



building aid effectiveness through sound fund management.*

Understanding the challenges in the fund
management cycle

A new generation of pooled funds

In recent years, trust funds have increasingly been used as an instrument to harmonise traditional development aid assistance. By using pooled funding arrangements and supporting country-led programmes in situations where government systems are not yet compatible with general budget support. In addition, a number of innovative pooled trust funds with both public and private contributors have recently been established. PricewaterhouseCoopers (PwC) has long-standing experience of fund management in the development domain, backed by knowledge of the broader public sector and business practices in general, which we offer from PwC offices around the world. PwC is a trusted third party for many donors, trustees and recipients in tackling the challenges of effective fund management.

Current aid effectiveness principles are driving a shift from single-donor trust funds to multi-donor trust funds (MDTFs). These MDTFs bring together multiple donors to finance broad programmes or themes, directed at country, regional or global level. MDTFs are used to finance reconstruction efforts in countries recovering from violent conflicts or natural disasters. Resources are also offered to innovative, global programmes, reflecting an increased awareness of the opportunities for global development as well as new threats. MDTF are frequently organised as public-private partnerships, which have become successful tools for focusing on results and improving the performance of partner government agencies. Pooling funds, however, creates specific challenges with respect to governance, accountability, compliance and efficiency in the fund life cycle.

Challenges

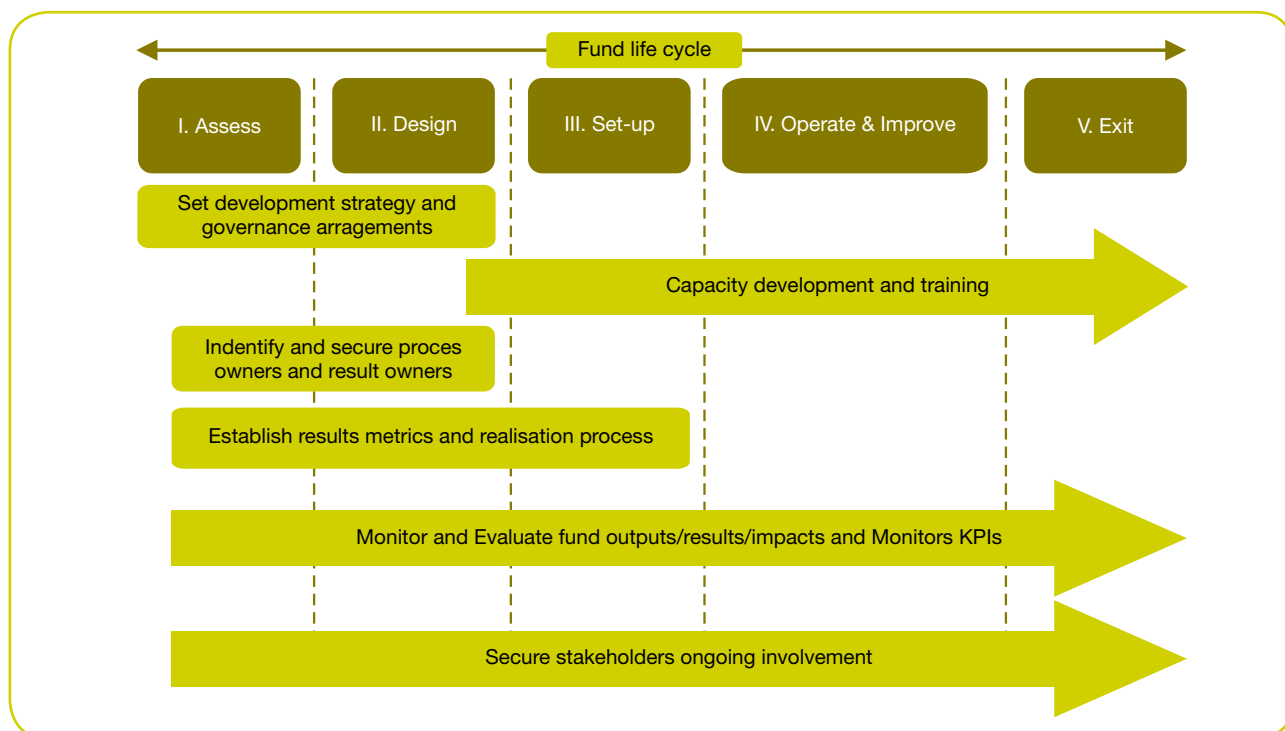
The complex management of the new generation of funds frequently entails *high start-up and running costs*.

The start-up costs cover the negotiation process and the development of procedures for fund management and governance. Both donors and recipients expect to recover these costs in the long term through reduced transaction costs. However, MDTFs have occasionally taken as much as one year to become operational.

In the early stages of the MDTF, with their funding targets, the right balance needs to be struck between *building upon local structures and safeguarding fiduciary standards and achieving development objectives and compliance with donor fiduciary standards*. While the former advocates reliance on local resources, the latter has led to a tendency to create parallel structures. Where possible, these parallel structures should be avoided.

As in any development aid assistance action, *effective capacity building* is crucial for the sustainability of MDTF-driven initiatives. By meeting this challenge, MDTFs can become an effective bridge to general budget support creating a solid basis for recipient ownership. Thus, the question is 'How to make capacity-building sustainable?' The inherent changes are manifold.

Harmonising different requirements of trust fund stakeholders is one of the key drivers for using MDTFs, reconciling the plethora of different procedures between stakeholders has been a major obstacle to the speedy establishment of MDTFs. Donors can improve harmonisation by using common reporting, accounting, disbursement, and procurement procedures. They can select the system of one donor or international organisation, a system specifically designed for pooled funding, or a system modelled on the government's system.



How we can contribute?

PwC has broad experience in trust fund management and governance, and has been instrumental in structuring some of the most innovative trust funds. Moreover, PwC has been at the frontline of the emerging new generation of funds e.g. the Afghanistan Reconstruction Trust Fund, the Global Fund to fight AIDS, Tuberculosis and Malaria, the UNDG Iraq Trust Fund, and the Sudan MDTFs. Our experience is rooted in both the public and private sectors.

PwC's fund management activities cover the entire fund life cycle: from programming and start-up to the actual operation of the fund, and the continuous evaluation and audit of fund performance.

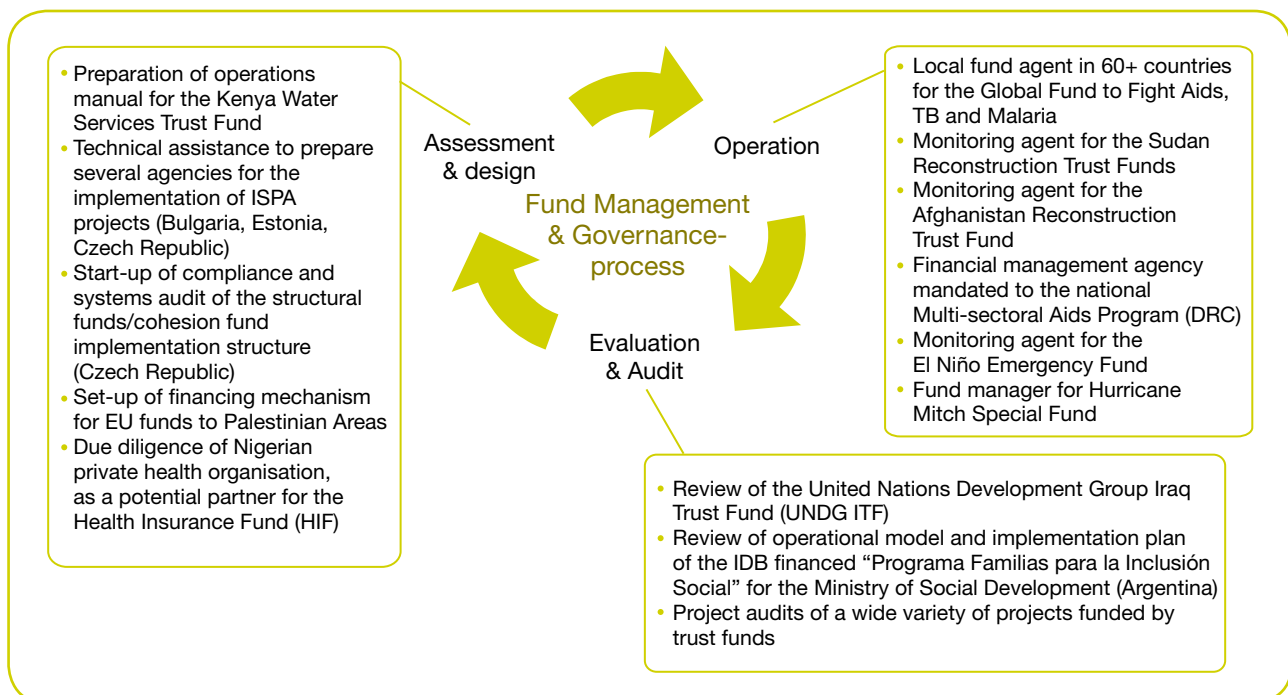
PwC is a trusted third party for both donors and recipients and an independent advisor/auditor in managing funds. Even in the post-Paris Declaration, new aid environment, donors and recipients often have conflicting interests and objectives. PwC can close the gap and act as an effective intermediary between donors and recipients. The global/local professionals of PwC speak the language of both donors and recipients, and are capable of mobilising a multi-competence team for full-scope solutions.

Global reach and local professionals

PwC is a worldwide organisation, but not a multinational firm with outside shareholders that need to be satisfied. Our presence in many emerging markets assures that local partners and staff are fully immersed in the development of the countries in which they operate.

PwC has collaborated with a multitude of development agencies for over 50 years and is currently working with most of the bilateral funding agencies in 60 countries. Our international development creed is that sustainable development solutions require collaboration between governments and donors in effective partnership with NGOs, civil organisations and the private sector. PwC, with its global network of locally run and resourced organisations, is fully committed to development partnerships.

Statement of our experience in fund management and governance:



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