**Trust Fund Management**

1. A trust fund is a UNDP financing modality normally established to receive donor contributions in support of broad themes - such as UNDP's practice areas, and regional programmes. This trust fund will only finance UNDP projects and programmes. It is a separate accounting entity, accounted for and reported on separately to the Executive Board, which requires the designation of a trust fund manager.
2. The terms of reference establishing the trust fund indicates whether the trust fund is open to all donors or restricted to a single donor. A description of “open trust funds” and “closed trust funds” follows.

**Open trust funds**

1. These are trust funds established by UNDP to receive contributions from multiple donors for global, regional or broad thematic programmes, which usually consist of a number of projects. Their terms of reference outline their purpose, objectives and administrative arrangements.
2. An open trust fund is established following the approval of its terms of reference by the Associate Administrator. The terms of reference includes the designation of the trust fund manager. The authority to receive contributions and sign contribution agreements is then expressly delegated by the Associate Administrator to the designated trust fund manager.
3. The terms of reference for an open trust fund allows donors to make contributions to the trust fund resources and, in some cases, to make contributions earmarked for a specific project within the trust fund. Where contributions are made to a specific project, this is referred to as “cost sharing within a trust fund”, and operates under the terms of reference of the open trust fund. For these contributions, the donor agreement will refer to the general terms and conditions of the open trust fund and list the specific requirements of the earmarked contribution, including the project title and number, requirements for, refunds, and separate reporting of project-donor expenses.

**Closed trust funds**

1. Closed trust funds have in the past been created in agreement with a single donor and the contributions to the trust fund were restricted to that donor. The trust fund donor agreement also served as the terms of reference for the trust fund. Closed trust funds are now discouraged and cost sharing agreements should be used instead.
2. However, closed trust funds may be considered on an exceptional basis for New Strategic Partners.

**Thematic Trust Funds (TTFs)**

1. Thematic Trust Funds are a type of open trust fund. They are a flexible co-financing modality designed to help UNDP align and focus its programmes around its goals, and to provide donors with an opportunity to demonstrate their commitment to this process.
2. The TTFs offer a range of activities within specific Service Lines, with each Service Line representing a particular mix of policy and institutional responses to a development challenge, which align to the Outcomes specified in the Strategic Plan. TTFs are designed to maximize UNDP's particular advantages and unique approach and function through different "Windows". Interested donors make contributions as:
3. Voluntary contributions to the TTF.
4. Contributions to a Service Line.
5. Contributions earmarked for a specific Country/Regional/Global project.
6. Separate fund codes are created in Atlas to track the different contribution windows.
7. The design of the TTFs aims to provide UNDP with a corporate resource mobilization tool. In addition to applying for TTF resources, country offices or HQ units can mobilize additional resources for their projects through the TTF country/regional/global windows. As indicated above, the definition of a country/regional/global window is a donor contribution earmarked to a project, also referred to as “cost-sharing within a trust fund”. The country office or HQ unit must obtain the approval of the TTF fund manager prior to accepting a contribution to a TTF country/regional/global window.
8. Funding distribution is based on priorities but also accommodate donors' specific earmarking. Countries are able to access Trust Fund resources through a short, simplified process. In the interest of ensuring rapid disbursement, funding requests channeled through UNDP Country Offices are received as a short-format proposal and acted upon on a fast-track basis.

**UNDP FUNDING WINDOWS**

1. UNDP’s new Funding Windows are designed as pooled, flexible funding through which partners can support countries to simultaneously achieve the eradication of poverty and the significant reduction in inequalities and exclusion – the vision of UNDP’s Strategic Plan. Through the Funding Windows, partners can contribute directly to supporting country-level efforts to achieve the Sustainable Development Goals, especially those related to poverty; inequality; sustainability; and peace, justice, and strong institutions.
2. The Funding Windows help partners and UNDP align around common goals. Partners get the benefit of pooled funding, and UNDP has greater flexibility to respond to country needs more effectively. The four inter-connected Funding Windows are designed to facilitate multi-disciplinary and integrated responses to development issues that are inherently complex. The Funding Windows will promote resilience in all stages of the development process, and support development that is risk-informed.
3. The four Funding Windows are as follows:
4. Sustainable development and poverty eradication
5. Governance for Peaceful and Inclusive Societies
6. Climate change and disaster risk reduction
7. Emergency Development Response to Crisis and Recovery

***For more information on the UNDP funding windows, please refer:***

[UNDP Funding Windows](https://popp.undp.org/node/2906)

[Annex 1: Detailed Funding Windows Management Functions](https://popp.undp.org/node/2216)

**Trust Fund Resource Management**

1. In Atlas, trust funds are labeled “fund level co-financing”. The definition of fund level co-financing is a donor contribution to a trust fund where the contribution is not tied to a project. Because the donor contribution is not tied to a project a trust fund manager must be designated, who is responsible for managing the fund resources including the allocation of resources to projects. In Atlas this is done using ASLs at the fund-project level for commitment control purposes.
2. Expenses charged to the ASL use the same fund-project as is on ASL, with the generic donor code UNDP (00012). All donor contributions are co-mingled for purposes of reporting fund expenses.
3. In the past, where donors required separate reporting of their contribution or had special requirements for refunds of interest and unspent resources, UNDP created “sub-trust funds”. These sub-trust funds carried a high administrative burden and, going forward, sub-trust funds are eliminated and replaced with “cost-sharing within a trust fund”.
4. Cost-sharing within a trust fund (CSTF), allows donors to earmark their contribution to a project whose terms of reference falls within the broader trust fund terms of reference. The donor agreement must specifically refer to the trust fund title, the project title and the project number, and must be cleared by the trust fund manager prior to signature. From a donor’s perspective, the advantages of “cost sharing within a trust fund” include separate reporting of their contribution and the possibility of refunding resource balances to the donor rather than to the general resources of the trust fund. Nevertheless, allowing this flexibility adds to the complexity of managing the trust fund resources and, therefore, will only be permitted where specifically provided for in the trust fund terms of reference. Where provided for in the trust fund terms of reference BOM/OFM will create a separate fund code to record the cost-sharing contributions, which will “roll-up” to the overall trust fund resources.
5. The contribution is credited to the CSTF fund code at the fund-project-donor level, which is just like regular cost-sharing. Similarly, the expenses are controlled (for commitment control purposes) on a “cash basis” and the donor code for the expenses matches the donor code on the contribution.

***Financial Regulations and Rules - Chapter C, Article 5 (General Framework), Article 8 (Trust Fund contributions to Other Resources) and Chapter H Article 27 (Definitions) apply.***

1. All new trust funds must be cleared by headquarters and approved by the Associate Administrator. Requests for clearance of the TORs and the contribution agreements should be submitted to BOM/Legal Support Office or [cosupport@undp.org](mailto:cosupport@undp.org).
2. The TOR for the trust fund includes the designation of the trust fund manager (name and title). OFM maintains the corporate record of trust funds and trust fund managers. As new trust fund managers are designated, OFM will request the trust fund manager to sign the “trust fund manager letter” to formally acknowledge their responsibility and accountability in managing the resources of the trust fund. In the event that the trust fund manager takes up a new assignment, his/her replacement becomes the new trust fund manager. This handover will be formalized by a request from to the replacement trust fund manager to sign the “trust fund manager letter”.
3. To facilitate financial reporting by trust fund manager, the name and office of the trust fund manager is captured in Atlas.
4. The Trust Fund Manager is accountable for the proper management of the trust fund, which includes ensuring:
5. consistency between project activities and the trust fund terms of reference;
6. donor reporting requirements, as described in the trust fund TOR, are fully complied with;
7. no overspending of trust fund resources;
8. timely collection of contributions in accordance with the payment schedule;
9. accurate recording of all activities relating to the trust fund; and
10. compliance with UNDP’s financial regulations, rules, policies and procedures.
11. While the trust fund manager may delegate tasks to staff under his/her supervision, the trust fund manager retains overall accountability.

***The specific trust fund manager responsibilities are described below.***

1. Focal point functions
   1. Act as the focal point within UNDP for all questions relating to the activities of the trust fund.
   2. Serve as the main contact for internal communications and reporting on the trust fund with outside parties, including (but not limited to) donor and programme country Governments, private contributors, media, and other stakeholders, as needed.
   3. Ensure appropriate representation of the trust fund at meetings of with other UN bodies, agencies or programme country Governments.
2. Resource mobilization
3. Initiate and follow-up on all fund raising activities of the trust fund in coordination, whenever necessary, with the Bureau of External Relations and Advocacy (BERA).
4. Sign the standard contribution Agreement with the donor after ensuring that the agreement:

* refers to the trust fund TORs approved by the Associate Administrator, which must be attached as an annex; and
* is consistent with the standard template contribution Agreement.
* Any deviations from the standard template must be cleared by BOM/Legal Support Office. or cosupport@undp.org.

1. Ensure that all obligations arising from the contribution Agreement are met including reporting requirements described in the Section 6 below.
2. Receipt of contributions
3. Donor contributions will be recorded in Atlas according to the established rules for recording revenue and receivables (see POPP Revenue Management Other Resources for detailed information on how to record revenue and receivables for trust funds).
4. Follow-up with the donor to ensure that contributions are received on a timely basis, in accordance with the payment schedule in the contribution agreement.
5. Allocation
6. Ensure that trust fund resources are allocated on a priority basis so that unallocated/unexpended trust fund balances do not exist.
7. Evaluate proposals, establish criteria for allocation and allocate trust fund resources to specific projects, making sure that project documents or Annual Work Plans (AWPs) are consistent with the TORs of the trust fund and comply with the POPP Programmes and Projects. The allocation to specific projects is done using Atlas commitment control.
8. Financial management of trust fund resources
9. Maintain a resource plan showing cash flow requirements and resources available, based on revenue received and/or receivable, interest revenue, and actual/projected expenses. This plan should be used for pre-allocation planning as well as post-allocation monitoring.
10. Ensure that allocations are fully budgeted and expended, at the same time ensuring that:

* allocations to projects do not exceed the trust fund resource balance,
* project budgets do not exceed project allocations,
* project expenses plus advances to national implementing partners do not exceed project budgets.

UNDP financial regulations and rules require that allocations from trust funds are issued on a fully funded basis (Financial Regulation 5.07). The only exception is where, in accordance with the UNDP risk management guidelines, the trust fund manager receives permission from the Comptroller to issue allocations on the basis of signed agreements with donors.

Where the trust fund manager determines that the project expenses exceed (or are about to exceed) the project allocation, the trust fund manager must immediately follow-up with the programme manager. [1] Where the over-spending is not resolved, the trust fund manager must formally notify the programme manager that the project is suspended – i.e. no further commitments or expenses – and inform the Chief Finance Officer.

1. Where the trust fund TOR specifies a completion date, ensure that all activities are completed on or before this date.
2. Ensure that advances to national implementing partners are adequately monitored by the programme manager in accordance with UNDP POPP (financial management and execution modalities). Any advances outstanding for longer than six months should be followed up with the programme manager and appropriate action taken. (Refer to 5.2)
3. Ensure that GMS is recorded in compliance with the contribution agreement and UNDP’s cost recovery policy.
4. Monitor for significant implementation issues that may impact the expenses or where there are implications for donor relations and ensure that the donors are kept duly informed.
5. Reporting
6. Ensure that all reporting requirements as stated in the trust fund Contribution Agreement are complied with including the following.
7. Maintain a record of reporting deadlines;
8. Ensure that all substantive and interim financial reports are prepared and submitted to the donor in a timely manner, in accordance with the agreement; and
9. For interim financial reports, clearly identify the interim nature in the report itself to differentiate the report from the certified financial statement. Ensure that reports meet the requirements of the donor as agreed in the contribution Agreement and are accurate, complete and timely. Ensure that all interim financial reports reflect the Atlas GL expenses.
10. Monitoring
11. Monitor projects to ensure that the activities funded by the trust fund comply with the TOR of the trust fund. Review project documents, annual reports, NIM/DIM/NGO audit reports, evaluation reports, etc.
12. Review the financial certified statement submitted by the BOM/OFM and consult with the Chief Finance Officer on any discrepancies.
13. Follow-up with donors on a regular basis to ensure that donors are kept informed and donor queries are promptly resolved.
14. Financial Closure

Closely adhere to trust fund closure procedures as set out in the POPP (Financial Closure of Trust Funds).

In order to carry out the above responsibilities the Trust Fund Manager needs inputs from other officials and offices as follows:

1. The Associate Administrator

* Approves the creation of all new trust funds (after review by the relevant HQ units) and sends his/her clearance to the Chief Finance Officer for maintenance of the corporate record.
* Formally designates the trust fund manager and advises the Chief Finance Officer.

1. BMS/Legal Support Office

* Provides advice on the set-up and clearance of trust fund TORs
* Provides clearance for deviations to the standard Contribution Agreement
* Coordinates the clearance of trust fund TORs and submits the cleared TORs to OFM for corporate record keeping, including setup in Atlas

1. BMS/OFM

* Advises the trust fund managers of their formal responsibilities.
* Requests trust fund managers to sign the trust fund manager letter immediately after the trust fund TOR is approved by the Associate Administrator, and whenever a new trust fund manager is appointed to an existing trust fund
* Informs the Trust Fund Manager of receipt of funds;
* Applies annual interest revenue to the trust fund accounts with proper advice to the trust fund manager;
* Provides banking information and arrangements;
* Authorizes the acceptance of currencies other than US dollar as necessary;
* Maintains the corporate record of all trust fund TORs, trust fund managers, signed trust fund manager letters;
* Creates the Atlas fund code, which is used to maintain the accounting records for the trust fund;
* Prepares and certifies the annual donor and statutory reports; and
* Designates the trust fund as financially closed in Atlas and disposes of the unexpended balance in accordance with the trust fund agreement after consulting the trust fund manager.

1. Country Offices / HQ Units - Programme Managers

* Ensure that the project is designed, approved, managed and evaluated in compliance with the UNDP POPP,
* Ensure that project activities take place in accordance with the Project document or AWP and within the financial limits of the allocation issued by the trust fund manager.;
* Promptly informs the trust fund manager where there are significant implementation issues that may impact the expenses or where there are implications for donor relations; and
* Ensure expenses/advances do not exceed allocation issued by the trust fund manager.

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[1] The UNDP POPP defines the programme manager as the UNDP resident representative (or delegated authority) who approves and signs the project document.