource flows to countries that are transiting out of conflict towards sustainable development. ... Transition financing traditionally lies between humanitarian and development engagement and includes recovery, reconstruction, security-related and peacebuilding activities."

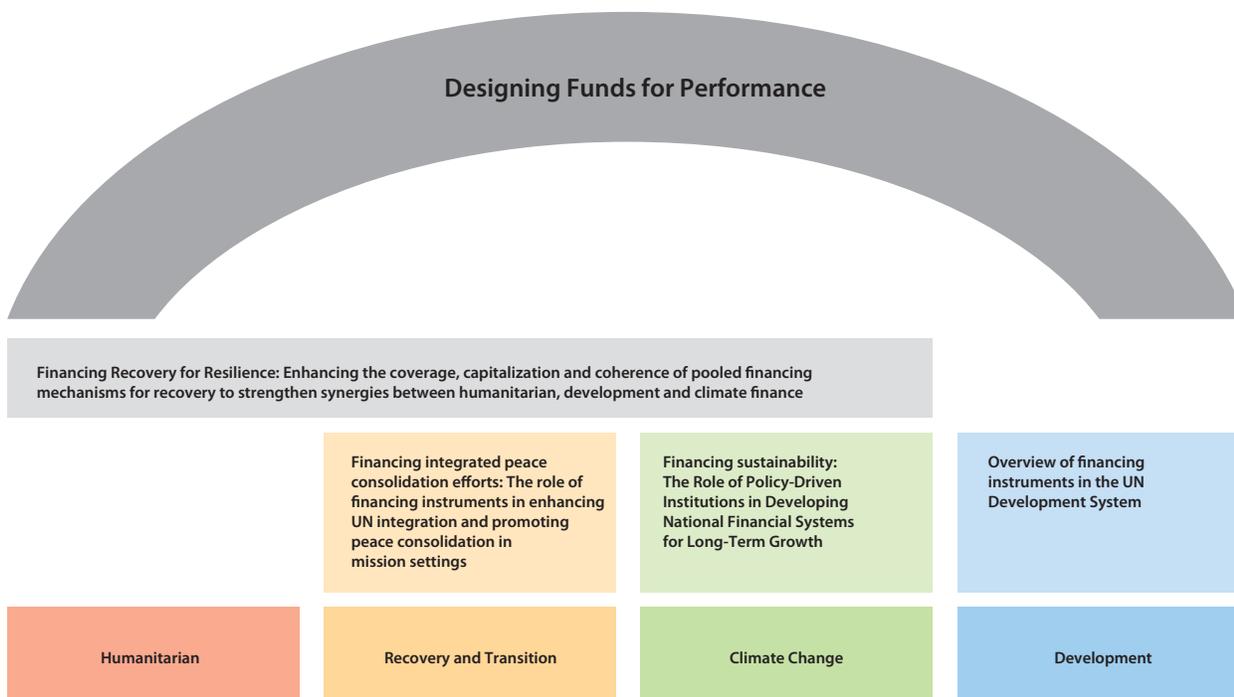
One of the key conclusions from these studies is that fund design matters. The performance of UN pooled financing mechanisms will heavily depend on the assumptions underlying their architectural design. While pooled funds can be powerful mechanisms for increasing aid effectiveness and achieving transformative change, they can also create new types of inefficiencies if poorly designed. For example, funds with unnecessarily complex governance structure or poor operational procedures can lead to delays in resource allocation, high transaction costs or lower transparency. Table 1 summarizes a number of potential benefits and drawbacks inherent to fund design.

Table 1: Potential strengths and drawbacks of pooled financing mechanisms

Strengths	Drawbacks
<ul style="list-style-type: none">• Reduce aid fragmentation and duplication;• Strengthen strategic alignment and national ownership by using established national systems;• Manage risks through common risk assessment and risk tolerance policy;• Increase accountability by enabling transparent resource allocation to implementing entities;• Increase aid predictability through multi-year financing strategies;• Reduce political, fiduciary and corruption risks to contributors through robust fiduciary management systems and web-based monitoring of financial flows;• Broaden the financial base of non-traditional or smaller contributors to participate via pooled funding mechanisms;• Reduce transaction costs by generating economies of scale.	<ul style="list-style-type: none">• Complexity of pass-through mechanism compared to single-agency mechanisms;• In the absence of RBM at the fund level, difficulty in demonstrating impact;• Risk of oversizing or poorly designing fund, increasing transaction costs and implementation delays;• Need to align large number of partners to provide quality assurance throughout the entire fund management chain;• Duplication of existing fund mobilization and financing instruments;• Creation of unrealistic expectations.

Designing funds for performance maximizes the benefits of pooled financing mechanisms and reduces the risks of unwanted drawbacks. The key fund design components include clarifying the function and added value of a fund within the broader financing ecosystem, delineating its programmatic scope, articulating its theory of change to achieve

Figure 1: Studies aimed at leveraging pooled funds to improve UN coherence and development effectiveness³



its expected set of programmatic results, as well as establishing its results-based management system and its risk management strategy. Furthermore, it includes right sizing its governance structure to ensure that the fund is managed strategically and serves as a learning instrument. Assumptions underlying its architecture should be regularly revised so that it remains fit for purpose.

Up-front investments in fund design will reduce delays and transaction costs associated with individual project development and approval. Ultimately, they will save time and increase returns on investments. The performance and rate of return on investment of a fund should be assessed at four levels:

- I. Fund Impact Effectiveness: Is the fund contributing towards the achievement of larger, sustainable goals?
- II. Fund Outcome Effectiveness: Is the fund effectively supporting transformative change?

- III. Fund Output Efficiency: Are the fund's projects delivering intended outputs?
- IV. Fund Operational Efficiency: Is the fund operating efficiently to support satisfactory performance of its portfolio and improve aid effectiveness?

The present manual articulates the methodology developed by the MPTF Office to facilitate fund design for performance. The manual does not provide a one-size-fits-all template, but serves as a reference document to accompany the fund design process and as a guide to translate recommendations from the thematic studies mentioned above into practice. While the manual focuses on fund design for country-level recovery pooled funds, the methodology can be applied to other types of funds as well. The manual is structured in five parts.

Part 1 sets out a methodology for assessing the added value of a fund based on a financing strategy. UN country-level pooled funds operate in a wider ecosystem of financing instruments, including pooled funds managed by other partners (e.g. the World Bank, European Union), bilateral official development assistance to individual projects, credit and loans by

³ The following reports are available: MPTF Office in partnership with the UN Office for the Coordination of Humanitarian Affairs (July 2014) 'Financing Recovery for Resilience'; MPTF Office in partnership with the UN Integrated Working Group (November 2014) 'Financing Integrated Peace Consolidation Efforts'; MPTF Office in partnership with the Dag Hammarskjöld Foundation (May 2015) 'Financing the UN Development System: Overview of Financing Instruments in the UN Development System.'

Table 2: Pooled fund functions and added value, with examples⁴

Main function of the fund	Main added value of the fund
COHERENCE	Most pooled funds will support policy coherence. In addition, some funds will emphasize programme coherence by filling critical gaps and supporting underfinanced priorities. Examples: Common Humanitarian Fund, UN Ebola Fund, UN One Funds.
CONSOLIDATION	Reduces fragmentation with respect to particular priorities. In many cases, it is the largest investment vehicle. Examples: Somalia Multi-Partner Trust Fund (MPTF), Iraq Trust Fund.
SPECIALIZED OR THEMATIC	Has a specific expertise and focus on a particular thematic issue. Usually the case for global funds. Examples, UN Action against Sexual Violence, the Peacebuilding Fund.
RISK MANAGEMENT	Reduces risks to governments and financial contributors through a comprehensive risk and results-based management system. Examples: Mali Stabilization Fund, Somalia MPTF.
STRENGTHENING NATIONAL SYSTEMS	Uses and strengthens national systems. Examples: Central African Republic MPTF, Mali Climate Fund.
INNOVATION	Provides a mechanism for clear attribution and transparency from innovative sources of finance. Example: crowd-funding for the UN Ebola Fund.

international financial institutions, domestic resources through national budgets, and innovative sources of finance, notably in middle income countries.

The goal of the financing strategy is to propose a set of financing options that is based on an assessment of the financing needs and landscape, and that addresses identified priorities and challenges in an integrated and complementary manner. A financing strategy provides the basis for defining a fund’s function and added value within the broader financing ecosystem. Table 2 lists possible functions for pooled funds and provides examples of each.

The performance of a fund will depend on its investment decisions. Part 2 describes the steps involved in developing the fund’s results framework to guide its allocation decisions: (i) define the fund’s programmatic scope; (ii) articulate the theory of change (TOC) to achieve these objectives; (iii) translate this TOC into measurable outcomes and outputs at the fund level; and (iv) estimate the fund’s financial needs.

Part 3 details the translation of the fund results framework into the MPTF Office’s results-based management (RBM) system. This system enables monitoring of both programmatic and financial performance indicators at the outcome and output level, which allows a fund to report on value-for-money (economy, efficiency and effectiveness). In addition, the fund’s

governing body can commission independent reviews and evaluations that analyze and verify the RBM information collected, and test the theory of change described in the fund results framework.

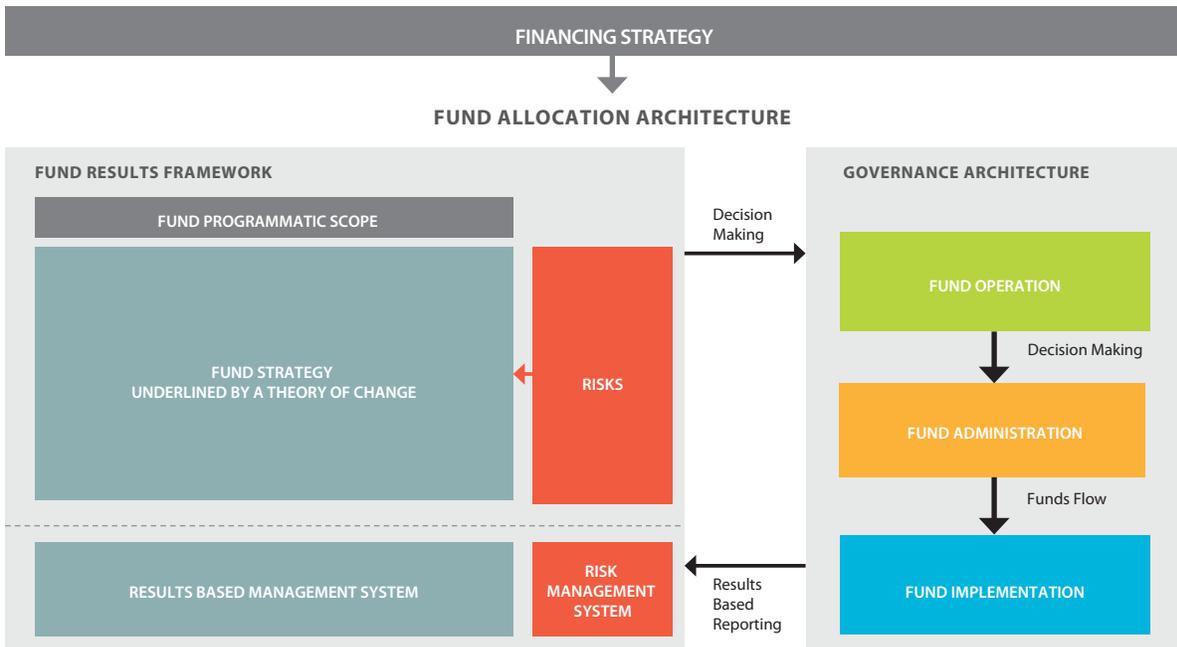
Pooled financing mechanisms also potentially offer a number of options to individual development partners and recipient countries to better manage the combined set of contextual, strategic, programmatic and operational risks in, for example, complex post-crisis situations or climate-change related interventions. Part 4 articulates an approach for developing a fund risk management strategy, including incorporating risk assessments into the fund design stage for pooled funds in complex post-crisis situations.

Finally, part 5 describes the fund governance architecture. The objective of the governance architecture is to ensure a transparent and accountable process for resource allocation, monitoring and reporting in line with the fund results framework and risk management strategy. The governance architecture is made up of: (i) Fund Operation—the Steering Committee and Secretariat; (ii) Fund Administration—the MPTF Office; and (iii) Fund Implementation—UN organizations, government entities, international financial institutions (for example, the World Bank) and nongovernmental organizations (NGOs).

Figure 2 summarizes the various components of the MPTF Office’s approach to fund design.

⁴ For more detail, see Table 3.

Figure 2: Overview of the MPTF Office approach to fund design



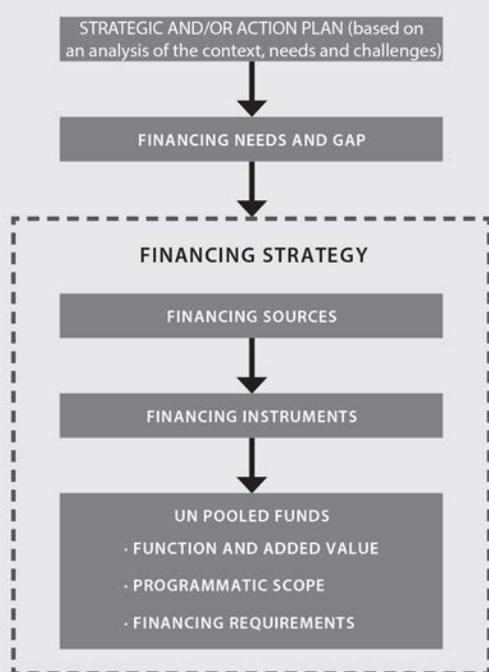
1. Developing a financing strategy—assessing the feasibility, functions and sources of capitalization for UN pooled funds

A financing strategy is based on a strategic and/or action plan that identifies key priorities requiring support, following an assessment of the context, needs and challenges. The goal of a financing strategy is to propose the right mix of financing sources and instruments to address these identified priorities in a particular context. UN country-level pooled funds are one type of financing instrument. They operate in a wider financing ecosystem, including funds managed by other partners (e.g. the World Bank, regional development banks), bilateral official development assistance (ODA) to individual projects, credit and loans by international financial institutions, domestic resources through national budgets, and private and innovative sources of finance, notably in middle income countries.

The financing strategy will assess the feasibility and added value of a UN pooled fund. Where a need for a UN pooled fund has been identified, the financing strategy will also define the fund's programmatic scope and capitalization requirements (Figure 3).

The financing strategy underlying a UN fund can be developed as part of a national strategy and/or a UN-specific action plan. For example, a national climate plan defines the overall financing needs of a country; these needs can then be addressed by a blend of financing sources and a mix of financing instruments. A national climate fund will be derived from this pre-existing national climate strategy. In post-crisis or post-disaster contexts, the government with support of the UN and international community develops an integrated recovery plan based on a coordinated post-conflict needs assessment (PCNA) or post-disaster needs assessment (PDNA). The integrated recovery plan will lay out a group of priority areas and outcomes and their financial implications.⁵ In developing countries, the United Nations in partnership with the government formulates the United Nations Development Assistance Framework (UNDAF). The UNDAF is a specific UN document that describes the collective response of the UN country team (UNCT) to certain national priorities.⁶ Finally, humanitarian finance is guided by specific strategic response plans (SRPs) developed separately by the humanitarian country team in response to a particular crisis. The SRP details how the humanitarian strategy will be implemented and specifies the amount of funding required to meet identified needs.⁷

Figure 3: Assessing the added value of a fund



⁵ UNDG and World Bank (2007).
⁶ UNDG (2010a).
⁷ OCHA (2015b).

Figure 4: Process and practices for assessing the financing requirement for UN pooled funds⁸

	Assess challenges or needs	Identify priorities	Formulate a strategic plan	Cost the strategic plan
	Assessments ensure that planning and programming are grounded in a shared understanding of a particular context.	A prioritization process is required to direct resources (as they become available) to where they are needed most. In some cases, sequencing may be required.	A strategic plan supports decision-making. It articulates the response to assessed needs and identified priorities.	The objective of the costing exercise is to estimate the necessary financial resources to implement priority interventions.
Humanitarian	Humanitarian needs overview	Strategic response plan (includes country strategy and cluster response plans)		Consolidated project-based or activity-based costing (average costs per activity, per person served)
Transition / Recovery	1. Post-conflict / disaster needs assessment (PCNA & PDNA) 2. Integrated strategic assessment (mission settings)	1. Recovery plan 2. Integrated strategic framework (ISF)	Backward looking forward projections (stock damage); Average cost of service deliver (flow losses)	
Development	Common Country Assessment	United Nations Development Assessment Framework (UNDAF)		Outcome-level costing using incremental budgeting
Climate Change	National climate scenarios	National climate plan or national adaptation plan		Outcome-level costing using incremental budgeting

standing of the financing landscape, constraints and opportunities. This ensures that each financing instrument has a clearly defined and complementary role and that it adds value within the broader financing ecosystem. A financing strategy may also articulate coordination mechanisms between various instruments to ensure that country priorities are addressed in a coherent manner, minimizing the risk of duplication and gaps.

The following section outlines three broad steps for developing a financing strategy. Country contexts, planning tools and associated financing strategies will vary, and each step will need to be adjusted accordingly. The steps described below

are not intended to be linear. In practice, they are likely to be parallel or interwoven and in many cases will be part of an iterative and dynamic process. See box 2 for an example of developing a financing strategy.

Step 1: Identify the financing gaps, along with critical opportunities and constraints

In its simplest terms, a financing gap is described as the cost of addressing identified priorities (i.e. the financing required), less the financing available. Identifying underfunded priorities upfront is critical for accessing and designing the most appropriate financing instruments that can mobilize and channel required resources most effectively.

⁸ The figure draws on guidance found in the following documents: OCHA (2014a); OCHA (2014 b); UNDG and World Bank (2007); UNDG (2010a) and UNDG (2014).

i) Estimating the cost of addressing identified priorities (i.e. the financing required)

In most contexts, the costing of identified priorities forms part of the assessment and planning process. Irrespective of how a financing strategy is developed, costing is critical. Figure 4 shows the processes and practices used by different communities within the UN system in this regard.

Costing methodology

The credibility of the estimated financing requirements depends on the quality of the costing process. Costing can be complex and methodologies may vary.

Humanitarian finance mainly costs the humanitarian response at the project level usually based on the number of people targeted. The humanitarian appeals have historically consolidated project-based costing through a coordinated project planning approach, where organizations design projects based on assessed needs and strategic cluster objectives. These projects are then reviewed, approved and published.⁹ A number of countries have used activity-based costing as an alternative methodology to cost humanitarian needs.¹⁰ Within the context of a humanitarian appeal, activity-based costing refers to a method of estimating overall resource needs using average costs per sectoral activity, per person served.¹¹ The costs produced by activity-based costing are estimates based on the average previous costs per beneficiary of implementing sector activities.

The costing methodology for recovery efforts in transition countries covers both stock and flow costs. Costing the damages to stocks (e.g. physical infrastructure damage following a natural disaster) usually starts with a backward looking assessment at what has been destroyed. The costs of rebuilding are then projected forward. These costs are based on a structure size, unit building costs, number of structures and estimates of monthly running costs. Costing the loss to flows can be more challenging. Such losses include capacity gaps due to deaths or displacement, and economic losses caused by disrupted commercial activity. The costs of losses to flows are usually estimated through a reduction in capacity to deliver specific services (e.g. social services). The costing is based on the aver-

age costs of service delivery. To the extent feasible, unit cost estimates should be based on actual experiences in the country or in a similar country or sector.

In both cases, the costing exercise should be used as an opportunity to 'build back better'. According to the Internal Displacement Monitoring Centre (IDMC), disasters only occur when vulnerable people or assets are exposed to a particular hazard.¹² For example, during the week of 24-31 January 2015, there were 39 earthquakes mostly between 4.0 and 5.1 in magnitude, in and around Japan. They did not cause any significant disasters because the people and buildings exposed were not vulnerable and the areas were sparsely inhabited. It may be difficult in the immediate aftermath of a crisis to have access to reliable cost estimates for building back better infrastructure and systems. In some cases, the base estimate of total costs is raised by an overall percentage factor in order to 'build back better' in line with international comparators.

Development and climate finance tend to cost at the outcome level using incremental budgeting. This costing approach calibrates with historical data from past projects or government budgets and then adjusts costs to reflect changes in, for example, the scope of the outcomes, operational environment and assumptions.¹³ There is little consensus on how to cost climate resilient development needs, with estimates varying by an order of magnitude depending on the number of sectors and emission pathways considered¹⁴. As for 'building back better', a common solution is to raise the base estimate by a certain percentage to reflect the incremental costs of climate resilient stocks and flows. For example, the World Bank (2010) found that construction costs for climate resilient roads are up to 8 percent higher than for traditional road upgrading.

ii) Mapping the financing landscape, constraints and opportunities

Once the costs of addressing identified priorities have been estimated, a mapping is required to link existing sources of finance to identified needs. This enables calculation of the financing gap. In addition, the mapping provides the opportunity to assess potential sources of finance to contribute to

9 OCHA (2014b). The coordinated project planning approach remains in place according to the 2015 guidance for developing a humanitarian strategic response plan. Humanitarian projects are uploaded on an online planning/project system (OPS).

10 Stoddard and Willitts-King (2014). These countries are: Democratic Republic of the Congo in 2007, Zimbabwe in 2011, Afghanistan and Haiti in 2013, and Central African Republic and Yemen in 2014.

11 Stoddard and Willitts-King (2014).

12 IDMC (2015). The general equation of disaster risk is given as: Risk = Hazard x Exposure x Vulnerability.

13 UNDG (2014).

14 UNEP (2014); IPCC WG III (2014)

unfunded priorities as well as to identify key constraints and opportunities relevant to resource mobilization.

Specifically, the mapping identifies current and potential sources of finance. There are three main sources of finance, which can come from the international and domestic public and private sector:

- Grants (e.g. budget allocations, official development assistance, private donations, innovative sources of finance);
- Debt finance (e.g. concessional loans, commercial loans, bonds); and
- Equity finance (e.g. social impact investment, foreign and domestic direct investment).

The mapping should also identify the needs that the financing sources are currently and/or are interested in supporting, the amount of funding available, and the key constraints and opportunities. An illustrative data management mapping tool is provided in Annex 1.

Different sources of finance are deployed at different phases of a country's transition from crisis to sustainable development. During the humanitarian, stabilization and early phases of recovery in a country, grants are usually the largest source of finance. The high risks associated with political instability, insecurity, shallow capital markets and barriers to private investment limit debt and equity finance. Over time, with peace consolidation, an increase in national capacity and economic growth, the level of public and private grants begins to decline. International public finance increasingly moves from grants towards concessional loans. Similarly, other debt and equity sources of finance begin to increase. As countries move towards large investments in long-term climate resilience infrastructure, the bulk of the financing comes from private debt and equity. In such cases, scarce grant finance should be used to create an enabling policy environment by removing barriers to private investment and/or to provide credit enhancement to commercial actors (e.g., loan and risk guarantees, junior debt). However, the evolution in the proportions of different sources of finance is seldom linear as the phases of a country's transition from crisis to sustainable development usually overlap. This evolution will also depend on the socio-economic conditions of individual countries.

The United Nations system manages predominately grant finance. The money can come from international and national

sources and from the public and private sector; it can be earmarked or non-earmarked. Each source of grant finance may have unique management requirements. It is important to identify such requirements separately in the mapping process.

For example, this approach of mapping the financing landscape by source of finance is reflected in the UNDG guidance on preparation of the UNDAF and in the Standard Operating Procedures for Countries adopting the Delivering as One approach (SOPs).¹⁵ The indicative resources column shown in the UNDAF results matrix should also include an estimate of financial resources that each UN agency will contribute both from regular and other budgetary sources to enable calculation of the financing gap.¹⁶ Similarly, the UNDG recommends that UNCTs develop a common budgetary framework (CBF) as an integral part of the UNDAF results matrix. The CBF is the consolidated financial framework that reflects agreed costed results of the UNDAF. It shows the best financial estimates required for delivery of outputs of each UN organization, planned financial inputs, and the funding gap (Figure 5).¹⁷ The CBF is one of the five pillars in the SOPs.¹⁸

Step 2: Propose potential financing instruments to address the identified financing gaps

There are a number of different financing instruments to channel the three main sources of finance, such as the national budget, pooled financing mechanisms, lending instruments, and projects. A variety of instruments are needed to meet the priorities articulated in country-level strategic plans. The specific mix will depend on the country context and the mapping of available and potential financing sources. Different financing instruments can be combined and sequenced, depending on their programmatic scope and comparative advantage.

Pooled funds, in particular, aim at financing transformative change through supporting a wide range of intimately linked activities pursuing a common development objective. They can be designed in a number of ways to address specific characteristics of the financing gap and to leverage financing opportunities in a specific context. Table 3 shows the pooled fund functions that match specific gap characteristics, along with

15 <http://undg.org/home/guidance-policies/delivering-as-one/standard-operating-procedures-non-pilots/>

16 UNDG (2010a).

17 UNDG (2010b).

18 UNDG (2014).

Figure 5: UNDAF results matrix (with common budgetary framework)¹⁹

UNDAF Results Matrix

National Development Priorities or Goals:											
	UN Agency	Indicators, Baselines & Targets	Means of Verification	Risks & Assumptions	Role of Partners	Common Budgetary Framework - Indicative Resources				Monitoring Process	Monitoring Mechanism
						Total	Core/regular/assessed	Non-core/other/extra budgetary	To be mobilized (funding gap)		
UNDAF outcome 1											
Output 1.1											
UNDAF outcome 2											
Output 2.1											
Output 2.2											

the added value the pooled funds provide. Some functions are complementary (for example, consolidation and risk management), and normally each fund would perform more than one function.

The function(s) of a fund will help define its programmatic scope and financing requirements, which are further discussed in the next section. Fund functions can also evolve over time in response to changing country contexts, or strategies.

Just like financing instruments can be combined and sequenced, different pooled funds can be accessed, combined and sequenced to meet complex strategic needs based on their specific functions and programmatic scopes. See Box 3 for Mali's experience in this regard.

Step 3: Define the overall financing architecture of the financing strategy

The financing architecture defines the coordination mechanisms between the different financing instruments. Coordination is critical to avoid duplication and gaps, as well as to build synergies between different financing sources and instruments. Wherever possible, coordination should take place through existing mechanisms. In some cases, a financing strategy and establishment of new financing instruments provides an opportunity to improve existing coordination mechanisms.

¹⁹ UNDG (2010b).

Table 3: Fund functions that address certain financing gaps, and associated added value of pooled funds

Characteristics of the financing gap, opportunities and constraints	Main function of the fund	Main added value of the fund
There are critical gaps throughout the strategic framework and high risks that certain critical interventions may not be financed.	COHERENCE	Most pooled funds will support policy coherence. In addition, some funds will emphasize programme coherence by filling critical gaps and supporting underfinanced priorities. These coherence funds should aim to mobilize from 10 to 15 percent of the overall resources required in order to act as a gravity centre that can also align assistance. The credibility of the costing underpinning the financial requirements will be particularly important in such funds. Examples: Common Humanitarian Fund, UN Ebola Fund, UN One Funds.
(i) Financing has not yet been secured for most of the strategic framework. Interest from partners in channeling the majority of their support through a fund; or (ii) The mapping shows a proliferation of existing financing instruments.	CONSOLIDATION	Reduces fragmentation with respect to particular priorities. In many cases, the fund is the largest investment vehicle. Examples: Somalia Multi-Partner Trust Fund (MPTF), Iraq Trust Fund.
The financing gap is related to specific issues or themes.	SPECIALIZED OR THEMATIC	Has a specific expertise and focus on a particular thematic issue. Usually the case for global funds. Examples: UN Action against Sexual Violence, the Peacebuilding Fund.
Development finance is constrained by a high-risk environment. Most often the case in fragile and conflict-affected countries.	RISK MANAGEMENT	Reduces risks to governments and financial contributors through a comprehensive risk and results-based management system. Can support an earlier release of development finance, particularly in fragile and conflict-affected countries. Examples: Mali Stabilization Fund, Somalia MPTF.
(i) Strengthening national systems and capacity have been identified as key priorities; or (ii) In middle income countries, where building synergies with domestic resources is particularly important.	STRENGTHEN NATIONAL SYSTEMS	Uses and strengthens national systems. ²⁰ Is particularly relevant in the context of the New Deal ²¹ as well as in middle-income countries. Examples: Central African Republic MPTF, Mali Climate Fund, Jordan Resilience Fund.
Opportunities for innovative financing sources have been identified.	INNOVATION	Provides a mechanism for clear attribution and transparency from innovative sources of finance. Can also deepen national financial systems. Most common in support of climate change. Attracts and channels funding through innovative platforms and from new sources, for example crowd funding for the UN Ebola Fund.

²⁰ The Collaborative Africa Budget Reform Initiative (CABRI, 2009) has defined ways in which development assistance can be integrated into various stages of the national budget process to increase the use of country public financial management systems.

²¹ The New Deal for Engagement in Fragile States (the "New Deal") was adopted in Busan in 2011 by members of the International Dialogue on Peacebuilding and Statebuilding, composed of the g7+ group of fragile and conflict-affected countries, development partners, and international organizations. It presents a vision and principles to change the way development results are delivered to countries affected by conflict and fragility. The new FOCUS (Fragility assessments, One vision, One plan, Compact, Use PSGs to monitor progress, Support political dialogue and leadership) and TRUST (Transparency, Risk-sharing, Use and strengthening of country systems, Strengthen capacities, Timely and predictable aid) partnership principles introduced by the New Deal are grounded in the achievement of the Peacebuilding and Statebuilding Goals (PSGs) through a country-led process, supported by aid that is provided more efficiently, coherently and increasingly through country systems.

Box 2

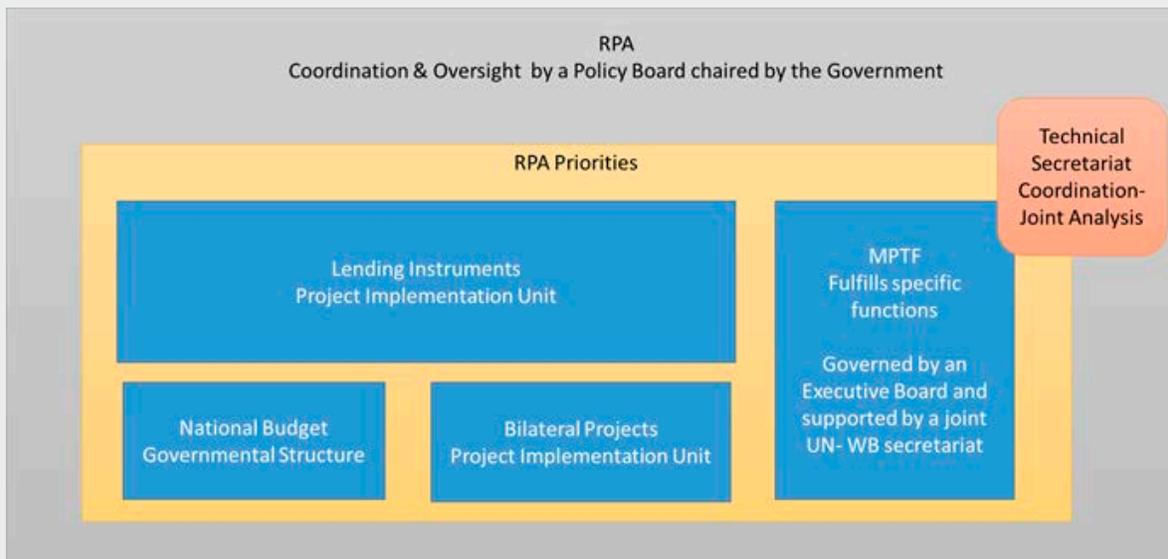
Case study: Developing a Financing strategy for Ukraine²²

The conflict in Eastern Ukraine triggered a PCNA, specifically called a Recovery and Peacebuilding Assessment (RPA), by the UN, World Bank and European Commission. Within the RPA, a financing strategy was developed to meet identified urgent recovery and peacebuilding needs in an integrated, fast and flexible manner. The financing strategy aims to leverage and link different sources of available funding from the government and its international development partners in support of identified priority activities. Developing the financing strategy for the RPA involved agreement on a set of priorities and financing needs within the overall cost envelop; mapping the various financing sources; identifying the range of specific instruments required; and establishing the institutional arrangements to promote joint responsibility for outcomes. Public domestic resources, international credits and loans, grant funding and the private sector were identified as the key sources of finance in Ukraine. Based on these sources, the financing strategy identified a mix of four key financing instruments: i) the national budget; ii) a variety of lending instruments; iii) a World Bank / UN Multi-partner Trust Fund; and iv) bilateral programme and project support.

While grants are expected to only account for a small percentage of the total resource flows, the financing strategy identified a number of important advantages of a pooled fund: prevents duplication and fragmentation of activities, fills critical gaps in financing, promotes economies of scale, and facilitates collective action and risk management. Importantly, a pooled fund can provide a platform to finance priority areas where collective focus and attention is absolutely critical and/or where required financing through country systems is less likely (e.g., specific capacity strengthening activities and projects focused on social cohesion, reconciliation, and peacebuilding). A key consideration during the finalization of the RPA is to explore whether a critical mass of grant financing can be mobilized for the establishment of such pooled fund.

The figure below shows the RPA coordination arrangements between the various financing instruments.

Figure 6: Proposed financing architecture in Ukraine



²² Extracted from the Eastern Ukraine Recovery and Peacebuilding Assessment (RPA), "Financing Strategy" (24 February 2015).

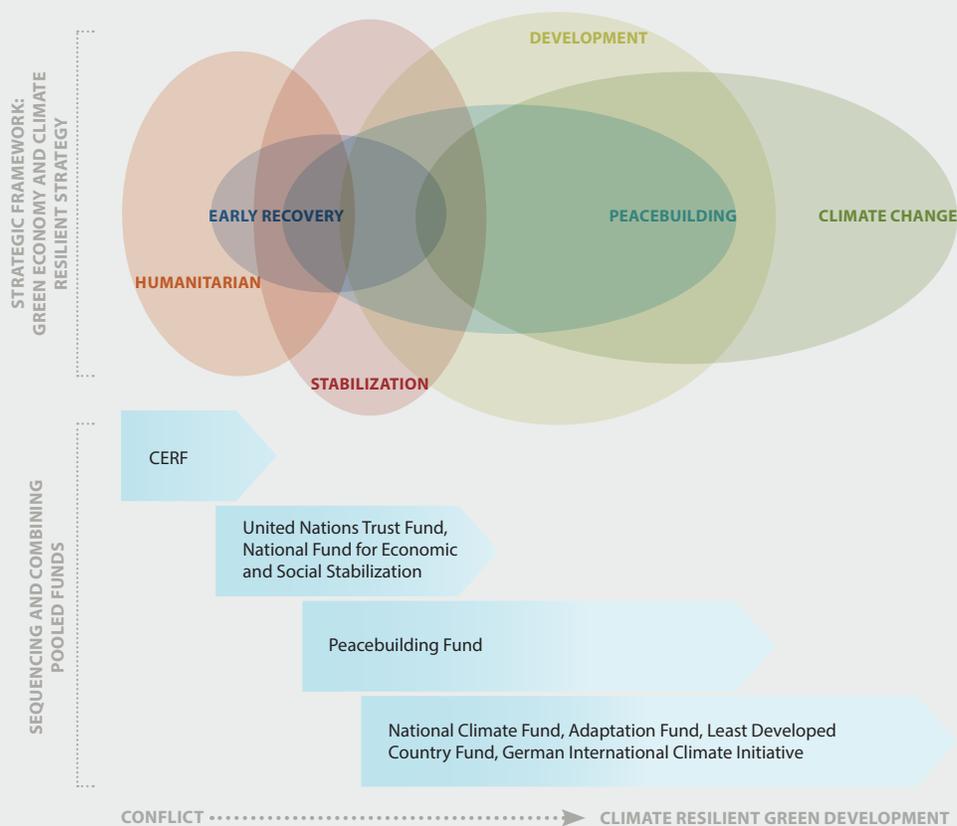
Box 3

Case study: Accessing, sequencing and combining pooled financing mechanisms in Mali

The Government of Mali developed a five-year costed strategy to support the emergence of a green economy that would be resilient to climate change, decrease the risk of conflicts over natural resources and reduce poverty. Its Green Economy and Climate Resilient Strategy²³ stems from the growing understanding that the issues of poverty, crisis, conflict and capacity to respond to climate change are intertwined.

In January 2014, the Government of Mali initiated implementation of the first year of the Strategy's results framework, costed at \$50 million, to be financed by combining domestic resources with those from two national funds (the National Fund for Economic and Social Stabilization and the National Climate Fund²⁴), two global vertical funds for adaptation (the Adaptation Fund and the Least Developed Country Fund) and one global bilateral fund (German International Climate Initiative). As the National Fund for Economic and Social Stabilization is phased out, the National Climate Fund is expected to grow and support coordinated, integrated implementation of the Green Economy and Climate Resilient Strategy. This plan should ensure that a common platform for national and international actors is available to share views on building national resilience. The overall \$250 million strategy is expected to be implemented through a series of annual phases, combining and sequencing different sources of development and climate finance (both public and private).

Figure 7: Accessing, sequencing and combining pooled financing mechanisms in support of Mali's Green Economy and Climate Resilient Strategy.²⁵



²³ Government of Mali with the support of UNDP (2011).

²⁴ MPTF Office (2014). In line with the Green Economy and Climate Resilient Strategy, Mali's National Policy and Strategy on Climate Change emphasizes natural resources.

²⁵ Adapted from OECD (2010).

2. The fund results framework

The performance of a pooled fund depends on its decision-making instruments and processes for determining the projects it will invest in. A robust fund allocation architecture sets the strategic direction of the fund. It enables decision makers to allocate resources to the right intervention, at the right time, in the right area and with the right partners throughout the life-cycle of the fund. It also enables a fund to put in place results-based and risk management systems that can report to the government and donors on value for money (economy, efficiency, effectiveness). The fund allocation architecture is made up of i) the fund results framework, which defines the fund's objectives and strategy; and ii) the governance architecture, which determines the institutional set-up for taking allocation decisions (Figure 8).

2.1. Components of the fund results framework

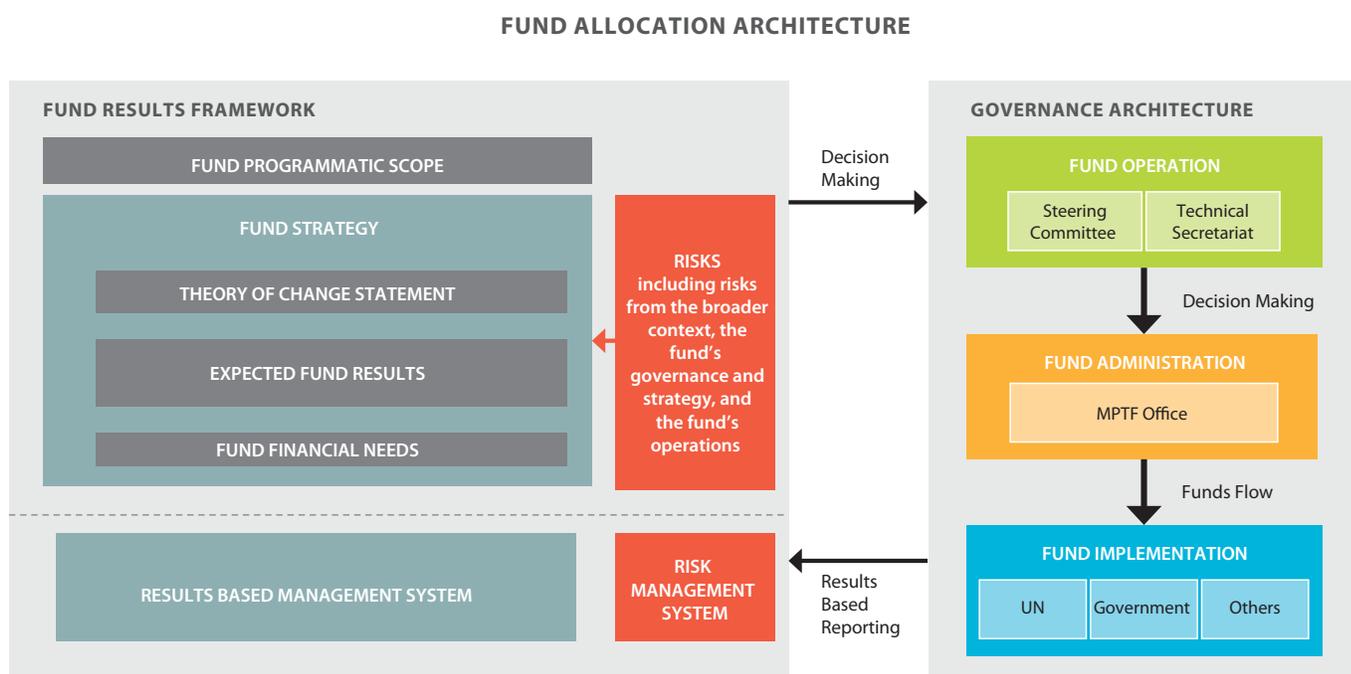
i) Fund programmatic scope

The programmatic scope of a country-level fund is context-specific and usually based on national strategies or plans, informed by needs assessments and the fund's main function(s).

ii) Fund strategy, underlined by a theory of change

The fund's strategy articulates its approach for achieving its objectives. It is based on a clear and shared theory of change that calls out the underlying beliefs and assumptions considered critical for producing change. The theory of change describes the fund's beliefs about the change that is needed and the strategies required to bring about the desired

Figure 8: Fund allocation architecture



change²⁶. As a context changes, the beliefs and assumptions underlying a fund's theory of change will need to be periodically revised through formal evaluations or more dynamically through allocation decisions of the fund's steering committee. The more fluid a country's context, the greater the need for a fund's steering committee to dynamically manage its theory of change (part 5 provides greater details on the role of a fund's steering committee).

There are various methodologies for developing a theory of change.²⁷ In general, each includes:

- An **analysis of the problem**, using critical thinking, its underlying causes, the context (including political, economic, social and environmental factors) and stakeholder dynamics (critical actors and potential agents of change);
- Identification of the **desired long-term change** and beneficiaries (the fund's expected impact);
- The proposed **pathway to change**, which sets out the causal linkages and sequence of events needed to create the conditions for achievement of long-term change (the fund's outcomes and outputs); and
- Assessment of the **risks** that may affect achieving the change and the **assumptions** that underpin causal linkages.

The theory of change is usually articulated as a narrative. The aim of the narrative is to explain the causal linkages and effects within the specific country context. It elaborates the rationale that justifies embarking on the proposed path. The narrative should also reflect key principles (e.g. inclusiveness) and cross-cutting issues (e.g. gender and human rights), explaining their relation and importance to the overall strategy. The narrative may also be summarized into a theory of change 'if... then...because statement' (see Figure 9 for an example).

A fund's theory of change will have a direct bearing on the types of projects it finances. Two funds can have similar functions, programmatic scope, and outcomes, but be underpinned by two very different theories of change. For example, two coherence funds aim at stabilization through peace dialogue. The theory of change of the first fund is underpinned by a focus on armed groups, which leads it to finance dialogues between the different armed groups. On the other hand, the

theory of change of the second fund may be based on the belief that people lie at the centre of the search for solutions. Such a fund is likely to finance activities focused on community level dialogues and empowerment.

iii) Expected fund results

To design a fund for performance in line with results-based management principles and practices, a fund's theory of change must be translated into a set of concrete expected fund results. These results summarize the change that the fund aims to bring at three levels:

- **Fund impact(s):** the long-term impact on identifiable population groups produced by an intervention, directly or indirectly and intended or unintended.
- **Fund outcomes:** usually show changes in institutional performance or behavior among individuals or groups.
- **Fund outputs:** usually show changes in skills or abilities, or the availability of new products and services that are achieved with the resources provided within the time period specified. Outputs are the level of result in which the comparative advantages of individual agencies emerge and accountability is clearest.²⁸

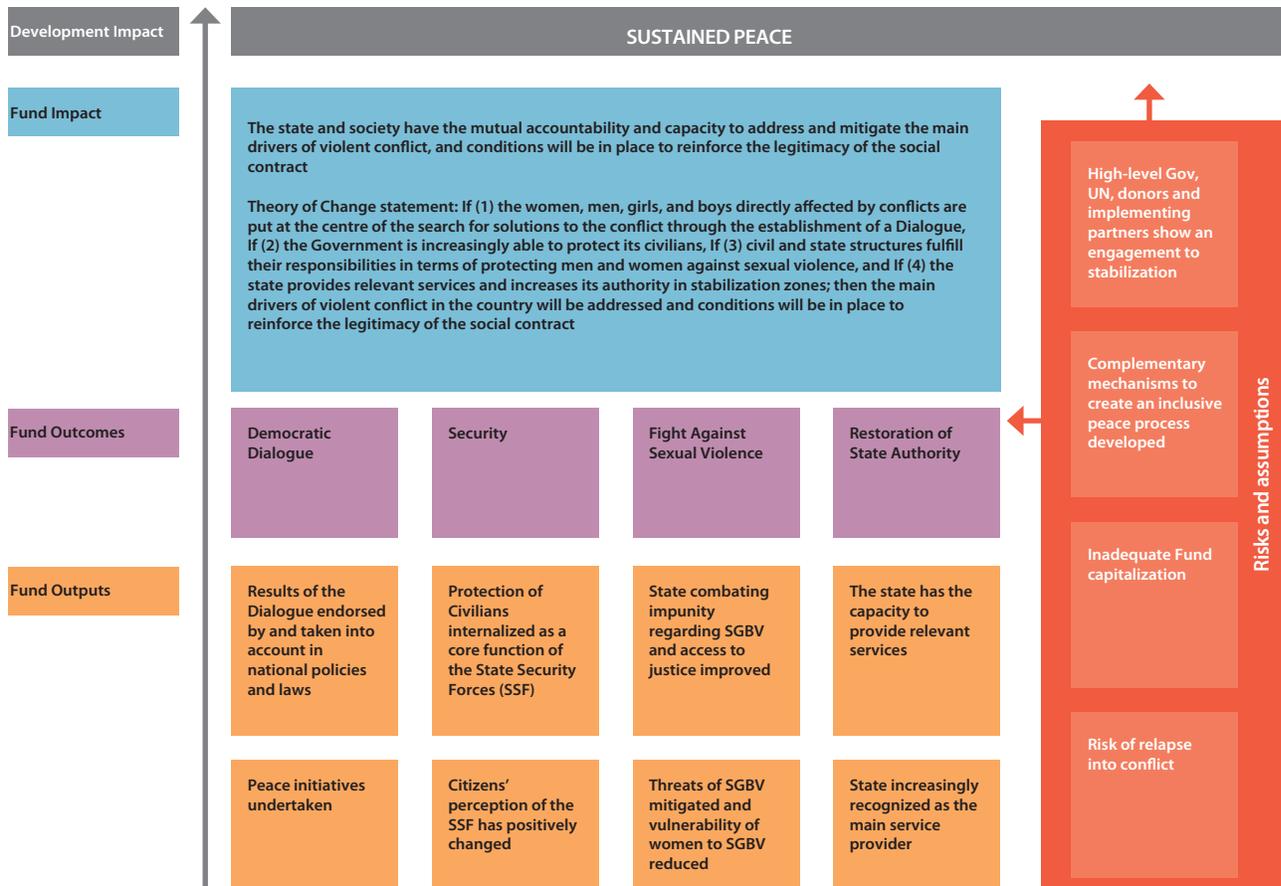
It is also useful to show the fund's expected results graphically to visualize the causal linkages between different levels (i.e. how fund outputs are expected to result in fund outcomes) and how expected fund outcomes contribute to the overall desired fund impact. There are multiple ways of graphically illustrating a theory of change. Figure 9 shows a graphical representation of a theory of change for a recovery fund at the country level. This example will be developed throughout the manual to illustrate how a fund's theory of change is translated into a results-based management system (see Part 3).

²⁶ INSP (2005)

²⁷ See Vogel (2012) for a review of different methodologies in this regard.

²⁸ Based on UNDG (2011).

Figure 9: Illustrative theory of change for a pooled recovery fund²⁹



iv) Financial needs:

Based on its function(s) and programmatic scope, a fund details its specific financial needs. For example, the financial needs of a coherence fund will tend to be around 10 to 15 percent of the overall resources required. Determining the financial needs of the fund's expected results refines the costing undertaken during the strategic planning stage (see Part 1). Technical sector groups that relate to particular fund outcomes may be used to help clarify the costing of expected results. A fund's financing requirements should be commensurate with its function and ambitions.

2.2. Defining indicators at the fund and project level

Once a fund has defined its theory of change, expected results (i.e. associated outcomes and indicative outputs) and financial needs, it must select indicators at different result levels in order to monitor and report on performance (see Part 3). Indicators are quantitative or qualitative factors or variables that provide simple and reliable means to measure achievements, to assess the validity of the assumptions, or to help assess the performance of a development actor.³⁰ Each indicator must include a baseline, target and means of verification. The baseline will show the status of the indicator at the time of establishment of the fund and will act as a reference point against which

29 Adapted from MONUSCO International Security and Stabilization Support Strategy (2014).

30 UNDG (2011). A list of commonly agreed upon and used indicators is provided in Annex 2.

progress or achievements can be assessed. The targets are the results the fund plans to achieve. Indicators are selected at each level of results:

- **Fund impact indicators** usually track long-term development change. Interventions from a range of stakeholders contribute to such changes. Progress against impact indicators is usually measured every 3 to 5 years through evaluations.
- **Outcome indicators** are established at fund level.³¹ Every project of the fund contributes to a fund outcome and must choose at least one outcome indicator to report against. This allows aggregation of progress against fund outcomes across a large number of projects.
- **Output indicators** are established at project level.³² Every project defines its own outputs and related indicators and reports to the fund on whether it is on or off track.

Expected fund results and financial needs are linked to performance indicators through the fund results matrix. Figure 10 shows an illustrative fund results matrix for a country-level recovery fund. The results matrix is then translated into the results-based management system (see Part 3), which is used to plan, monitor, evaluate and report on the fund's results at the impact, outcome and output level.

³¹ Note: outcome indicators may also be called 'effect indicators.'

³² Note: output indicators may also be called 'product indicators.'

Figure 10: Illustrative results matrix for a pooled recovery fund³³

Development Impact	Sustained Peace			
<p>The state and society have the mutual accountability and capacity to address and mitigate the main drivers of violent conflict, and conditions will be in place to reinforce the legitimacy of the social contract</p> <p>Theory of Change statement: If (1) the women, men, girls, and boys directly affected by conflicts are put at the centre of the search for solutions to the conflict through the establishment of a Dialogue, If (2) the Government is increasingly able to protect its civilians, If (3) civil and state structures fulfill their responsibilities in terms of protecting men and women against sexual violence, and If (4) the state provides relevant services and increases its authority in stabilization zones; then the main drivers of violent conflict in the country will be addressed and conditions will be in place to reinforce the legitimacy of the social contract</p>	Impact indicators	Baseline	Target	Means of Verification
	Percentage of the population in stabilization priority areas who feels that the country is on the way to peace and stability. (disaggregated by gender, social/ethnic group and age)	40%	60%	Perception survey
	Number of reported violent incidents in the programme zones (disaggregated by violence against/ among groups, against individuals and against property (disaggregated by gender and age)	500 per month	100 per month	Police reports
	Number of reported SGBV incidents in the programme zones	1000 per month	300 per month	Police reports
	Level of trust of the population that the dialogue can influence politics	2	4	Specific tracking tool (rating 1 to 10)
	Outcome 1: the population and the State are engaged in an inclusive dialogue process in order to respond to the causes of conflict, to consolidate peace and to create the basis for the creation of stable institutions			Financial needs: USD 20M
	Outcome indicators	Baseline	Target	Means of Verification
	Percentage of men and women that feel consulted and represented by the different levels of administration (local, district, provincial)	5%	50%	Perception survey
	Number of institutional reforms or provincial policies that are as a result of inclusive dialogue on conflict prevention, peace consolidation and/or state institution building between the population and the State	0	5	Review of provincial policies and institutional reforms
	Output 1.1:	The results of the Dialogue are endorsed by the authorities (provincial and national) and taken into account in the definition and revision of national policies and laws		Financial needs: USD 10M
	Output 1.2:	Peace initiatives are undertaken		Financial needs: USD 10M
	Outcome 2: Population in conflict-affected areas and locally deployed armed forces are engaged in a mutually supportive process, whereby the armed forces protects the people, trust is built, the people's view of the armed forces as a legitimate and enabling presence is increased, and a legitimate form of law and order is extended into areas formerly dominated by armed groups			Financial needs: USD 30M
	Outcome indicators	Baseline	Target	Means of Verification
	Percentage of population in priority areas perceiving the armed forces as a stabilizing/securing presence	5%	50%	Perception survey
	Percentage of cases identified by independent reporting mechanisms that result in prosecutions of armed forces' misconduct	3%	40%	Prosecutions tracking tool
	Output 2.1:	The Protection of Civilians, particularly of children, women and other vulnerable groups, is internalized as a core function of the armed forces		Financial needs: USD 20M
	Output 2.2:	Men and women's perception of the armed forces has positively changed		Financial needs: USD 10M
	Outcome 3: The stabilization of the country is supported by a reduction of the level of conflict-related sexual violence incidents, in order to diminish the ability of sexual violence to further fuel conflicts			Financial needs: USD 40M
	Outcome indicators	Baseline	Target	Means of Verification
	Number of reported SGBV incidents in the stabilization priority areas	500	100	SV database
Percentage of women, girls, men and boys in target areas that feel safe from sexual and gender based violence	5%	50%	Perception survey	
Output 3.1:	The state is combating impunity regarding SGBV in the stabilization priority zones and access to justice is improved		Financial needs: USD 20M	
Output 3.2:	Threats of sexual and gender-based violence are mitigated and prevented by challenging gender roles as factors perpetuating it, and vulnerability of women to SGBV is reduced		Financial needs: USD 20M	

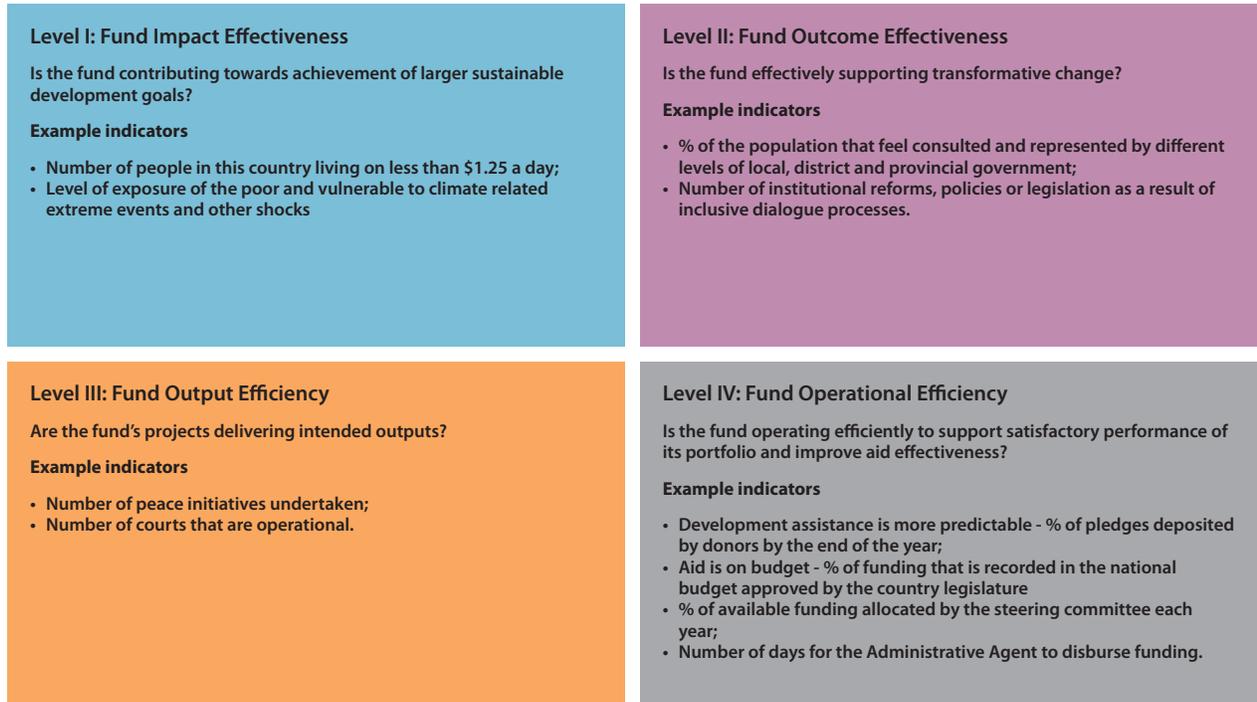
³³ An extract adapted from MONUSCO International Security and Stabilization Support Strategy (2014). Different from a project logical framework in that risk at the fund level requires a risk management strategy. See Part 4.

3. Results-based management

Results-based management (RBM) is a management strategy by which all actors, contributing directly or indirectly to achieving a set of results, ensure that their processes, products and services contribute to the achievement of desired results (outputs, outcomes and higher-level goals or impact). The actors in turn use information and evidence on actual results to inform decision-making on the design, resourcing and delivery of programmes and activities as well as for accountability and reporting.³⁴ Results-based management enables a fund to be managed as a learning instrument. It allows the steering committee to revise a fund's theory of change, adjust its risk management strategy and share tangible experiences with other funds.

The critical importance of result-based management in the performance of a fund is reflected in its legal instruments. The financial contribution agreement (*Standard Administrative Arrangement-SAA*) signed between the Administrative Agent (AA, the MPTF Office) and donors obliges the AA to report on the fund's performance through consolidated annual and final reports. The *Memorandum of Understanding (MOU)* signed between the AA and Participating Organizations requires Participating Organizations to report on programmatic and financial progress.

Figure 11: Four levels of fund performance³⁵



³⁴ UNDG (2011).
³⁵ Indicators are provided for illustrative purposes only.

A fund's RBM system should be able to assess the performance of a fund at four levels. Figure 11 shows the four levels and provides example indicators. This section describes results-based management of levels I, II and III.

To monitor and report on these three levels, the MPTF Office has developed an RBM platform that enables monitoring of programmatic and financial performance at fund and project level. The RBM system has been designed to improve and facilitate the consolidation of performance data for annual reporting. Most of the current annual consolidated fund reports are unable to capture transformative change, particularly the effects generated by the fund's interventions. The aim of the RBM system is to move from reporting on immediate results to the actual changes a fund has been able to influence, demonstrating the relevance of the underlying theory of change as described in Part 2 of this manual. This information will need to be consolidated with an assessment of performance on the fund's operational efficiency (level IV). The MPTF Office monitors and reports on a number of operational efficiency indicators at the fund level.

3.1. Overview of assessing and reporting on performance

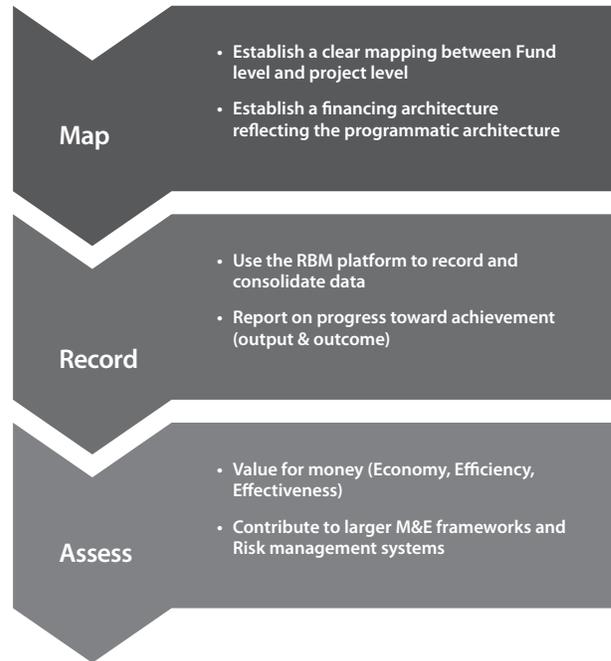
The RBM platform is a tool to better track each indicator achievement at fund/outcome level and project/output level. It works as a database that links the performance of each monitored result against the financial performance. By analyzing the set of data, fund managers can compare expected results against actual achievements in terms of percentage of result delivery. A comparison between result and financial delivery can determine the efficiency and effectiveness of the fund's interventions and their value for money. Figure 12 shows an overview of the process related to assessing and reporting on a fund's performance.

In practice, assessing and reporting on performance is done in three parts. The sections below describe the rationale while Annex 3 provides a step-by-step guide on using the MPTF Office RBM platform.

3.2. Map the overall programmatic and financial architecture

Based on the programmatic framework articulated in the

Figure 12: Overview of assessing and reporting on fund performance

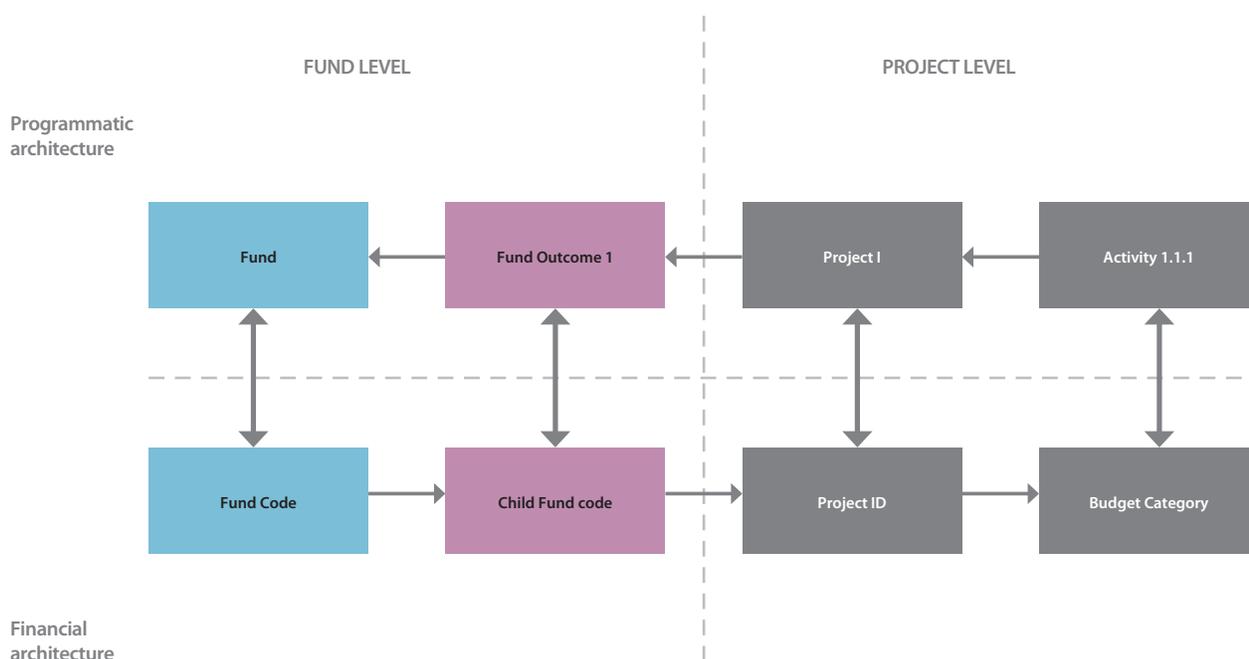


fund's result matrix, the MPTF office creates a financial architecture made up of fund codes in its enterprise resource planning (ERP) system, ATLAS, where all financial transactions are recorded: a 'parent fund code' is created at fund level, and a series of 'child fund codes' are created for every specific fund outcome. Figure 13 shows the link between the programmatic and financial architecture at both the fund and project level. It is important to note that in this mapping, projects deliver fund outputs and contribute to fund outcomes. The mapping created by the fund's architecture should balance the need for transparency and result specifics with the transaction costs associated with reporting and closure.³⁶

Financial transactions for each project are linked to a child fund code. This links financial information to outcomes.

³⁶ A MPTF Office ATLAS project is a discrete financial architecture unit whose scope may differ from fund to fund but which can be uniformly monitored, reported on, managed and closed. Right-sizing MPTF Office ATLAS projects per fund is critical for efficient fund management. The larger the number of projects set up in ATLAS, the more detailed will be the information provided by the RBM system. However, a large number of Atlas projects will increase transaction costs for all partners and affect timely closure as every project must be operationally and financially closed before a fund can be closed.

Figure 13: Links between programmatic and financial architecture at fund and project level



3.3. Record and map indicators with individual projects

Step 1: The outcome indicator for each outcome is recorded in the database and linked to the related child fund code. The indicators should be measurable in percentage or numbers (% or #). It is important at the level of the outcome to have the closest possible degree of attribution by ensuring that outcome indicators target the area of intervention (geographically or thematically).

Step 2: The interventions of each approved project have to contribute to only one fund outcome (i.e. a one-to-one mapping). Fund outcomes tend to be fairly large and ambitious and are usually the equivalent to a development objective of a project.³⁷ The project results framework specifies the fund outcome indicators that the project will report against. In the database, each 'project ID' (ATLAS) is then mapped against each designated outcome indicator. Projects set their own specific

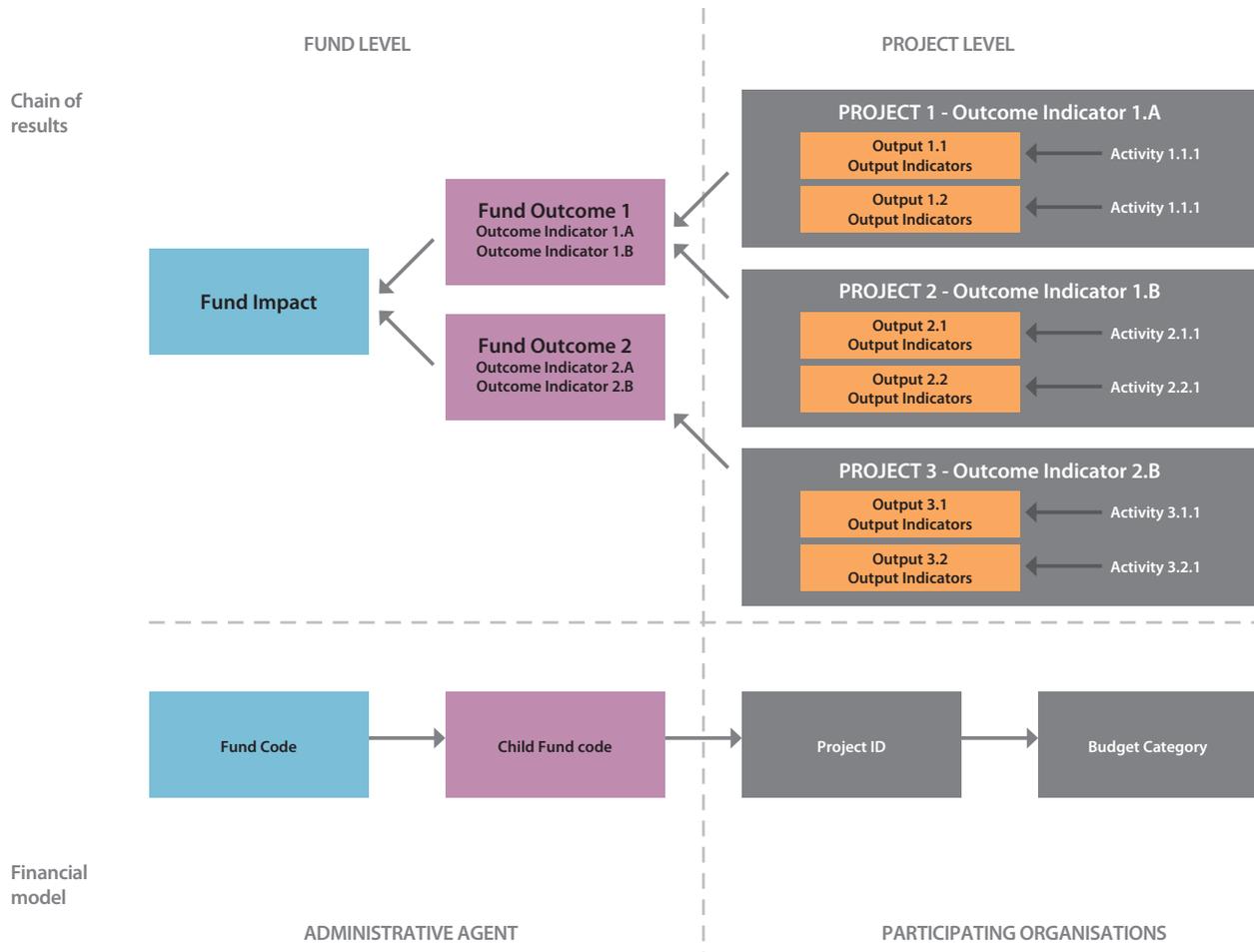
targets and baselines based on the project's geographical or thematic scope.

Individual projects also have to indicate their expected outputs and related project output indicators. Those indicators will inform the achievement of immediate results by each project output. A separate page in the database allows for each 'project ID' (ATLAS) to then be mapped against each designated output indicator (see Figure 14). The baselines and targets for each output indicator are also captured in the system, with the appropriate type of measurement (% or #).

Figure 14 shows the chain of results from the project to the fund level and how it relates to the financial architecture of the fund.

³⁷ In the case of large programmes that contribute to more than one fund outcome, two projects will need to be created within the RBM system. As explained previously, projects deliver fund outputs.

Figure 14: Applying the results-based management principles



Step 3: Once a year, projects report for each outcome and output indicator on achievement against planned targets. The reporting on outcome indicators can be done directly by project or by a dedicated monitoring and evaluation (M&E) agent. All collected data are entered in the database by the fund's technical secretariat.

During the implementation phase, changes may be made to the indicator, the baseline and the target. Such changes should be properly recorded and approved by the appropriate decision-making body and highlighted/documentated during the reporting exercise.

3.4. Assess and report (fund performance matrix)

The performance assessment that follows depends largely on the quality of the results framework, the different results indicators and the M&E system set up to monitor those indicators. At this stage, the main external factors affecting the achievement of the planned results are not considered.

The RBM platform will automatically compare indicator achievements against the baseline and the target, showing the percentage achieved for each indicator.

The database consolidates the performance of individual indicators to produce different levels of performance assessments. Since the programmatic and financial architecture have been aligned, the performance assessments can systematically demonstrate value for money by comparing the cost of an initiative relative to the actual results produced (output) or observed changes (outcome). While the assessment is made annually, the RBM system provides an overview of cumulative progress. A fund's value for money should be analyzed over a time horizon that considers the sequence in the chain of results (from output to outcome to impact). Often a fund will make upfront investments and results will be achieved more slowly over time.

The formula for the consolidation of the performance assessment takes into consideration the financial allocation approved for each project and outcome (weighting programmatic performance against approved funding). The aim is for the RBM system to offer a menu of performance formulas to choose from to meet unique fund requirements.

The following levels should be subject to this analysis:

1. **Output performance** consolidated at individual project level (average of each output indicator performance) and at fund level (average weighted on the basis of each project budget). When compared with the project and fund financial delivery rate, output performance provides an indication of the project's efficiency (status of actual project implementation) and highlights any divergence from the approved project document.
2. **Outcome performance** consolidated at individual outcome level (average of each outcome indicator performance) and at fund level (average weighted on the basis of the total projects' budgets mapped against each outcome). When compared with the outcome and fund financial delivery rate, outcome performance can inform discussions on factors affecting effectiveness of the fund interventions and be linked to risk management (see Part 4).

This is illustrated in the fund performance matrix in Figure 15.

Figure 15: Sample fund performance matrix

Fund Goal						
SUSTAINED PEACE						
Fund Impact	Impact Indicators	Baseline	Target	Achieved	Progress towards achievements of results	Trend and impact analysis
	Percentage of the population who feels that the country is on the way to peace and stability.	50%	70%	60%	50%	External Independent Evaluation
Fund Outcome 1	Outcome Indicators overall performance : 75%		Financial Delivery : 90%		Technical annual Assessment based on M&E plan	
Outcome Indicators	Baseline	Target	Achieved	Progress towards achievements of results		
Percentage of men and women that feel consulted and represented by the different levels of administration	10%	50%	30%	50%		
Fund Outputs	Responsible Participating Organizations	Output Indicators overall performance : 70%		Financial Delivery : 90%		
Project ID	UNDP	80%				
Project ID		Based on project annual reports				

The analysis of progress or setback should include an assessment of the key strategies implemented by projects, their effectiveness and the main external factors influencing the performance. Findings are then used to improve the reporting exercise, including over and under achievement, by providing credible and measurable information to donors and governance bodies who can in return refine the fund strategy.

The credibility of the assessment depends on the quality of the data collection method. The analysis of the findings presented

in narrative and financial reports should contain key recommendations and lessons learned to guide the decision-making process of the fund governance structure. In conclusion, the RBM platform and performance reporting are intended to improve the fund operations and accountability and contribute to learning.

See Annex 3 for detailed processes on using the MPTF Office RBM platform.

4. Risk management

4.1. How pooled funds can help manage risks better

A recent paper commissioned by the Utstein Group³⁸ recommended that pooled funds should be used as a platform to improve risk management practices. By nature, a pooled fund is a risk sharing mechanism, enabling stakeholders to take on more risk together than each individual stakeholder could take on alone. The governance structure, which brings together UN, government, donors and other stakeholders, offers an opportunity to develop a common understanding of the risk context and mitigation measures.

Box 4

Key risk definitions

- **Risk** is defined as uncertainty that affects the outcome of activities or interventions.³⁹
- **Risk assessment** is a process to determine the nature and extent of risk by analyzing hazards and evaluating existing conditions of vulnerability that together could potentially harm exposed people, property, services, livelihoods and the environment on which they depend. A comprehensive risk assessment not only evaluates the magnitude and likelihood of potential losses but also provides full understanding of the causes and impact of those losses.⁴⁰
- **Risk management** refers to all activities required to identify and control exposure to risk that may impact results. The role of risk management is to limit exposure to an acceptable level of risk in relation to the expected gain by taking action to reduce the probability of the risk occurring and its likely impact.⁴¹

An assessment of risk and the use of joint mechanisms to reduce and better manage risks can result in more informed strategic choices. Better risk management also means that programmes are better designed and implemented, and are more likely to achieve expected results. In fragile and conflict-affected states, these factors will encourage an earlier release of development assistance.

Development partners have different risk categories. While some risks are linked to the context, programme design and implementation, or fiduciary failure, they all ultimately affect the capacity of a fund to achieve its strategic objectives.⁴² The Somalia Development and Reconstruction Facility (SDRF) structured its risk analysis in terms of the source of risk below. Note, these risk categories are not exhaustive and can be changed to meet specific country needs.

- The broader context: risks emanating from the broader country context. For example: the risk of state failure, or return to conflict;
- The fund's governance/strategy: risks emanating from the fund's ties to a broader governance or aid architecture. For example: fund allocations not aligned to strategic objectives and/or poorly prioritized fund allocations; and
- The fund's programmes and operations: risk emanating from programme design and implementation. For example: weak capacity of implementing partners; diversion of funds; poorly designed fund interventions.

In line with the UNDG risk management framework,⁴³ in order to leverage its risk management potential, a fund should develop a **Fund Risk Management Strategy**. The main purposes of a fund risk management strategy are to: accelerate delivery and increase fund impact; ensure that fund operations 'do no harm'; verify that funds are used for their intended purpose, and build risk management capacity of national institutions. In particular a fund risk management strategy:

38 Established in Norway in 1999, the Utstein Group is a group of government ministers working together to drive the development agenda forward, focusing on implementing an international consensus on development cooperation. For the paper commissioned by the Utstein Group on risk, see Jacquand and Ranii (2014).

39 DFID (2011).

40 UNDP BCPR Factsheet - Disaster Risk Assessment.

41 DFID (2011).

42 OECD (2011) categorizes risk in terms of contextual risk, programmatic risk and institutional risk. These categories are commonly known as the Copenhagen Circles.

43 UNDG (draft March 2015).

- Develops a shared understanding of the risks facing the fund, including identifying knowledge gaps in risk analysis;
- Defines the fund's risk tolerance or appetite (fund risk profile);
- Establishes the fund's policies in relation to identified risks (fund risk policies in line with the legal instruments);
- Identifies or clarifies tradeoffs and seeks consensus among stakeholders on how to manage them;
- Determines risk treatment through mitigation measures, adaptation, or acceptance;
- Identifies risk owners, monitors the direction of risk travel and defines follow-up action; and
- Sets out common reporting and messaging strategies.

A fund's risk management strategy is reflected in its allocation criteria, including geographic and thematic priorities and project partner selection criteria. All projects applying for funding will need to comply with the fund's risk policy, tolerance and other requirements (e.g. do no harm analysis, etc). Compliance with the fund's risk policy and tolerance will be one of the selection criteria in the project appraisal process.

4.2. Steps for developing a fund risk management strategy

The following section sets out the steps for developing a fund risk management strategy. A case study (developing a fund risk management strategy for the Somalia Development and Reconstruction Facility) is provided in Box 6.

Step 1: Develop a common understanding of the risks facing the fund

The fund's governance architecture, which brings together the government, UN, donors and civil society, provides a platform to reach a common understanding of the main risks facing the fund. The steering committee may conduct a risk assessment itself, supported by the fund's secretariat or by consultants (see Part 5 for details on the fund governance architecture). In some countries, independent Risk Management Units (RMU) have been established (e.g. Afghanistan and Somalia; see below for a detailed case study on Somalia). The RMU provides independent risk management services to the UN country team as well as to the fund steering committee and secretariat. Where possible, risk assessment should be jointly undertaken with other partners.

Risks should be identified within predetermined categories and are usually identified based on historical experience and emerging issues. Information should be sought from various sources including internal incident data, audits, key informant interviews, questionnaires and open source data.⁴⁴ Consideration should also be given to the specific risk drivers and outcomes. In this process, knowledge gaps are identified, and included in strategy, to be addressed throughout implementation.

In line with the UNDG risk management framework, once the risks have been identified, each risk must be rated in order to ensure it comes up with the appropriate level of response. For each risk, the likelihood that it may materialize and the impact or consequence it would have in the absence of any mitigating actions (i.e. inherent risk levels) is estimated. The results of such an assessment can be presented in a risk ranking matrix (see Figure 16). The risk ranking matrix shows the hierarchy of risk at different levels, allowing an assessment and costing of the most appropriate responses to the identified risks, particularly to those risks most likely to impede success (very high and high).

It is essential to be very specific about the impact of the risk on the fund's operations and objectives. Not every risk may matter for a fund. Similarly, not every risk impacts a fund in the same way. This allows for prioritization in terms of treatment and monitoring.

Step 2: Determine the fund's risk tolerance or appetite (fund risk profile) and fund risk policy

Depending on its objectives, different funds will have different appetites for risk. For example, due to its lifesaving nature, a humanitarian fund may be more tolerant of the risks associated with working in conflict areas than a fund focused on reconstruction in the same country. Scenarios can help partners assess their risk tolerance. Based on its risk tolerance, the fund sets its risk policy. Box 5 shares examples of fund risk policies currently under discussion by the Somalia Development and Reconstruction Facility.⁴⁵ A fund can also take a portfolio approach to risk, where it has a high tolerance for a small number of risky projects.

44 UNDG (draft March 2015).

45 From *Somalia Risk Management Framework* (draft).

Figure 16: Risk ranking matrix⁴⁶

Likelihood	Consequences / Impact				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
Very Likely (5)	Medium (5)	High (10)	High (15)	Very High (20)	Very High (25)
Likely (4)	Medium (4)	Medium (8)	High (12)	High (16)	Very High (20)
Possible (3)	Low (3)	Medium (6)	High (9)	High (12)	High (15)
Unlikely (2)	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare (1)	Low (1)	Low (2)	Medium (3)	Medium (4)	High (5)

Box 5

Example of fund risk policies to be discussed and approved by the Somalia Development and Reconstruction Facility

- Trust fund as risk sharing mechanism: commitment to risk management strategy and fund resources for risk management capacity.
- Focus on peace dividends: willingness to fund projects in high security-risk area.
- Risk diversification: investments across Peacebuilding and Statebuilding Goals (PSGs) and across regions.
- Importance of capacity-building: higher tolerance for programmatic failure of projects that focus on national rather than international implementation.
- Balance between fiduciary and programmatic risk tolerance: investment in local/national entities, but with appropriate safeguards and following defined capacity assessment.
- Pro-active and flexible approach to unforeseen events: fund contingency reserve.

Step 3: Determine risk treatment: mitigation measures and adaptation

Treatment measures must be determined for each identified risk. Treatment can be split between:

- Mitigation measures: a preventive measure before the risk occurs and impacts the fund. Mitigation measures aim to reduce the likelihood of risk; and
- Adaptation measures: a response to the risk occurring. Adaptation measures aim to reduce impact.

Treatment can also include:

- Acceptance—where nothing can be done, and the risk is accepted; and
- Rejection—where the risk is too high, and/or nothing can be done, and it cannot be accepted.

Every possible response between acceptance and rejection has either a mitigation or an adaptation component.

It is important to note the potential tradeoffs in risk treatment, where mitigating one risk may increase another risk. For example, in a conflict-affected country, the risk to staff members' security during monitoring visits can be high. Reducing

⁴⁶ From the UN and World Bank (draft 2015) *Somalia Risk Management Framework*. Note, this matrix could be simplified by removing 'minor consequences' and 'rare likelihood'.

the number of monitoring visits will reduce this risk, but will increase the level of fiduciary risk.

Figure 17: Levels of risk and response⁴⁷

Level of Risk	Response
Very High	Immediate action required by executive management. Mitigation activities/treatment options are mandatory to reduce likelihood and/or consequences. Risk cannot be accepted unless this occurs.
High	Immediate action required by senior/executive management. Mitigation activities/treatment options are mandatory to reduce likelihood and/or consequences. Monitoring strategy to be implemented by risk owner.
Medium	Senior management attention required. Mitigation activities/treatment options are undertaken to reduce likelihood and/or consequences. Monitoring strategy to be implemented by risk owner.
Low	Management attention required. Ownership of risk specified. Mitigation activities/treatment options are recommended to reduce likelihood and/or consequence. Implementation of monitoring strategy by risk owner is recommended.

The level of such response measures will depend on the level of risk (Figure 17). Risks that are rated as ‘high’ or ‘very high’ require detailed attention. Since risks may be triggered by different drivers, a ‘menu’ of potential treatments may be identified. This allows treatment measures to be tailored to specific risk drivers. The choice of a treatment measure may also be influenced by its feasibility within the current country context and its cost.

Consideration should also be given to possible second-order risks emanating from implementation of risk treatment measures.

Step 4: Risk monitoring, costs and reporting

Risk monitoring can be distinguished at two levels:

- Monitoring of the risks (likelihood, impact, new risks). The frequency of monitoring depends on the nature and level of the risk. For example, security risks may require frequent monitoring, whereas monitoring the health of a banking system may take place every 6 months.
- Monitoring of the treatment measure itself for effectiveness and potential second-order risks.

As detailed in Box 6, to avoid fragmentation and the possibly of missing connections between different risks, the UN Risk Management Team (RMT) in Somalia recommended a dedicated risk manager or analyst at the fund level. A risk manager monitors the entire risk profile and its direction of travel, drawing on various sources within and outside the UN system, and reports accordingly.

Developing a risk management strategy, implementing risk treatments and monitoring risks involve costs, including human resources, systems, and transaction costs. It will be important for a fund to consider these costs and clarify the resources required in its engagement with contributing partners.

Risk monitoring may be captured in a risk dashboard (see figure 18 for an example of the joint risk management dashboard for the Somalia Development and Reconstruction Facility).

In terms of reporting, a fund will need to determine how it will report to the steering committee on issues related to risk.

Step 5: Determining institutional arrangements

There are various institutional arrangements within which to anchor the risk management strategy. This may include a dedicated, independent risk management team, or specialist within the Technical Secretariat. The possible tasks of the risk management team or specialist include:

- Risk monitoring
- Dashboard updates
- Treatment proposals
- Reporting
- Technical assistance

4.3. An illustrative outline of a risk management strategy

Based on the steps above, a risk management strategy may be articulated following the outline below:

1. Purpose and fund risk policy/principles
2. Risk analysis and monitoring needs
3. Risk Treatment: Risk mitigation and adaptation measures (costed); risk acceptance or rejection

⁴⁷ From Somalia Risk Management Framework (draft).

4. Institutional arrangements
5. Capacity Development
6. Reporting
7. Lessons learned and evaluation

The UN RMT in Somalia, in partnership with the World Bank, led the development of a risk management strategy. Box 6 provides their experience in this regard.

Box 6

Case study: Outline of the risk management strategy of the Somalia Development and Reconstruction Facility

The Somalia Government, under the New Deal and in partnership with the international community, has brought together a number of different funding instruments under the common Somalia Development and Reconstruction Facility (SDRF). The SDRF has three funding windows (operated by the UN, World Bank and African Development Bank; see Part 5 for details on the governance arrangements of the SDRF). It is a key element of the joint vision to create a critical mass of resources that can be channeled more strategically, coherently and effectively to ultimately ensure a greater impact of international assistance.

To ensure that the SDRF delivers on its objectives within its operating context, the UN and World Bank in consultation with government and donors are jointly developing a risk management strategy. The aim of the joint strategy is to manage risks at the level of the common fund and individual funding windows.

The risk management strategy is based on a joint risk assessment that took place in late 2014 and early 2015. A joint risk management dashboard has been developed, which presents a list (or 'register') of risks and summarizes the fund's position on the likelihood, impact and risk level of each. The risk management dashboard also presents the main risk treatment measures (mitigation and adaptation) and monitoring arrangements. The dashboard is intended to be a dynamic record linked to fund and facility management processes and decisions. Figure 18 shows an abstract of the risk management dashboard.

The risk management dashboard will inform the project review process and selection/approval criteria. Project proposals must include robust risk analysis (identification, analysis, evaluation, treatment and monitoring capacities).

Using the dashboard, a dedicated risk management team (RMT) will be responsible for ongoing risk analysis, monitoring and reporting. The RMT will also provide capacity-development support to the SDRF and recipient entities. The activities and responsibilities of the RMT are distinct from those of the Secretariat. The RMT does not engage in proposal development, submission processes, results definition or results reporting. The RMT engages with the Secretariat to ensure harmonization of risk mitigation measures with selection criteria.

Figure 18: Abstract from the joint risk management dashboard for the Somalia Development and Reconstruction Facility (SDRF)⁴⁸

Governance and Strategy						
Risk	Risk Drivers	Risk Outcomes	Mitigation Proposed menu of options	Adaptation “Accept” and “terminate” are applicable options for all risks.	Monitoring	Owners
Fund allocation not aligned to strategic objectives and/or poorly prioritised fund allocations	<ul style="list-style-type: none"> Lack of consensus amongst stakeholders on fund purpose Weak decision making capabilities in the SDRF Pressure to allocate funds to overly broad range of activities and/or in pursuit of bilateral/institutional agendas Disbursement pressure SDRF reluctance to venture into new programme areas Insufficient un-earmarked funds 	<ul style="list-style-type: none"> Lack of impact of fund interventions relative to fund objectives Funds spread too thinly to be able to take interventions to scale Reputational damage to Fund Administrator and/or Government Limited impact/lost opportunities to improve impact of fund intervention Exacerbations of socio-economic disparities and/or political grievances; contribution to conflict 	<ul style="list-style-type: none"> Development of fund allocation strategy encompassing all windows endorsed by SDRF SC Regular consultations with stakeholders (within and beyond Fund) on fund policy/objectives Increased advocacy at HQ/capital level Review of project selection criteria Timely communication of forward spending projections by donors 	<ul style="list-style-type: none"> Reserve fund (unearmarked) Increased advocacy at HQ/capital level 	<ul style="list-style-type: none"> Independent evidence based/needs/impact assessments Capacity for monitoring/data collection at fund level Regular SWOT analysis on potential new areas of intervention to establish viability 	<i>(indicative)</i> <ul style="list-style-type: none"> SDRF RMT Fund Administrators
Geographic and/or sectoral bias in fund interventions and allocations	<ul style="list-style-type: none"> Lack of broad-based representation in the SDRF architecture Insufficient inclusion of regions in SDRF decision-making Fund risk preferences limits capacity to work in marginalized areas 	<ul style="list-style-type: none"> Fund interventions exacerbate political tensions and/or raise conflict risk Imbalanced PSG/sector progress Reputational damage to Fund Administrator and/or Government Perceived marginalization of affected areas/population/sectors Hostility towards the fund 	<ul style="list-style-type: none"> Governance structure incorporates representation from broad-range of stakeholders/regions Informal consultations within SDRF architecture on geographic allocation of funds Set policy & criteria for allocation %: Per region, Per PSG, Per sector (fund allocation strategy) 	<ul style="list-style-type: none"> Reserve fund (unearmarked) Increased advocacy at HQ/capital level 	<ul style="list-style-type: none"> Evidence based monitoring by independent reviewer / conflict analysis PSG review(s) Regular update from Fund Administrators on geographical allocations 	<i>(indicative)</i> <ul style="list-style-type: none"> SDRF RMT Fund Administrators

48 Abstracted from the *Somalia Risk Management Framework* (draft).

5. Governance architecture

5.1. The fund management chain

Fund management is made up of three levels: Fund Design and Administration, Fund Operation and Fund Implementation. Each level has specific roles and responsibilities. The main functions of each level are described in Figure 19.

5.2. The fund governance architecture

The different levels of fund management are translated into the fund governance architecture, which defines the bodies responsible for performing the functions above, their composition, and their relation to each other. The governance structure and arrangements are tailored to each fund and depend on the fund function and the country context. As far as possible, country-level funds should use existing arrangements at the country level. Figure 20 illustrates a standard fund governance architecture.

As shown in Figure 20, the governance architecture usually consists of the bodies described below.

i) Fund design and administration

The **Administrative Agent (AA)** is responsible for fund design and administration. The key administrative functions include receiving and administering contributions and transferring them to the implementing partners (as per the steering committees' instructions) as well as financial and performance reporting. A fund is established through signature of standard legal agreements between the AA and implementing partners (Memorandum of Understanding [MOU] with UN agencies; Memorandum of Agreement [MOA] with national entities). A fund is operational through signature of standard legal agreements between the AA and contributors (Standard Administrative Arrangement [SAA]).

Figure 19: Main functions of the fund management chain

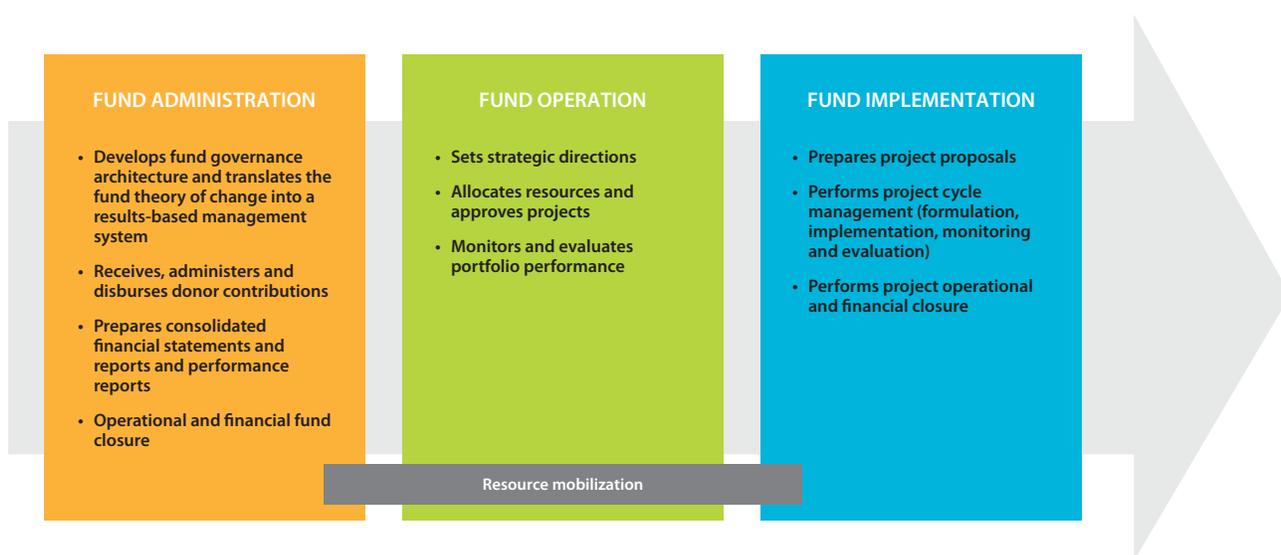
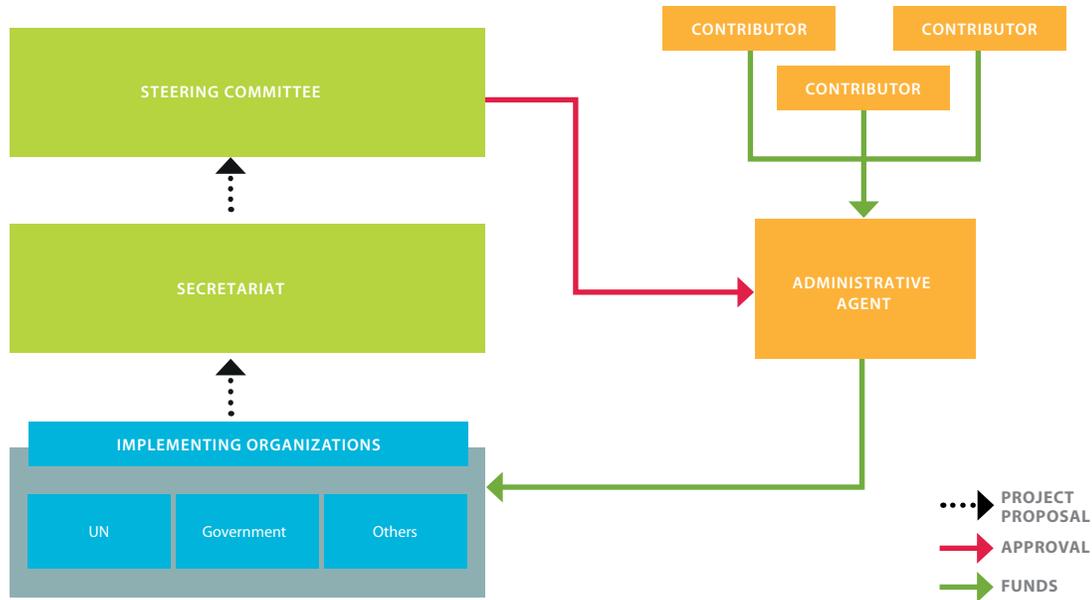


Figure 20: Standard fund governance architecture



The MPTF Office is the AA for >90 percent of UNDG pooled funds. It uses standard UNDG legal agreements to establish and operationalize pooled funds, which reduces transaction costs and increases speed.⁴⁹ A link to its operational manual can be found here:

<http://mptf.undp.org/document/download/13501>.

The MPTF Office supports resource mobilization efforts by bringing new funds to the attention of its network of over 100 contributing partners.

ii) Fund operation

The **Steering Committee** sets the fund's strategic direction, makes resource allocation decisions, and monitors its progress towards achieving transformative change. It plays a critical role in managing the fund in a dynamic manner. The Steering Committee is responsible for reviewing and revising the fund's theory of change and expected results over the life-cycle of the fund. It is also responsible for reflecting information from the RBM system and risk management strategy on an ongoing basis in its allocation decisions.

Typically, the Steering Committee is composed of the government, main implementing entities (including the UN, national entities, civil society), and donors. This tri-partite steering arrangement facilitates a common view of priorities and risks better than through other arrangements. Each fund decides on the exact composition of the Steering Committee. Experience shows that the ideal size is between six to ten members. This enables the Steering Committee to meet more easily and take decisions more effectively. The government, UN and donors should each be represented by two to three members, often with one or two seats on a rotational basis.

The **Secretariat** provides technical and administrative support to the Steering Committee and is responsible for the day-to-day operations of the fund. It is usually responsible for appraisal of project proposals, coordination, report consolidation, monitoring and evaluation. Project appraisals may also be done by country-level sector working groups. The Secretariat usually codifies the fund's policies and rules of procedure into a fund-specific operational manual. The Technical Secretariat also develops the fund's resource mobilization strategy and engages with contributing partners at country level.

⁴⁹ Templates of these agreements can be found on the MPTF Office GATEWAY: <http://mptf.undp.org>.

iii) Fund implementation

Implementing Organizations are responsible for project implementation. They include UN agencies, government entities, NGOs (which receive contributions through a Managing Agent function) and international financial institutions. Implementing entities mobilize additional resources at the project level to leverage fund resources. The leveraging ratio between fund and project resources varies depending on the fund theme and a country's transition phase.

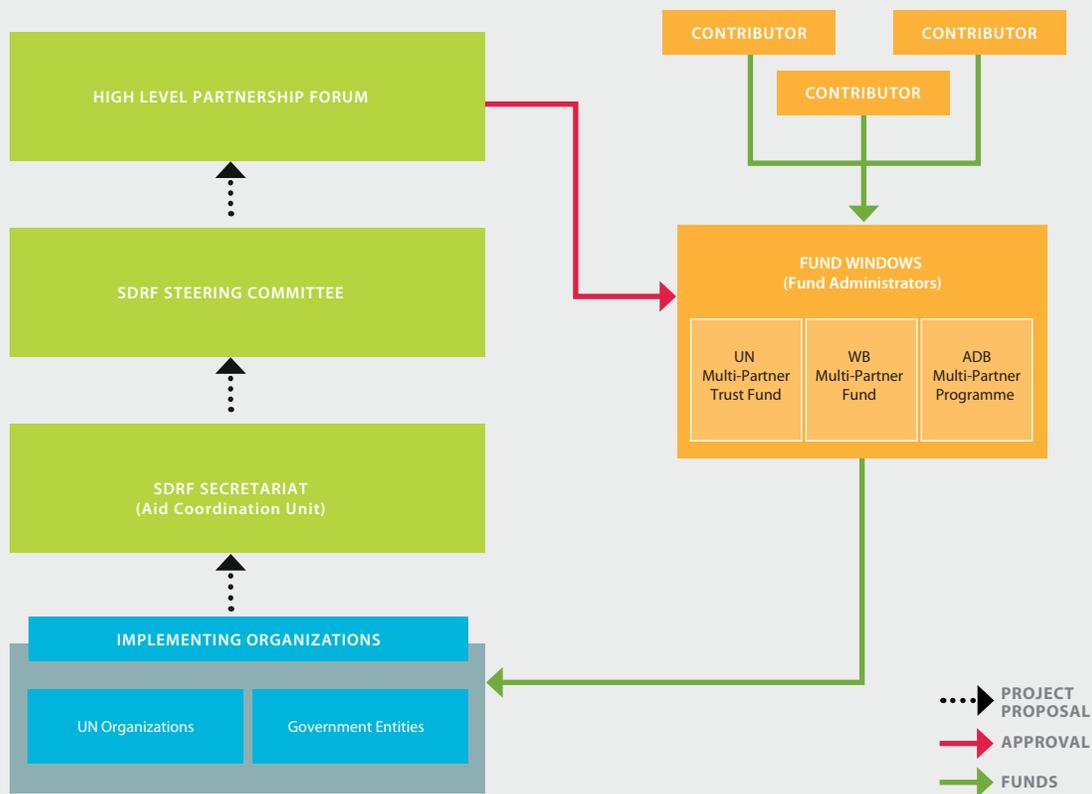
Box 7

Case study: Governance architecture of the Somalia UN Multi-Partner Trust Fund within the Somalia Development and Reconstruction Facility

The governance architecture and arrangements are adapted to fit the fund type and the country specificities. For example, the Somalia UN Multi-Partner Trust Fund has been designed as a multi-window facility. In addition to the standard UN window, national entities may also directly receive funds through a national operating window. Similar to the UN window, the national window operates as a pass-through mechanism, where the government is accountable.

As shown in Figure 21, this fund is also an example of a set of several trust funds, with different administrative agents operating under the common governance arrangement of the Somali Development and Reconstruction Facility (SDRF). The African Development Bank, the United Nations and the World Bank manage their respective trust funds in accordance with contribution agreements and their institutional mandates, policies and procedures. At the same time, their allocation decisions are coordinated by a common SDRF Steering Committee, which also provides strategic oversight and guidance. This governance and financing architecture increases coherence and coordination and also reduces transaction costs for both government and funding partners.

Figure 21: UN Somalia MPTF governance architecture



Conclusion

The role of pooled funding mechanisms is likely to grow in the coming years, as the development finance architecture evolves rapidly. The adoption of the Sustainable Development Goals (SDGs) will be reinforcing the need for multi-partner financing aligned with specific global public goods. This could lead to the establishment of new global facilities aligned to the SDGs which enable a collective response to shared challenges.

The UN and its partners have accumulated a wealth of experience over the past decade with system-wide development, humanitarian and recovery pooled financing mechanisms. The success of issue-based UN pooled financing mechanisms for the post-2015 development agenda, however, will depend on the quality of fund design and administration, fund operations, and fund implementation.

Pooled funds can be powerful instruments for achieving transformative change in support of the post-2015 development agenda. To leverage the potential benefits and limit the potential drawbacks, the way in which funds are designed matters. Upfront investment in fund design will save time, lower transaction costs and increase its impact.

The key fund design components include clarifying the function and added value of a fund within the broader financing ecosystem, delineating its programmatic scope, articulating its theory of change to achieve its expected set of programmatic results, establishing its results-based management system and its risk management strategy as well as right sizing its governance structure. Each component of fund design is intimately linked. A shared theory of change and robust RBM system will significantly reduce risks and the need for a comprehensive risk management structure. Conversely, a costly fund's risk management structure will be required to compensate for the lack of a strong theory of change and RBM system.

Finally, fund design itself is dynamic, iterative and sometimes overlapping process. A dynamic process of fund design, operation and implementation ensures that pooled funds are both financing and learning instruments, fit for purpose in support of transformative change.

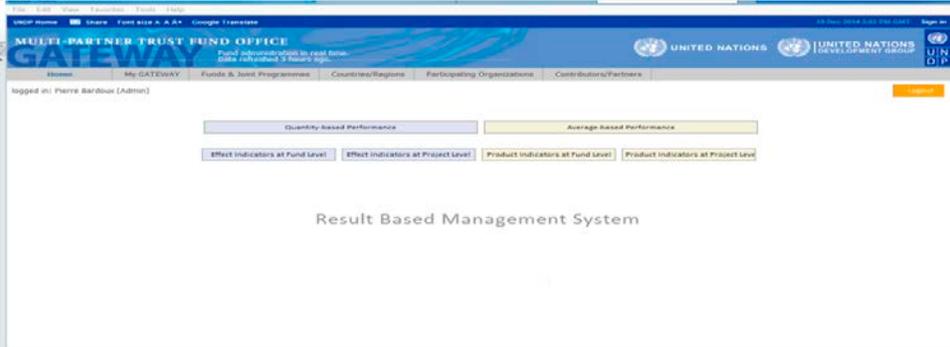
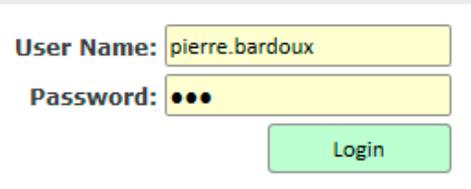
Annex 2: Selected menu of indicators

The table below provides sources to a number of commonly agreed upon and used indicators.

SOURCE	LINK	DESCRIPTION
UN	http://mdgs.un.org/unsd/mdg/Default.aspx	Millennium Development Goals Indicators: the official data, definitions, methodologies and sources for more than 60 indicators to measure progress towards the Millennium Development Goals.
UN	http://unstats.un.org/unsd/databases.htm	UN Statistics Division Statistical Databases: overview of the available statistical databases within the UN.
UNICEF	http://www.unicef.org/statistics/index_step1.php	UNICEF Statistics and Monitoring: economic and social indicators for 195 countries, with special emphasis on the living conditions for children.
UNHABITAT	http://www.devinfo.info/urbaninfo/	UN Human Settlement Programme UrbanInfo: key indicators for cities and regions.
WORLD BANK	http://ddp-ext.worldbank.org/ext/DDPQQ/member.do?method=getMembers&userid=1&queryId=135	World Bank World DataBank: the World Bank's database, which contains 54 indicators for 206 countries.
WORLD BANK	http://genderstats.worldbank.org/home.asp	World Bank Gender Equality Data and Statistics: one-stop shop for gender information, catering to a wide range of users and providing data from a variety of sources.
UNEP	http://geodata.grid.unep.ch/	United Nations Environment Program Environmental Data Explorer: database with more than 450 different variables, presented as national, subregional, regional and global statistics or as geospatial data sets (maps) covering themes such as freshwater, population, forests, emissions, climate, disasters, health and gross domestic product (GDP).
Transparency International	http://www.transparency.org/research	Transparency International Research: reliable quantitative diagnostic tools regarding levels of transparency and corruption at the global and local levels.
UN	http://www.un.org/en/events/peacekeepersday/2011/publications/un_rule_of_law_indicators.pdf	UN Rule of Law Indicators: guide and project tools for implementing and measuring rule of law indicators.
UN	http://unstats.un.org/unsd/demographic/products/socind/default.htm	UN Social Indicators: social indicators in a wide range of fields compiled by the Statistics Division, Department of Economic and Social Affairs, of the UN Secretariat
Pacific Institute	http://www.worldwater.org/data.html	The World's Water: detailed statistical information about access to water and sanitary conditions.
WHO	http://www.who.int/whosis/en/	World Health Organization Statistical Information System (WHOSIS): interactive database bringing together core health statistics.
UNESCO	http://www.uis.unesco.org/ev.php?ID=2867_201&ID2=DO_TOPIC	UN Educational, Scientific and Cultural Organization Institute for Statistics: global and internationally comparable statistics on education, science, technology, culture and communication.
FAO	http://faostat3.fao.org/home/E	Food and Agriculture Organization of the UN, Statistics Division (FAOSTAT): data relating to food and agriculture.

Annex 3: Using the MPTF Office results-based management (RBM) platform

Using the example of a country-level pooled fund, the following table outlines the steps to follow to translate the illustrative fund results matrix (Figure 10) into the RBM system.

<p>The MPTF Office RBM system monitors programmatic and financial performance indicators at the outcome and output level (fund and project level, respectively).</p>	
<p>To access the RBM platform you need to be a registered user. The platform is accessed through the MPTF Office GATEWAY: http://mdtf-dev.bim.undp.org/</p>	
<p>Once on the MPTF Office GATEWAY site, go to the bottom of the menu and click on "RBM Platform."</p>	
<p>To log in, enter first name and use your intranet password.</p>	

The RBM system has four steps that correspond to specific phases in the fund's life cycle:

- **When the fund is established**

Step 1: Enter outcome (i.e. effect) indicators at fund level.

- **Each time a project is approved**

Step 2: Link projects to specific outcome (effect) indicators and enter baseline and target information.

Step 3: Enter project-specific output (product) indicators at project level.

- **Annual reporting once a year (31 March)**

Step 4: Report progress against outcome (effect) and output (product) indicators.

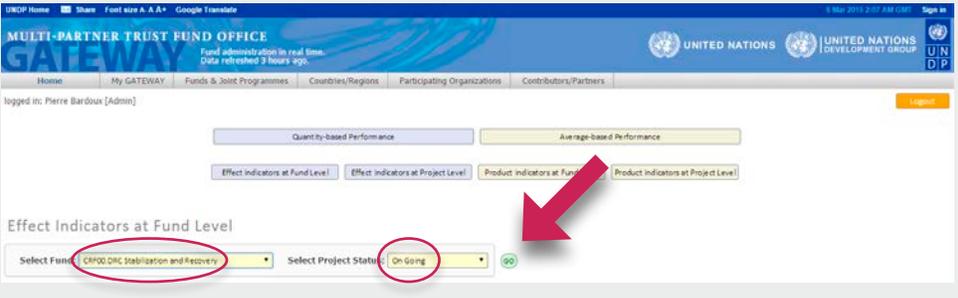
Step 1: Enter the outcome (effect) indicators at fund level.

1.1. Click the Effect Indicators at Fund Level box (i.e. outcome indicators).



The screenshot shows the 'Result Based Management System' dashboard. At the top, there is a navigation bar with 'Home', 'My GATEWAY', 'Funds & Joint Programmes', 'Countries/Regions', 'Participating Organizations', and 'Contributors/Partners'. Below the navigation bar, there are two main performance categories: 'Quantity-based Performance' and 'Average-based Performance'. Under 'Quantity-based Performance', there are four buttons: 'Effect indicators at Fund Level', 'Effect indicators at Project Level', 'Product indicators at Fund Level', and 'Product indicators at Project Level'. A red arrow points to the 'Effect indicators at Fund Level' button.

1.2. From the dropdown lists, select the fund (parent fund code), in this case 'Stabilization and Recovery,' and the project status, in this case 'On Going,' then click the Go button.



The screenshot shows the 'Effect Indicators at Fund Level' form. It has two dropdown menus: 'Select Fund' and 'Select Project Status'. The 'Select Fund' dropdown is set to 'CRFOD.DRC Stabilization and Recovery' and the 'Select Project Status' dropdown is set to 'On Going'. A red circle highlights the 'Select Fund' dropdown, and another red circle highlights the 'Select Project Status' dropdown. A red arrow points to the 'Go' button next to the dropdowns.

1.3. From the dropdown list, select the outcome (child fund code), in this case 'Sexual Violence,' and then click the Go button.

Effect Indicators at Fund Level

Select Fund: Select Project Status:

outcomes cum struc - query

Fund: CRF00
Description: DRC Stabilization and Recovery
Project Status: On Going

YEAR	CUMULATIVE NET FUNDED AMT	CUMULATIVE EXPENDITURE	DELIVERY RATE	OVERALL INDICATORS PERFORMANCE
2011	3949209.00	196516.28	4.98	
2012	6059209.00	3414394.74	56.35	
2013	6059209.00	5734110.97	94.63	
2014	6059209.00	5955933.65	98.30	

Select Outcome:

1.4. The outcome details will be displayed. Click the Add New Indicator button.

Select Outcome:

Outcome: CRF04
Description: Sexual Violence
Project Status: On Going

YEAR	CUMULATIVE NET FUNDED AMT	CUMULATIVE EXPENDITURE	DELIVERY RATE	OVERALL INDICATORS PERFORMANCE
2012	2110000.00	1602961.16	75.97	0.00
2013	2110000.00	1990407.16	94.33	0.00
2014	2110000.00	2071760.34	98.19	0.00

There is no indicator data for this Outcome, start to enter data . . .

The Result Indicator box will be displayed.

Result Indicator No. 1 [1.0]

Indicator Name:

Indicator Type:

1.5. In the text box, enter the indicator. From the dropdown list, select the indicator type (number or percentage). Click the Save New Indicator button.

Add New Indicator

Result Indicator No. 1 [1.54]

Indicator Name:

Indicator Type:

SAVE NEW INDICATOR

1.6. The following options will appear. Click the S (save) and A (approve) buttons.

Result Indicator No. 1 [1.55]

Indicator Name:

Indicator Type:

S A D

Add New Indicator

1.7. A message will appear on the screen to approve and lock the indicator. Click the OK button.

You are about to Approve and Lock this Indicator!

OK **Cancel**

1.8. The indicator is then locked. To add a new indicator, click the Add New Indicator button and repeat the process.

Select Outcome: **GO**

Outcome: CRF04
Description: Sexual Violence
Project Status: On Going

YEAR	CUMULATIVE NET FUNDED AMT	CUMULATIVE EXPENDITURE	DELIVERY RATE	OVERALL INDICATORS PERFORMANCE
2012	2110000.00	1602961.16	75.97	0.00
2013	2110000.00	1990407.16	94.33	0.00
2014	2110000.00	2071760.34	98.19	0.00

Result Indicator No. 1 [1.55]

Indicator Name:

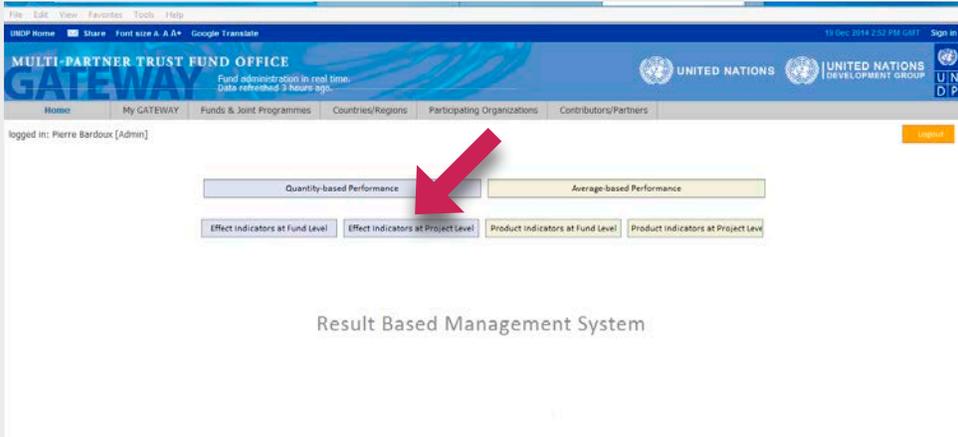
Indicator Type: **UNLOCK INDICATOR**

Add New Indicator

Step 2. Link the project to fund outcome indicators.

Each approved project is linked to a single fund outcome and at least one outcome (effect) indicator that it monitors and reports on.

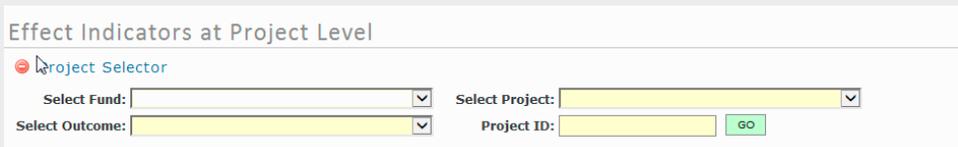
2.1. Click the Effect Indicators at Project Level box (i.e. outcome indicators at project level).



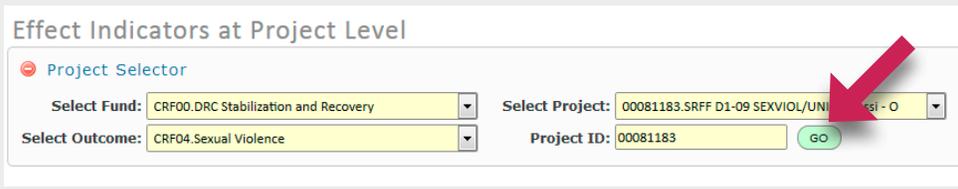
2.2. Click the Project Selector button.



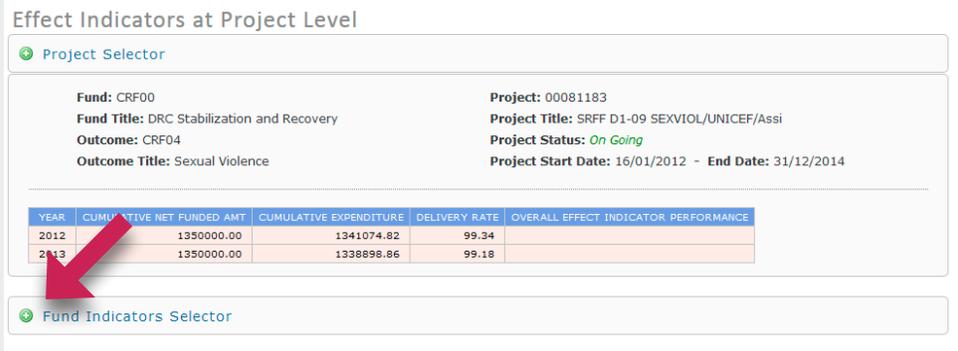
The following box will be displayed.



2.3. From the dropdown lists, select your fund, outcome and project and then click the Go button.



2.4. The project data will be displayed. Click the Fund Indicators Selector button.



YEAR	CUMULATIVE NET FUNDED AMT	CUMULATIVE EXPENDITURE	DELIVERY RATE	OVERALL EFFECT INDICATOR PERFORMANCE
2012	1350000.00	1341074.82	99.34	
2013	1350000.00	1338696.86	99.18	

2.5. Select the outcome indicator you want map your project to.

Effect Indicators at Project Level

Project Selector

Fund: CRF00
Fund Title: DRC Stabilization and Recovery
Outcome: CRF04
Outcome Title: Sexual Violence

Project: 00081183
Project Title: SRFF D1-09 SEXVIOL/UNICEF/Assi
Project Status: *On Going*
Project Start Date: 16/01/2012 - **End Date:** 31/12/2014

YEAR	CUMULATIVE NET FUNDED AMT	CUMULATIVE EXPENDITURE	DELIVERY RATE	OVERALL EFFECT INDICATOR PERFORMANCE
2012	1350000.00	1341074.82	99.34	
2013	1350000.00	1338898.86	99.18	

Fund Indicators Selector

- 1. Number of reported SGBV incidents in the stabilization priority areas [percent] [ID:1.55]
- 2. Perception of safety from sexual and gender based violence by women, girls, men and boys in target areas [number] [ID:2.56]

2.6. Click the OK button.

Effect Indicators at Project Level

Project Selector

Fund: CRF00
Fund Title: DRC Stabilization and Recovery
Outcome: CRF04
Outcome Title: Sexual Violence

Project: 00081183
Project Title: SRFF D1-09 SEXVIOL/UNICEF/Assi
Project Status: *On Going*
Project Start Date: 16/01/2012 - **End Date:** 31/12/2014

New Fund Indicator Added!

OK Cancel

Fund Indicators Selector

- 1. Number of reported SGBV incidents in the stabilization priority areas [percent] [ID:1.55]
- 2. Perception of safety from sexual and gender based violence by women, girls, men and boys in target areas [number] [ID:2.56]

Once the outcome indicator has been selected, the following will be displayed.

Effect Indicators at Project Level

Project Selector

Fund: CRF00
Fund Title: DRC Stabilization and Recovery
Outcome: CRF04
Outcome Title: Sexual Violence

Project: 00081183
Project Title: SRFF D1-09 SEXVIOL/UNICEF/Assi
Project Status: *On Going*
Project Start Date: 16/01/2012 - **End Date:** 31/12/2014

YEAR	CUMULATIVE NET FUNDED AMT	CUMULATIVE EXPENDITURE	DELIVERY RATE	OVERALL EFFECT INDICATOR PERFORMANCE
2012	1350000.00	1341074.82	99.34	
2013	1350000.00	1338898.86	99.18	

Fund Indicators Selector

Result Indicator No. 1 1 [55]

Indicator Name: Number of reported SGBV incidents in

Indicator Type: Prc %

Baseline: 0

Overall Target: 0

SAVE NEW INDICATOR

2.7. Add the baseline and the overall target and click the Save New Indicator button.

Fund Indicators Selector

Result Indicator No. 1 [55]

Indicator Name:

Indicator Type:

Baseline:

Overall Target:

2.8. The following options will appear. Click the S (save) and A (approve) buttons.

Result Indicator No. 1 [id:55 - pind_id:60 - pind rows:1]

Indicator Name:

Indicator Type:

Baseline:

Overall Target:

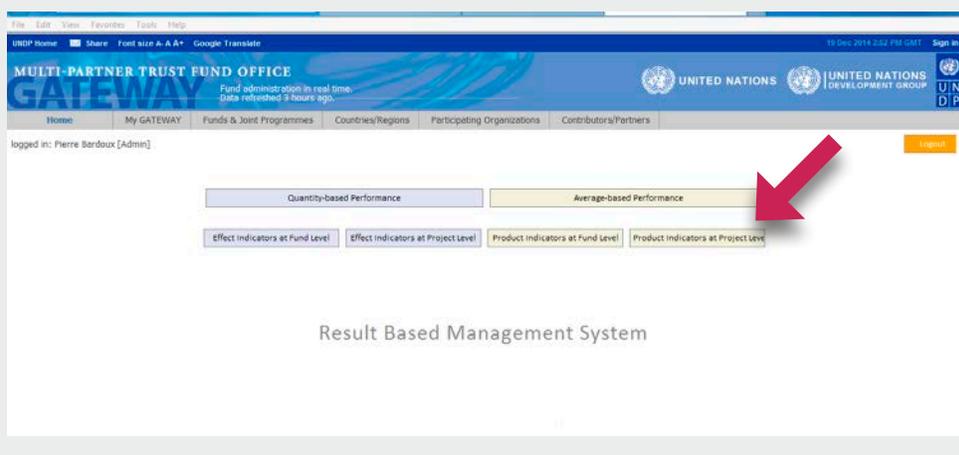
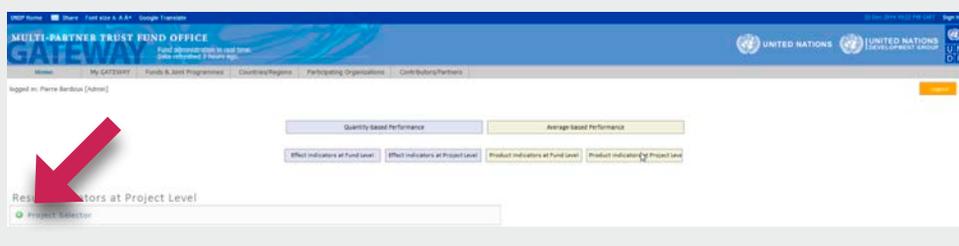
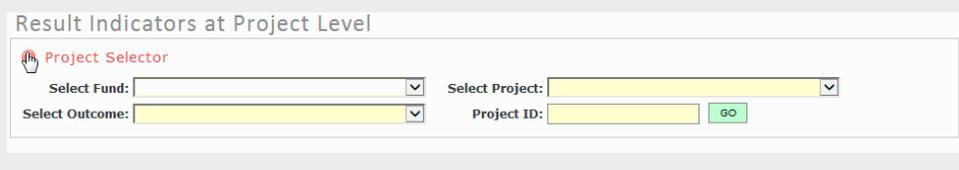
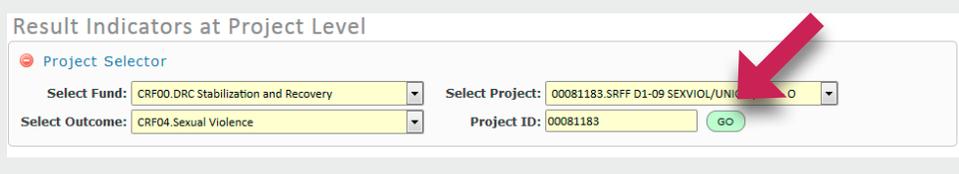
2.9. A message will appear on the screen to approve and lock the indicator. Click the OK button.

The page at mptf.dev.undp.org says:

You are about to Approve and Lock this Project Indicator!

Step 3. Define the project output indicators.

Each project also sets its own specific output (product) indicators, which are uploaded in the system to enable monitoring of project performance (on track or off track).

<p>3.1. Click the Product Indicators at Project Level box (i.e. output indicators at project level).</p>	 <p>The screenshot shows the UNDP Gateway dashboard. At the top, there is a navigation bar with 'Home', 'My GATEWAY', 'Funds & Joint Programmes', 'Countries/Regions', 'Participating Organizations', and 'Contributors/Partners'. Below this, there are four buttons: 'Quantity-based Performance', 'Average-based Performance', 'Effect Indicators at Fund Level', and 'Product Indicators at Project Level'. A red arrow points to the 'Product Indicators at Project Level' button.</p>
<p>3.2. Click the Project Selector button.</p>	 <p>This screenshot is similar to the previous one, but a red arrow points to the 'Project Selector' button located below the 'Product Indicators at Project Level' button.</p>
<p>The following box will be displayed.</p>	 <p>The screenshot shows a form titled 'Result Indicators at Project Level'. It contains a 'Project Selector' section with four dropdown menus: 'Select Fund:', 'Select Outcome:', 'Select Project:', and 'Project ID:'. A green 'GO' button is located to the right of the 'Project ID' field.</p>
<p>3.3. From the dropdown lists, select your fund, outcome and project and then click the Go button.</p>	 <p>This screenshot shows the same form as the previous one, but with specific values selected in the dropdown menus: 'Select Fund:' is 'CRF00.DRC Stabilization and Recovery', 'Select Outcome:' is 'CRF04.Sexual Violence', and 'Select Project:' is '00081183.SRFF D1-09 SEXVIOL/UNIC...'. A red arrow points to the green 'GO' button.</p>

The following table will be displayed.

Result Indicators at Project Level

Project Selector

Project: 00081183 **Fund:** CRF00
Project Title: SRFF D1-09 SEXVIOL/UNICEF/Assi **Fund Title:** DRC Stabilization and Recovery
Project Status: On Going **Outcome:** CRF04
Project Start Date: 16/01/2012 - **End Date:** 31/12/2014 **Outcome Title:** Sexual Violence

YEAR	CUMULATIVE NET FUNDED AMT	CUMULATIVE EXPENDITURE	DELIVERY RATE	OVERALL INDICATORS PERFORMANCE
2012	1350000.00	1341074.82	99.34	
2013	1350000.00	1338898.86	99.18	

There is no RBM data for this Project, start to enter data . . .

Output No. 1
Output Name:

Result Indicator No. 1
Indicator Name:
Indicator Type: Num
Baseline:
Overall Target:

SAVE NEW OUTPUT

3.4. Enter the output name and the indicator details and press click the Save New Output button.

Output No. 1
Output Name:

Result Indicator No. 1
Indicator Name:
Indicator Type: Num
Baseline:
Overall Target:

SAVE NEW OUTPUT

3.5. The following box will be displayed. Click the Save and Approve buttons.

Output No. 1 **SAVE** **APPROVE** **DELETE** **YEAR** **OVERALL PERFORMANCE**

Output Name:

Result Indicator No. 1 id:62 rows:1
Indicator Name:
Indicator Type: Num
Baseline:
Overall Target: **S** **A**

Add New Indicator

Add New Output

3.6. A message will appear on the screen to approve and lock the output. Click the OK button.

The page at mptf.dev.undp.org says:

You are about to Approve and Lock this Output . . .

OK **Cancel**

Step 4: Report progress against indicators.

4.1. Once a year, projects report against each outcome and output indicator on achievement compared to planned target.

4.2. The RBM platform will automatically compare indicator achievements against the baseline and target. This comparison shows the performance of each indicator. Since the programmatic and financial architecture are aligned, the performance assessment will demonstrate value for money.

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