

# Joint Nordic Evaluation of Contributions to Trust Funds

## Summary and management response

This note summarises the conclusions from the report *Joint Nordic Evaluation of Contributions to Trust Funds*, covering the period 2004-2023, and outlines the Danish Ministry of Foreign Affairs' (MFA's) management response and follow-up actions (in italics) to recommendations resulting from the evaluation. The management response was drafted by the Department for Multilateral Cooperation in consultation with relevant stakeholders. In light of the fact that the evaluation is a joint exercise carried out in collaboration with the other Nordic countries, it should be stressed that the response is related to the Danish MFA only. The evaluation itself was conducted by an independent evaluation team from PEM.

### 1. Evaluation summary

#### 1.1 Context, objectives, and scope of the evaluation

The past decades have seen a steady increase in Nordic countries' support for multilateral organisations, in particular earmarked funding through trust funds. In the current geopolitical environment and with the heightened pressure on multilateral funding, an evaluation investigating the rationale for supporting trust funds and the extent to which their purpose has been achieved would be pertinent. This evaluation examined whether trust funds offer a good opportunity for advancing the policies of the Nordic countries, supporting the multilateral system, and creating development results.

This evaluation of the joint Nordic contributions to trust funds serves the dual purpose of accountability and learning, with a focus on the latter. It covers Nordic contributions through trust funds managed by the UN Multi-Partner Trust Fund (UNMPTF), the World Bank (WB), and the African Development Bank (AfDB) (hereafter referred to as the trustees). As the focus was on trust funds supported by at least three Nordic donors (the UNMPTF and the WB), and two trust funds with the AfDB, the evaluation addresses multi-donor trust funds (MDTFs) rather than single-donor trust funds. The portfolio analysis covers the period from 2004 to 2023, while the rest of the evaluation focusses on the past decade, from 2013 to 2023.

The evaluation was conducted from a donor perspective. Hence, there was a focus on analysing the Nordic countries' rationales for supporting trust funds, how they had engaged with the trust funds, and whether this had been successful from the Nordic countries' point of view. Where relevant, the evaluation also compared the Nordic countries and drew lessons on joint Nordic cooperation in trust funds. The recommendations are a way for the Nordic donors to improve trust fund cooperation, presenting opportunities for enhanced Nordic cooperation.

#### 1.2 Approach and Methodology

The evaluation focused on five evaluation questions and lessons learned: 1) Trends and relevance of Nordic trust fund support; 2) Criteria for supporting, continuing, or exiting trust funds; 3) Nordic influence on trust fund priorities and management; 4) Effectiveness of Nordic support; 5) Efficiency of Nordic support; 6) Lessons learned by the Nordic countries.

The evaluation applied a theory-based, mixed-methods approach, relying on a combination of quantitative (portfolio analysis, surveys) and qualitative data collection methods (document and literature review, interviews, field visits, focus group discussions) to build a robust base of evidence and to triangulate evidence.

Data was collected and analysed at three levels:

1. **Strategic level:** Assessment of the Nordic countries' trust fund portfolios (2004–2023), strategies, and rationale for funding via trust funds.
2. **Institutional level:** Analysis of the management and administrative approaches of Nordic countries and features of the trustees, including governance, earmarking, results frameworks, monitoring, and reporting systems.
3. **Trust fund level:** Case study analysis of a purposive sample of 15 jointly supported trust funds. The purpose of the trust fund-level analysis across the three trustees and different types of trust funds was to shed light on how trust funds as a modality responded to the rationale for support by the Nordic countries. Although the sample of 15 trust funds was small compared to the total portfolio of trust funds, it enabled the evaluation to cover the various modalities, sub-modalities, and institutional features of trust funds, especially bearing in mind the standardisation of modalities and features introduced by trust fund reforms beginning in the late 2010s.

Hence, the evaluation did not attempt to draw wide-ranging conclusions regarding all trust funds but sought to clarify the extent to which the Nordic countries' expectations of the modalities were met, identify factors for success and failure, and extract lessons learned. Data collection and analysis included field visits to Tanzania, Kenya, and Somalia, with site visits to end-beneficiaries.

### 1.3 Findings and conclusions

**Question 1: What are the overall trends and relevance of Nordic support to trust funds?** The overall trend of increasing support for UNMPTFs and WB trust funds since 2004 came to a halt in 2022. However, support for the WB increased again in 2023 with contributions to Ukraine. It is too early to determine whether this reflects a new trend of a declining share of official development aid channelled through multilateral organisations. Support for the AfDB has gradually increased over the last 10 years. The Nordic support to trust funds was aligned to and supported the multilateral organisations' mandates and priorities.

**Question 2: Which criteria do the individual Nordic countries use when they decide to support, continue, and exit multilateral trust funds?** The main rationales for choosing the trust fund modality were to: i) advance the policy priorities of Nordic countries; ii) strengthen the multilateral system, and iii) contribute to sustainable development by utilising the country delivery systems of the trustees. There were no formal exit strategies for the trust funds. However, exits nevertheless took place, primarily due to shifting priorities and funding shortages.

**Question 3: How did the Nordic countries influence the trust funds?** Influence on the trust funds was exerted through a combination of funding and policy dialogue. Other means of influencing were also used, including earmarking and secondments. Despite the Nordic countries' common agenda (for example, on issues such as gender, climate, poverty reduction, and human rights), there was limited coordination on which trust funds to support or how to cooperate operationally. This partly reflected the already strong policy alignment, and the differing Nordic country engagement strategies, which were shaped by varying underlying priorities and staff resources. Policy influence went beyond individual trust funds, aiming to influence the wider operations of multilateral organisations and support policy implementation at the operational level.

**Question 4: What is the effectiveness of the Nordic support for multilateral trust funds?** The trust funds were effective in supporting the multilateral system and advancing the implementation of the policies and priorities of Nordic countries. Results frameworks, supported by the Nordic countries, improved over time. However, outcome reporting remained generally weak. Overall, the trust funds achieved satisfactory results considering the high ambition. Of the eight funds where sufficient documentation was in place and field verification was undertaken, four achieved satisfactory results and four achieved moderately satisfactory results. Notable transformative outcomes included: One UN Tanzania's policy training on violence against women and children, the WB Somalia Fund's support for economic governance improvements, and the UN Somalia Local Government programme's success in building local revenue capacity in Somaliland. The AfDB's Sustainable Energy Fund for Africa (SEFA) trust fund contributed to the renewable energy growth and carbon emission reductions. While the measurement of the outreach of global knowledge products was weak, global/regional trust funds showed positive results in innovation and large-scale loan preparation. Ownership and capacity development varied. However, there were good examples of local ownership, particularly in WB country-level funds, like those in Ukraine. There were also strong examples of capacity development across UNMPTF Office and Multilateral Development Bank (MDB) trust funds. In general, trust funds that aimed at attracting private funding were unable to show strong results in that regard.

Ownership was high for UNMPTFs, particularly at the local sub-national level. Ownership for MDB global/regional trust funds was primarily linked to the downstream loan programmes that the trust funds supported. MDB country-level trust funds exhibited strong government ownership. Capacity development was integral to UNMPTFs, yielding positive results at the recipient level. MDB global/regional trust funds mainly contributed to capacity building through downstream loans. MDB country-level trust funds engaged directly at the national level and created capacity during the lifespan of the trust fund.

**Question 5: What is the efficiency of Nordic support for trust funds?** The Nordic countries' approaches and guidelines to programming and oversight varied, as did their cost of administration. The costs related to the use of trust funds generally followed the cost norms and level of the underlying multilateral organisations' operations that the Nordic countries had accepted as members of governing organs. Trust fund reporting did not allow for a thorough assessment of efficiency and cost-effectiveness to be made. The focus on staff and delivery costs did not sufficiently recognise that most trust funds were engaged in policy reforms, and capacity building staff inputs were a major part of the contribution. In some cases, high costs related to UNMPTFs were to some extent linked to the slow progress on One UN reforms and the operating model with high staff involvement which for the sample examined could be justified in most cases by the special circumstances. Generally, the operating model of the MDBs did not include direct delivery at lower levels of government for which the WB in particular sometimes relied on the UN system.

#### **1.4 Lessons learned with regard to selecting trust funds as a modality and managing trust funds**

MDTFs offer the Nordic countries an effective modality to support the multilateral system and advance thematic and country priorities of the Nordic countries at the same time. It was beyond the scope of the evaluation to make a comparison between different ways of funding the multilateral systems (core funding, MDTF, or single-donor trust fund), but the evaluation offered an overview of pros and cons of various funding modalities to be considered by Nordic staff when making decisions about funding modalities.

Other important lessons learned related to the distinct strengths of the UNMPTFs, with their strong presence on the ground, and the MDBs, with their close links to large-scale downstream loan projects.

To improve effectiveness and efficiency, lessons learned included:

- Achieving consistency and coherence in policy dialogues with multilateral organisations and trust funds was not easy for the Nordic countries and it required considerable effort and attention.
- Monitoring and follow-up on trust fund results demands more donor agency resources than are typically allocated.
- Focussing on the overall cost effectiveness and choice of what and how to support is more important than assessing the internal administrative efficiency, which while still important is mainly driven by the cost structures of multilateral organisations.
- There is a risk of a mismatch between the ambition of a trust fund and the available resources within the trust fund, especially in UNMPTF, where full funding is not always secured in advance.
- Earmarking, both hard and soft, within trust funds has proven to be an important tool for trust fund support to advance priorities of the Nordic countries and to promote attention and visibility of the contribution and its policy objective.
- Communicating results from trust fund operations is difficult due to the remote nature of operations and attribution issues, making them resemble core funding results in this regard.

## 1.5 Recommendations

The lessons learned and the evaluation conclusions led to the following recommendations for the Nordic countries in support of future decisions regarding the use of the MDTF modality and to inform trust fund collaboration. The recommendations are provided in brief below, with the full text provided in relation to the MFA response in the next section:

1. Where there is an aim to strengthen multilateralism, enhance the opportunities for such strengthening by being more strategic in the choice of trust funds and integrating trust fund contributions into policy dialogues and strategies towards the multilateral organisations (the WB, the AfDB and UN entities).
2. Where there is an aim to strengthen implementation of One UN reforms, enhance the opportunities for such strengthening through trust funds supported under the UNMPTF.
3. Take stock of the active trust funds, and update and prioritise the engagements.
4. Build on lessons learned on the positive and negative factors of effectiveness and efficiency of the trust funds in order to inform trust fund selection and dialogue.
5. Explore ways to cooperate across the Nordic countries, where appropriate, to promote economies of scale, to reduce the administrative burden, and to support joint learning.
6. Enhance communication of results from trust fund contributions and ensure that decision-makers and the public in Nordic countries, as well as in partner countries, are aware of the contributions to trust funds.

## 2. Management response

### 2.1 General remarks

The Ministry of Foreign Affairs (MFA) welcomes the “Joint Nordic Evaluation of Contributions to Trust Funds”. **The evaluation points to a range of challenges that are important to address, both in terms of the general priority to ensure a high impact of the use of Danish ODA as well as in the light of the current pressure on multilateral cooperation, cutbacks in ODA for a range of important donor countries, the fragmented global aid structure as well as ongoing reform processes designed to address exactly some of these issues.** The reform processes are more notably the ongoing agenda to reform the International Financial Architecture (IFA-reform), reform of the

Multilateral Development Banks to make them “better, bigger, and more effective” (MDB reform) and ongoing reform of the UN Development System, and the UN80 Initiative launched in 2025, i.e. during the evaluation process. A key aim of the UN80 Initiative is to strengthen coherence across the UN Development System, including by addressing the fragmented funding landscape and simplifying existing pooled funding structures in the UN. Furthermore, the evaluation also links to the World Bank’s trust fund reform process initiated in 2019, which involves consolidating numerous smaller trust funds into fewer, larger Umbrella funds.

As also stated in the evaluation, the overall purpose of trust funds is to provide targeted funding to specific priorities and/or regions that complement Danish core funding to the WBG, AfDB and the UN. **The MFA notes that the evaluation concludes that the support to trust funds has indeed supported multilateralism as well as the implementation of Nordic policy priorities, also beyond the individual trust funds.** In a time where multilateral institutions are under pressure, trust funds can be used as tools to continue work on key thematic areas while at the same time supporting multilateralism at a general level.

The MFA takes special note of points made regarding the Nordic countries’ influence on the priorities of trust funds, the effectiveness and the efficiency of the support, which provide relevant input to MFA staff in charge of Denmark’s engagement with trust funds going forward, as well as in the considerations of whether or not to support a trust fund. Further, the MFA notes that trust funds have not been fully successful in raising private sector investments and welcomes a renewed discussion on how to improve this work, bringing Danish experiences with innovative financing to the table.

Specifically on the support to the World Bank Multi-Partner Fund in Somalia (MPF), the Mogadishu Representation Office will take recommendations and lessons learned into consideration in the current support to the fund, by working with the Bank to ensure greater attention to monitoring, documenting and follow-up on results, as well as communicating these results. Moreover, the representation office takes note of the evaluation’s findings on earmarking as a tool to advance Danish/Nordic priorities.

**The MFA agrees that Denmark’s support to trust funds could be guided by a more overall strategic approach.** A challenge in achieving this is that the responsibility for these TFs is decentralised, meaning that departments in Copenhagen and embassies or missions abroad are responsible for entering into and managing the engagement with these TF. At the same time, the responsibility for Denmark’s strategic engagement with the Banks and overall policy coordination on the UN Development System is based in the Department for Multilateral Cooperation and Policy (MULTI). There are many positive sides of such decentralised approach, as also outlined in the evaluation of “*Management of Danish Development Cooperation 20 years after Decentralisation*” (2025), but it includes the risk of losing the strategic direction. .

**The MFA will prepare a brief guide, outlining the strategic principles for Denmark’s engagement with and exit from trust funds going forward.** Given the decentralised approach, the relevant units in Copenhagen and abroad will be the primary responsible for adhering to these principles. However, the MFA does not foresee a specific strategy for engagement with trust funds.

**Moreover, many of the conclusions and recommendations in the evaluation align with common challenges and dilemmas related to development cooperation and more specifically multilateral development cooperation.** This includes the point that Denmark has had more elaborate (and thus resource demanding) processes for preparation of trust fund support. The evaluation therefore also links to other recent evaluations, in particular the evaluation of “*Management of Danish Development Cooperation 20 years after Decentralisation*” (2025) as well as the “*Danida Multi-Bilateral Interventions (2013-19)*” (2024), where different follow-up processes have been initiated. This includes the ongoing revision of Multilateral

Financial Guidelines (which will have dedicated chapters on working with pooled funding and Trust Funds). Furthermore, an internal process for further adjustments of the management of development cooperation, including on how best to lower number of engagements will be initiated in 2026. This will include considerations on strategic priorities for MDB trust funds, in order to reduce the number of supported funds and heighten the influence in the MDB Trust Funds where Denmark continues to be engaged.

## 2.2 Response to specific recommendations

**Recommendations 1: Where there is an aim to strengthen multilateralism, enhance the opportunities for such strengthening by being more strategic in the choice of trust funds and integrating trust fund contributions into policy dialogues and strategies towards the multilateral organisations (the WB, the AfDB and UN entities).** Trust funds have proven effective in advancing the implementation of the norms, values, and policy priorities of Nordic countries, particularly in areas like gender, human rights, environment, and climate, as well as promoting global public goods beyond the scope of bilateral assistance. However, the use of trust funds is often not integrated into strategic frameworks for cooperation with the multilateral organisations, which can dilute their impact. Iceland stands out as the only Nordic country with a prioritised approach to trust fund support. Also, any trust fund decision should be preceded by an assessment of which modality will most effectively support the objectives: core funding, thematic funding, MDTF, or single-donor trust fund.

***Response:** The MFA agrees that there is substantial scope to be more strategic in the choice of support to trust funds. Going forward, Danish support to MDB trust funds will, to the extent possible, be linked to the four overall priorities for Denmark's strategic engagement with the MDBs, as set out in the two new organisational strategies for the WB and the Regional Development Banks (RDBs), both covering 2025-2030. Hence, if a suggestion for support to a trust fund falls outside these priorities, approval will be based on a concrete assessment of the value added and the ability to preserve Denmark's and likeminded priorities. Further, to strengthen the coordination across the MFA between units in Copenhagen and abroad, an "MDB contact group" has been set up in 2024 to support a more strategic approach and knowledge sharing. With regard to UN trust funds specifically, the MFA and the Permanent Missions to the UN will consider better integration of strategic considerations related to trust funds in dialogue with relevant UN organisations and in guidelines on aligning priorities and policies related to UNDS reforms (UN80 and the Humanitarian Reset) to funding decisions. The MFA will also initiate the formulation of a brief guide outlining the overarching strategic principles for Denmark's engagement with and exit from trust funds. Support to Trust Funds is also part of the ongoing revision of aid management guidelines outlining a leaner process for the preparation phase moving the focus towards strategic priorities, implementation and results. This will include early assessment of whether a particular trust fund is the best and most effective way to support a particular objective. Further, trust funds will be incorporated in the guidelines for multi-bi support. Given the decentralised approach, units in Copenhagen and abroad will be the primary responsible for adhering to these principles and guidelines.*

**Recommendation 2: Where there is an aim to strengthen implementation of One UN reforms, enhance the opportunities for such strengthening through trust funds supported under the UNMPTF.** The Nordic countries' support through earmarked contributions is not in practice always fully consistent with Nordic aims of supporting One UN reforms. Nordic donors' decision on whether to support a multi- or single-agency operation should be based on an analysis of which modality serves their purpose best. Donor support for the UNMPTFs has led to an expansion of potentially overlapping trust funds. As the One UN reforms are incomplete, opportunities should be taken to cooperate more closely with like-minded countries to overcome the continued inertia of these reforms.

**Response:** The MFA agrees there is scope to use UNMPTFs more strategically to further the aim of implementing One UN reforms, while recognising that persistent challenges exist with the full implementation of UNDS reform present barriers to the effective use of pooled funds. The MFA will continue to advocate for a renewed push for One-UN reforms and greater inter-agency cooperation and will consider integrating considerations regarding the choice of trust funds as a funding modality in internal guidelines for multilateral cooperation and partnerships. As part of the ongoing UN80 Initiative and Humanitarian Reset, efforts to reconfigure UN country teams and strengthen the Resident Coordinator system will be led by the UN Deputy-Secretary General. Denmark will alongside Nordic and other likeminded partners push for the full implementation of these efforts. Denmark will support the planned pooled funding review under the UN80 Initiative.

**Recommendation 3: Take stock of the active trust funds, and update and prioritise the engagements.** An updated inventory of trust funds does not exist, although some efforts are being made in this direction. Nordic countries should build on existing efforts, such as Denmark's stock-taking exercises, Norway's trust fund manual, and Sweden's focus on synergies, to review and prioritise trust funds. This process will help determine which funds to continue, exit, or engage with actively or passively. Such a review supports a more strategic approach without reducing overall funding and aligns with the implementation of recommendations 1 and 2.

**Response:** The MFA agrees that a relevant part of applying a more strategic approach to Denmark's support to trust funds is to take stock of current active trust funds, including prioritising which ones to exit and which ones to continue to fund. A process of mapping Denmark's engagements with trust funds and identifying, evaluating and prioritising which trust funds to engage with and which to exit from will be carried out. Going forward, an overall aim will be to prioritise and focus on fewer MDB trust funds to better allow Denmark to engage actively with throughout the programmatic cycle, including at donor coordination level, and ensure alignment with overall Danish policy priorities as well as enhance development effectiveness. As part of this exercise, coordination and administrative burden sharing with other Nordic countries will be relevant, which will be sought at both policy level via MULTI and at decentralised level via units in Copenhagen and abroad. With regard to UNMPTF's ongoing work on streamlining Denmark's engagement with UN-partners seeks to focus support and apply a more strategic approach to Denmark's portfolio of engagements with the UN, including UNMPTFs.

**Recommendation 4: Build on lessons learned on the positive and negative factors of effectiveness and efficiency of the trust funds in order to inform trust fund selection and dialogue.** To better inform future trust fund decisions and support policy dialogue within trust funds and with the multilateral organisations, factors influencing the effectiveness need to be more explicitly identified and reviewed. These factors include: the level of ownership by recipients, the operational capacity of the trust fund, and the presence of critical mass and sufficient resources. Trust funds where the value proposition is not clear or where there is overlap with other funds should be avoided.

**Response:** The MFA agrees that it is important to make better use of lessons learned when deciding on new trust fund engagements, selection and dialogue. As a starting point, the evaluation includes many relevant points on lessons learned that can help inform future trust fund decisions. In addition to the points made on effectiveness and efficiency in the evaluation, it is equally relevant to include points made on the question of influence, in particular the question of available MFA staff capacity to influence and actively manage a trust fund, which according to the evaluation is generally low for Denmark. The responsibility for these assessments lies at decentralised level and must be an integrated part of early discussions on support, as described above.

**Recommendation 5: Explore ways to cooperate across the Nordic countries, where appropriate, to promote economies of scale, to reduce the administrative burden, and to support joint learning.** Stock-taking and prioritisation offer a chance to enhance Nordic cooperation, even delegated

cooperation, on administration and managing trust funds where multiple countries contribute. There is an opportunity to reduce or ease the administrative burdens and free up resources for shared policy influence and improved reporting. Shared efforts in developing and making use of communication products could also reduce duplication of effort.

***Response:** The MFA agrees that there is significant scope for enhanced coordination between the Nordic countries. This will be further pursued at decentralised level, i.e. units in Copenhagen and abroad. Acknowledging that the evaluation applies a Nordic focus, enhanced coordination with other likeminded countries is equally relevant. Regarding reducing the administrative burden, the report suggested that it would be beneficial for Denmark to consider the rather elaborated programming processes for support to Trust Funds, as this could also impede Nordic cooperation and more effective trust fund management. Denmark is currently revising its multilateral guidelines to ensure a leaner programming process by shifting the main focus from the programming process towards a stronger strategic approach to each fund supported, stronger engagement in the steering mechanisms of the funds and follow up and dialogue related to the implementation and results of the funds based on Danish strategic priorities.*

**Recommendation 6: Enhance communication of results from trust fund contributions and ensure that decision-makers and the public in Nordic countries, as well as in partner countries, are aware of the contributions to trust funds.** Communicating results to Nordic decision-makers proved difficult because of the arms-length operations and attribution issues. Internal communication within the Nordic countries was important for soliciting and justifying continued engagement. Visibility in partner countries can be enhanced by carefully managing the trade-off with greater donor visibility. This supports internal communication of results but could lead to less visibility and credibility for the trustee. Potential measures include working with trustees to develop communication and integrate trust fund contributions into communication strategies.

***Response:** The MFA agrees that there is a need to strengthen communication of results of the trust funds in particular. While this recommendation links to a general challenge related to communicating results of development cooperation, what and how to communicate will become more apparent as Denmark's support to trust funds is becoming more focused on strategic priorities and results. This includes considerations regarding strategic communication at country and local level. .*