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Addressing Risks in Trust Funds:
Lessons Learned and Possible Responses

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Addressing Risks in Trust Funds: Lessons Learned and Possible Responses

Multi-partner Trust Funds have increasingly become the preferred channel for funding of complex operations. While they are risk-sharing instruments, that does not mean they are risk-free. This Note summarises lessons learned and presents possible steps for better risk management to desk officers and decision-makers who have Trust Fund responsibilities in Norway's aid administration. The Note focuses on *financial risk,* such as fraud, corruption and financial mismanagement, *effectiveness risk,* the danger that agreed-upon objectives will not be achieved, and the relationship between the two.

This Note addresses both general and specific issues when addressing Trust Funds, issues that may also be relevant for bilateral assistance.

Summary of lessons learned for donors to Trust Funds:

- Accept that there are real risks involved in Trust Funds.
- Assess the availability of internal resources for follow-up before engaging in a Trust Fund.
- Encourage risk analyses of Trust Funds' delivery chains to enable the establishment of realistic risk management policies.
- Follow up the extent to which the Trust Fund has systems and capacities, including senior management time, for understanding, tracking and identifying corruption problems.
- Take active part in the risk appetite and risk management discussions in Trust Funds.
- Strengthen focus on prevention as part of combating corruption.
- Understand the links between taking risks and reaching goals.
- Encourage adjustment of the Trust Fund's approach to each country context it operates in.
- Encourage Trust Funds operating in complex contexts to consider investing in accompanying and monitoring local implementing partners as a complement to controlling them.
- Encourage the Trust Fund to understand how rent-seeking works in different contexts and use this insight to improve the effectiveness of the Trust Fund.
- Assess if a Trust Fund's operations undermine long-term sustainability of national services
- Encourage linking of risk management and corruption control with performance monitoring in Trust Funds to make management easier for the fund administrator and communication back home easier for donors.
- Be willing to invest in anti-corruption measures such as performance monitoring.
- Where possible, participate in monitoring exercises, including for own learning purposes.

Trust Funds are increasingly preferred funding channels for complex operations

A growing share of Norwegian aid. Nearly 60% of Norway's development financing is channelled through the multilateral system, that is UN agencies and multilateral financial institutions. Today, an increasing share of this goes through different kinds of multi-partner funds. Although there are several ways of organising multi-partner funds (see Text Box 1), and all of them are not 'Trust Funds' strictly speaking, this Note refers to multi-partner funds as 'Trust Funds', for simplicity and easy recognition.

Text Box 1: Different Trust Funds

Many multi-donor trust funds (MDTFs) were set up in the late 1990s and early 2000s as the international community began paying more attention to so-called fragile and conflict-affected states (FCAS). These country specific MDTFs provided opportunities for donors like Norway to support stabilisation and poverty reduction in FCAS situations without having to build own administrations and programmes. Large MDTFs were set up in Afghanistan, Iraq, Palestine, Timor-Leste and elsewhere. When the tsunami hit Aceh in 2004, the World Bank used the MDTF model to create a USD 750 million reconstruction fund. Another one was established to support the demobilisation and reintegration of 300-400,000 ex-combatants across 7 countries in Central Africa after the conflict in the DRC. Norway has supported all of these. UNDP set up a number of funds with objectives ranging from FCAS support, to elections and climate change concerns.

The MDTFs were mostly administered by UNDP or the World Bank who applied their general rules and procedures. These were often experienced as cumbersome and bureaucratic, however. A new class of Trust Funds therefore emerged to address general public goods issues across the globe that had the ability to flexibly adjust to differing circumstances and engage a wider range of implementing partners. Examples of these are the Global Alliance for Vaccines and Immunisation (GAVI), a number of environmental and climate change funds, and rapid emergency response funds. These had their own boards and administrations and developed better adapted rules of engagement.

In addition, the multilaterals put in place so-called "pass-through" funds, such as World Bank's Financial Intermediary Funds, FIFs. Here, the World Bank acts as a fiduciary agent between the donor and the actual Fund administrator. Given the limited role of the fiduciary agent, these funds are not addressed in this Note.

An answer to development challenges. A key reason for the growth of Trust Funds is that they provide an attractive solution to donors that would like to support interventions in fragile and conflict-affected countries but do not have the resources or an interest in having an own presence on the ground in these situations. For many donors, and smaller donors like Norway in particular, Trust Funds are thus vehicles-of-choice for providing funding in complex environments. These are often also environments where local authorities would be overwhelmed if all donors came with own, separate programmes. Another class of growing Trust Funds are those that address global public goods, such as public health, education and climate change, where the international community sees the need for taking a more consistent and coherent approach while taking advantage of the specialist skills and knowledge, and the organisational presence, that global bodies have.

Trust Funds improve aid effectiveness. Trust Funds are in principle suited vehicles for addressing aid effectiveness commitments under the Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda for financing the SDGs. The multilateral agencies were set up exactly to work on complex issues and environments. They have legitimacy and experience in such work and often have considerable political access on the ground, creating an arena for dialogue and thus possibilities for harmonising donor efforts while allowing space for national actors to take ownership and leadership. Furthermore, Trust Funds provide professional management, institutional solidity, oversight and control procedures, and capacity, all of which provides donors with the fiduciary assurances that legislation requires. As such, Trust Funds as a pooling mechanism are often 'best in class' when it comes to transparency and accountability regarding finances and activity results.

Norway and Trust Funds: Making strategic choices.

Managing Trust Funds: More demanding than expected? One of the advantages of channelling funds through Trust Funds is that the direct administrative costs to Norway are kept to a minimum. Nevertheless, Trust Funds still require a fair amount of time, from the negotiation of a new agreement, through the monitoring of performance, to the closing down and final assessment of achieved results. Two recent studies show that the risks that Trust Funds represent are underestimated. The first, Evaluation of Norway's Multilateral Partnership Portfolio'[1], points to the need to see Trust Funds from a portfolio perspective, identify common performance indicators, strengthen the capacity for managing the funds, and simplify the administration of the funds including agreeing with other donors principles for financing, disbursement, overhead, and reporting. The second study, the U4-center's Addressing corruption risks in multi-partner fund'[2] looks at six major Trust Funds that have somewhat different understandings of and approaches to risk management. Here, most donors were said to not have a good understanding of the actual risks of the various funds, nor did they have a coherent approach as to how to address the various vulnerabilities that different funds entail. ***Based on this, there is reason to state that Norway should be prepared to invest more in managing its Trust Fund obligations.***

Make strategic choices regarding engagement in Trust Funds. While Trust Funds in principle should lower donors' transaction costs, efficiency gains may be lost due to the internal fragmentation of Trust Fund responsibilities where many different actors are involved across MFA, Norad, embassies and their various policy and technical units. To increase internal efficiency, Norway should find ways of ensuring coherence, consistency and completeness in managing Trust Funds across responsibility lines. ***Before entering into a Trust Fund, make sure to assess the availability of internal resources for follow-up, contextual understanding, internal coordination, coordination with other donors, in addition to willingness to accept the potential financial and effectiveness risks involved.***

Applying aid concentration policy to engagement in Trust Funds? Norway has provided funding to over 100 Trust Funds managed by the World Bank and the UNDP. While the vast majority are small, all of them should in principle be followed up. ***One consideration might be to also apply Norway's aid concentration policy to the Trust Fund engagement.***

Trust Funds are Risk Sharing Instruments

Trust Fund: An instrument for risk sharing. When many donors pool their finances and efforts in a common fund, this contributes to risk sharing amongst the donors compared to bilateral engagement. However, risk sharing does not reduce the objective risk itself. Risks are there and need to be managed. For a Trust Fund to maintain its risk sharing qualities, ***donors must stick to their commitments and***

[1] EVAL's evaluation report 1/2019, Evaluation of Norway's Multilateral Partnership Portfolio, https://norad.no/om-bistand/publikasjon/2019/evaluation-of-norways-multilateral-partnerships-portfolio/

[2] The U4-center in its issue 2019:2, Addressing corruption risks in multi-partner funds, https://www.u4.no/publications/addressing-corruption-risks-in-multi-partner-funds

avoid unilateral sanctions. Sanctions should be submitted based on agreed principles and regulations that all donors sign up to upon joining the Trust Fund. If unilateral sanctions are made by one or a few donors alone, such as withdrawal or freeze of funds, the principle of risk sharing is broken, and the entire risk will be left to remaining donors. More importantly, if disproportionate unilateral sanctions are submitted, they will often reduce the fund's capacity to reach its objectives, thereby increasing the risk of non- or under-achievement.

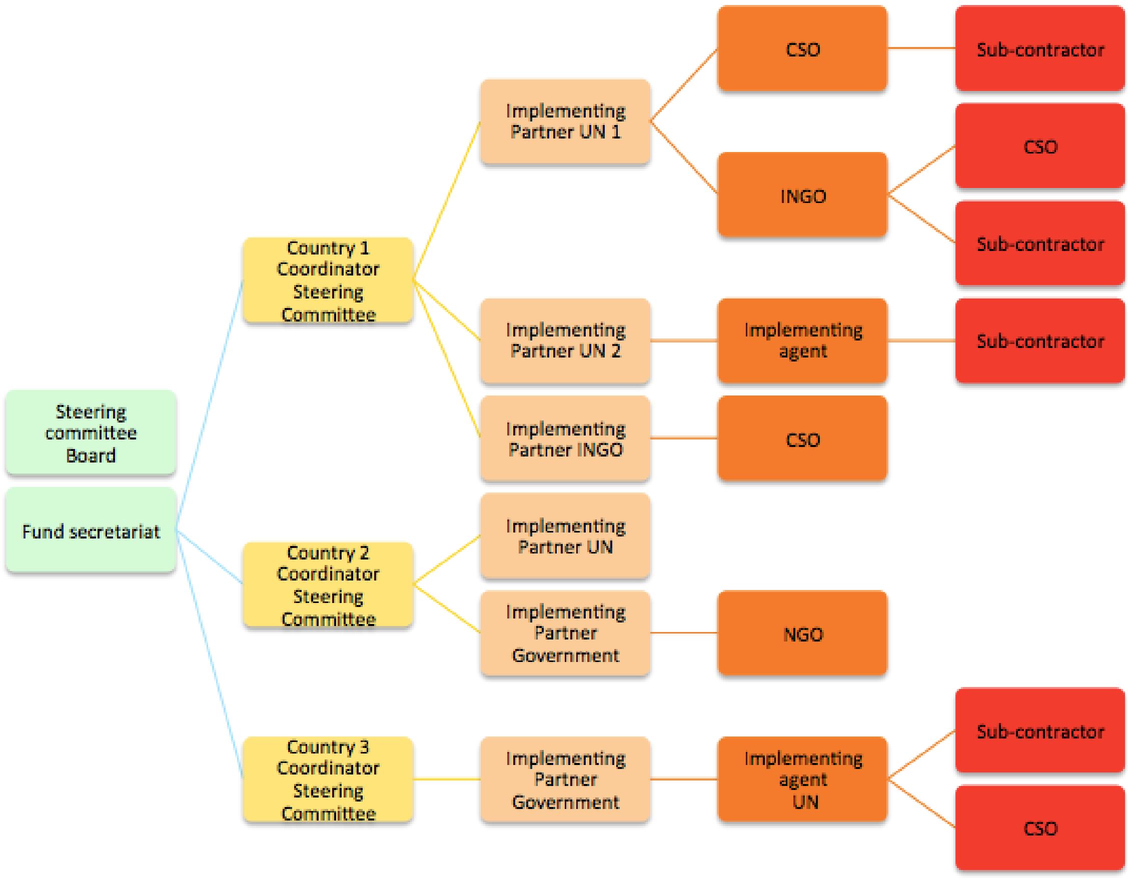
Influencing the risk management in Trust Funds

Understand how to influence the risk management of Trust Funds. Norway can influence Trust Funds in a number of ways. Being an active member of the Board or Steering Committee, and actively collaborate with likeminded Board members to follow up and achieve change, is important. The scope for influence is normally largest during the set-up of the Fund. During implementation, in addition to Board or Committee meetings that deal with policy and other overarching issues, Norway might also participate in technical committees, studies or reviews of relevant issues, provide concrete ideas and proposals to the administrator or committees, and take active part in monitoring and discussions set up by the administrator. If Norway has a presence on the ground where the Trust Fund operates, an active engagement locally will provide more information and also added opportunities for engaging with the fund on a more regular basis.

Understanding risks in the delivery chain

The longer and more complex the delivery chain, the higher the risk. The Sustainable Development Goals have as a core principle to *"Leave no-one behind"*. Reaching the last intended beneficiary is thus something all nations commit to through adherence to the Sustainable Development Goals. Reaching all target groups is also an important principle for conflict sensitivity. However, succeeding in leaving no-one behind is demanding and require complex solutions that in turn generate high risks. To reach their intended beneficiaries, Trust Funds undertake thorough analyses to decide which kind of actors, and which specific actors that will be the most suitable to deliver the different results. The more complex or fragile the context, the longer the delivery chain may become. As an illustration, see Figure 1 that visualizes a delivery chain of a typical thematic Trust Fund. Here, the implementing partners can be UN agencies, governments or INGOs, and they in their turn can hire NGOs, private agents, local CSOs and other to implement in certain geographical or on thematic areas. Quite often, these agents also sub-contract others, and so on. In general, the longer the delivery chain is, the higher the risks.

Figure 1: Delivery chain of a typical thematic trust fund



Fiduciary risks increase along the delivery chain. The U4 study (Footnote 2) notes that different Fund administrators manage risk differently, largely as a function of their mandate and guidance from their boards. Historically, donors and Trust Funds have paid attention to fiduciary risk. Most Trust Funds therefore have careful accounting and disbursement systems, procedures, and controls in place. The objective of these is to reduce fiduciary risk through "follow the money"-steps, compliance verification, and external audits. However, these direct fund management responsibilities are transferred from the Fund administrator to implementing partners and their sub-contractors down the delivery chain. Thus, the Trust Fund's risk management system becomes a key element and should be adapted to the nature of its delivery chain. The more complex the delivery chain, the more efforts should be put into understanding and managing the risk of delivery chain actors. Here, the quality of the risk management systems of the implementing partners and the sub-contractors is key. So is the degree to which these actors actually implement their own systems. These are risks donors might tend to overlook; yet such risks may have a major impact on the actual performance of the Trust Fund. The implementing partners' systems for carrying out due diligence of sub-contractors is of high importance to risk management (see Figure 2). ***Norway should support risk analysis of the Trust Funds' delivery chains to enable the establishment of realistic fiduciary risk management policies.***

Figure 2: Risk dimensions along the delivery chain of a Trust Fund

Financial risks: Focus on prevention!

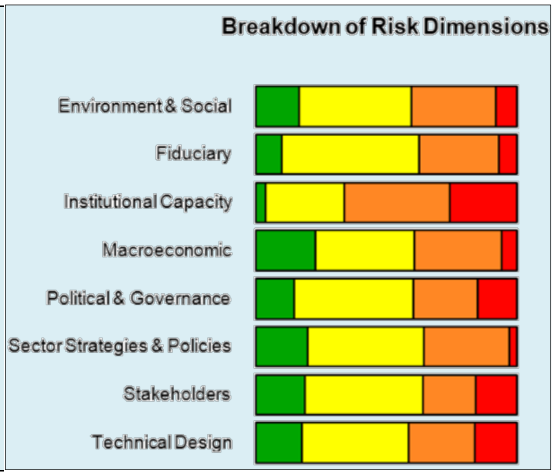
Financial risks: Prevention and Reaction. Donors are sensitive to corruption risks, and often have a 'zero-tolerance' policy. Some donors emphasise efforts on implementing preventive measures to lower the occurrences of corruption. Such measures might be various due diligence of implementing partners and assistance for strengthening their financial and administrative capacity. Some donors may concentrate their efforts on sanctioning upon suspicion of fraud and mismanagement, after corruption has taken place, or been found out. On the one hand it is important that funds' abuse is uncovered and addressed. On the other hand, it is important to understand the implications of sanctions and assess whether they are proportionate to the problem identified and whether they target the actor/s who are actually responsible for the misuse. The U4 study quotes Fund administrators and implementing partners that experienced an increasing focus from donors on audits, compliance verification, risk avoidance, claiming that responsibilities too often were put on actors not in a position to shoulder these. Likewise, in a recent OECD peer-review of Norwegian development aid[3], the need for a more pragmatic and proportionate approach to the way Norway operationalise its zero-tolerance policy was highlighted. ***Norway should support Trust Funds in investing more on proactive prevention of corruption throughout the whole delivery chain as a complement to reactive investigations and sanctions.***

[3] https://www.oecd-ilibrary.org/sites/75084277-en/index.html?itemId=/content/publication/75084277-en&mimeType=text/html

Be risk aware to enable comprehensive risk management

Accepting that there is risk is a precondition for managing it. Risks can be reduced but not eliminated. A one-sided focus on financial risks might run the danger of reduced attention to other forms of risk that Trust Funds face, such as *low efficiency* or *low effectiveness* through strategic risks, operational risks, and programmatic risks. These other risks might be equally detrimental to a Trust Fund's performance. ***Donors should take active part in the risk management discussions in Trust Funds***

Text Box 2: How the World Bank keeps their eye on risks
The World Bank Group introduced their "Systematic Operations Risk-Rating Tool (SORT)" in 2014, where they for each country rate the different risks in a matrix that is regularly updated. The matrix includes nine risk categories expressing the different "client's risks to development results associated with the operation or operational engagement". The rating is High (Red), Substantial (Orange), Medium (Yellow) or Low (Green), and shows the remaining risks after management and mitigation procedures have been put in place. The rating allows the administrator to have constant focus on the highest risks.

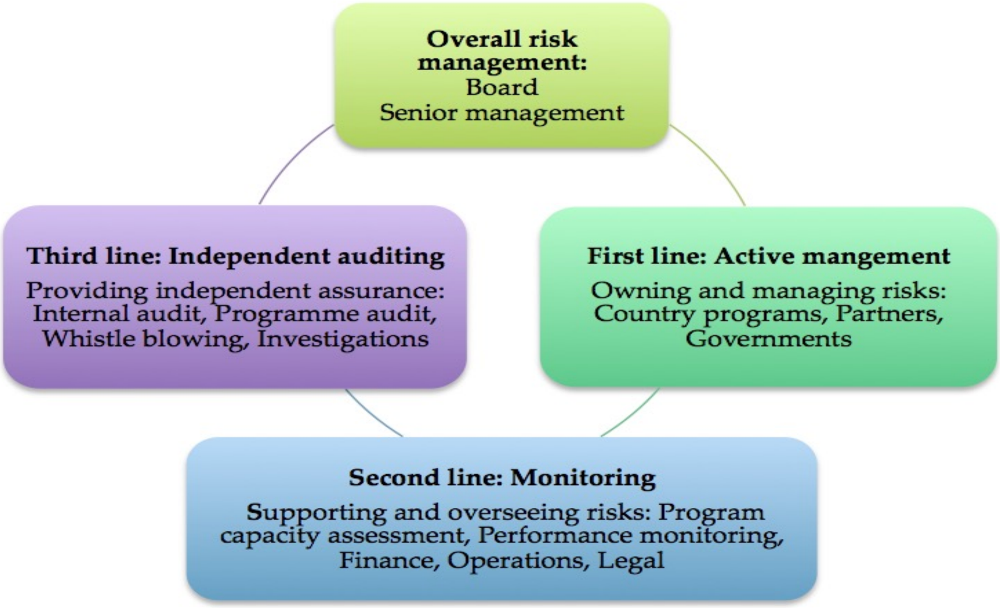


Be part of the risk management: Dare to express a risk appetite. Donors are responsible for the funds they spend towards their parliaments and taxpayers and appear reluctant to openly talk about the inherent risks in Trust Fund implementation. There is a tendency within some Trust Funds, however, for more open discussions on the risk to the Trust Fund's operations. What risk is donors willing to take in order for a Trust Fund to reach its objectives? For the Trust Fund, it is of great importance that donors are part of the common understanding of and responses to the risks involved. This is an entry point for the donor to have a voice in defining risk levels, setting policies and risk mitigation strategies. A common risk appetite is vital for a Trust Fund to be able to take the right level of the right type of risks coherent with the results it wants to reach. Common risk appetite thus helps deliver better results. ***Norway ought to be an active partner in risk appetite discussions in Trust Funds and have a clear position on its risk appetite as well as how to communicate this to the wider public at home.***

Text Box 3: Setting a risk appetite for a Trust Fund
Risk appetite can be defined as the amount of risk a Trust Fund is willing to take, accept, or tolerate to achieve its goals. While setting a risk appetite, Trust Funds identify their different strategic, programmatic, operational and financial risks, and set an appetite on each and every one of them. This enables important awareness of the trade-offs between risks. A Trust Fund will typically express a higher risk appetite for reaching its most ambitious goals, and a lower risk appetite for organizational risks that could impede its ability to deliver on its mission, such as the quality of the secretariat's processes, systems and management. A high-risk appetite represents a willingness to be exposed to a high potential impact of a risk. It does not mean that an actual occurrence of the risk is desirable. Expressing a common risk appetite between a Trust Fund's stakeholders guide decision-makers in taking the right amount of the right type of risks to deliver on its strategies. It encourages staff and stakeholders to be risk-aware and feel comfortable about taking agreed and calculated risks where appropriate, and to plan for, recognize and learn from failure.

Encourage comprehensive risk management systems. Trust Funds should have comprehensive risk management policies. These should be forward-looking and anticipate potential challenges that might arise. To achieve that, it requires an open risk-aware culture where all players are encouraged to flag the risks they have identified. This, in turn, will assist the Fund administrator to identify and focus its attention on the most severe risks. Structuring the risk management by several layers, or "lines of defense", has proven to be a useful way of sharing responsibility, see Figure 3.

Figure 3: Example of Risk Defence Lines in a risk aware Trust Fund



Setting the Stage: Achieve Quality at Entry

Basic lesson: Quality at entry is foundational. Already in 1997, the World Bank's *Operations Evaluation Department* carried out a statistical review of 1,125 finalised projects to identify which factors were most important for success. Of the factors under World Bank control, *Quality at Entry* was the most important as later interventions such as more intensive monitoring could not compensate for getting off to an unsatisfactory start[4].

Ensuring quality at entry: Donors have most leverage and influence when negotiating the Trust Fund agreements prior to signing them. Once a Trust Fund is set up and all signatories have signed the agreements, it is very time-demanding to get everybody's consent to change. Often, fund signatories will seek to incorporate their own special requests, standards or issues into the operationalization of the fund. For Norway, making sure that the most important cross-cutting issues such as gender equality or conflict sensitivity, are adequately incorporated into the fund's operation from the very start, is crucial. Introducing new cross-cutting issues after a Trust Fund agreement has been signed becomes costly for the administrator, and therefore generally not very welcome. ***Norway should ensure that particular concerns are identified and included during set-up of the Trust Fund.***

Important anti-corruption and risk management measures should be in place at set up. Incorporating policies, principles and measures, as noted above, is easiest done as the Trust Fund is being established.

[4] Local ownership and commitment were the most important factors, and a stable macro-economic environment would contribute to the likelihood of good performance, but these were factors seen as exogenous to the Bank system. Where these factors were seen as poor or weak, the need for quality at entry and active risk management was seen as even more important for ensuring positive outcomes.

Norway should ***verify that adequate safeguard mechanisms, measures and routines are in place ahead of signing the agreement so that the risk assumed is in line with Norway's expressed risk appetite.***

Strengthen Trust Fund efficiency and effectiveness by making them more inclusive. Because of their mandates, the multilateral agencies have focused on working with the public sector. ***Donors should push Trust Funds to become more participatory and inclusive when it comes to needs identification, policy and priority setting, and quality assurance of results performance.***

Understanding the Trust Fund's objectives: Managing effectiveness risks

Risk is integrally linked to ambition. Setting clear goals and monitorable, measurable, and verifiable indicators is key if donors are to be able to understand what a Trust Fund is really achieving. Indicators should reflect the level of ambition of the Trust Fund. In complex contexts, outcomes are hard to reach – at least hard to document. High-impact opportunities often require taking higher risks.

Choosing implementing partners is vital to risk management. The actors best suited to reach difficult-to-access target groups are often local civil society organizations. They have local knowledge, understand context and culture, and as thus are able to reach the most marginalised and vulnerable target groups. On the other hand, these organizations may not have the organisational capacities needed to comply with international management standards. Where possible, ***Norway should encourage Trust Funds to invest in strengthening local civil society partners' organisation and financial management capacity, to reduce risk at the same time as reaching the objectives.***

In complex settings, innovative modes of collaboration are important for implementation. In informal markets, producing documentation for accounts that comply with international financial and auditing standards is time and resource demanding, and some places simply not possible. Trust Fund administrators and donors must understand in which contexts international procurement and accounting standards are pertinent and where they are not. Transferring operational funds to implementing local civil society partners in the form of *grants* has been found to enhance efficiency and effectiveness and reduce risks in complex environments. The Fund administrator may consider taking responsibility for procurement and large financial transactions on behalf of the local implementing partners where large monetary transactions are deemed to be too risky for small local organizations. In complex environments, Trust Funds can enhance effectiveness and reduce risks by investing more in accompanying, supporting and monitoring local implementing partners, and less in auditing. ***Trust Funds operating in complex context should consider investing in accompanying and monitoring local implementing partners as a complement to control.***

Risk management: Understanding rent-seeking in the given context. Trust Funds often represent considerable resources, particularly in fragile and conflict environments, and thus are tempting targets for rent-seekers and corrupt actors. The danger of being exposed to theft, robbery and extortion from local authorities and rebel groups can be great. While initial Trust Fund disbursements are tightly controlled, the subsequent use of funds – for local purchases, construction, hiring – is where funds abuse most often occurs. In most settings, this happens at a point in the delivery chain where the Fund administrator is no longer directly involved, so control and insight might be poorer. The consequences of local nepotism, patronage networks, and contract capture are that resources are diverted from intended beneficiary groups and results. Trust Funds that provide funding for local actors to implement their priorities face both policy and practical issues if they try to address such concerns. Finding ways of making sure that the Trust Fund reaches its objectives while reducing the level of fund capture is vital. Here, contextual understanding is key. A World Bank study notes that understanding how local rent-sharing takes place is important for finding acceptable solutions to difficult trade-offs for actually delivering results to intended beneficiaries[5]. ***Understanding how rent-seeking works in different contexts and see how this insight can be used to improve the effectiveness of the Trust Fund is key in complex situations.***

Parallel systems can be a risk to sustainability. Trust Funds are often established in situations of crisis with a focus on urgent delivery. Awareness of the multiple financial, efficiency and effectiveness risks of working with local authorities in fragile and complex situations, might lead to direct delivery chains being set up, often in parallel with existing structures. Such supply-driven systems typically contract scarce local skills, making local systems even more fragile. If for instance a Trust Fund is set up to combat an epidemic in a country with very weak health institutions, the demand for an urgent response to the fast-spreading epidemic might make it tempting for the Fund administrator to establish parallel delivery systems to the national health system, even hiring qualified staff from the national health system. The immediate result will be a better controlled epidemic, but the long-term result will be a weaker national health system that is even less capable of combating future health threats. ***Undermining sustainability of national services should be one of the main risk considerations to be discussed in any Trust Fund.***

Context matters – not all lessons learned are replicable. Research and lessons learned should be considered when setting up a Trust Fund, but not all lessons learned are replicable. Thematic Trust Funds often have very specific objectives, focusing on addressing concrete challenges across several countries that share the same challenge. These Trust Funds identify their mode of operation based on the challenge they are set up to fix. One typical risk with Thematic Trust Funds, as opposed to Country Trust Funds, is that they become generic instead of contextual. In a complex world, silver bullets are few, and a successful approach in one country may not be successful in another. ***Adjusting and adapting the Trust Fund's approach to each country context is important.***

Managing risks over time: Tracking Performance and Monitoring Trust Funds

Linking risk-management to delivery of results and performance monitoring. Reaching goals involves risks. Effectiveness risk is integrally linked to financial risk (see 'Understanding rent-sharing' above as an example). There will also be trade-offs between fiduciary solidity and efficient and effective delivery and results achieved. Donors in general want risks to be low yet are reluctant to invest in appropriate risk management measures that are considered "administrative costs" rather than "project costs". By looking at risk management as integral to programme implementation, risk management measures such as performance monitoring, assessments and appraisals might appear more legitimate to invest in. If donors want to reduce risks, they must invest in monitoring, which is the day-to-day tracking of whether or not funds are being allocated to deliver the agreed results. ***Linking risk management and corruption control with performance monitoring will make the linkages explicit, easier to manage for the Fund administrator, and easier to understand and communicate back home for donors.***

Performance monitoring: Is the Board tracking the right issues? Given the agreed-upon results framework, it is important to track whether the Board is identifying likely problem areas, such as the most likely vulnerability points along the delivery chain, and the extent to which these are being addressed and monitored. Donors need to understand and follow up what has been identified as key

[5] See World Bank (2017), "Service delivery in Violent Contexts: Achieving results against the odds. A report from Afghanistan, Pakistan and Nepal".

corruption challenges in a given context, such as nepotism, "ghost workers", over-invoicing, fictitious competitions, non-delivery or sub-quality of inputs, salary-skimming, shoddy execution of activities, etc. ***Donors should follow up that Trust Funds have systems and capacities, including senior management time, for understanding, tracking and identifying local corruption problems, and managing these.***

Results reporting: Understand if tools and approaches are appropriate. Even large Trust Funds may not provide valid and reliable data on key performance indicators. Donors should verify that monitoring is appropriate and adequate. Different tools are useful in different contexts. In a digital world, methods such as satellite photos, cell-phone data collection, financial transfers and registration through smart-phone apps, social media tracking, drone photos and more might be introduced with great success. Trust Funds ought to apply appropriate monitoring tools adapted to the various steps of the results chain. If new issues, changes or emergencies occur, the Trust Fund should have the flexibility to redirect monitoring resources to quickly tackle changes and emergencies.

Third party monitoring: Important support. In all Trust Funds, the administrator is responsible for monitoring the results. Engaging 'third-party monitors' to verify and possibly supplement the administrator's documentation is on the increase. Such third-party monitoring can be organized in several ways. Some Trust Funds engage auditors to verify the financial documentation and accounts of sub-contractors and implementing partners. To assess the value of such an investment, donors must understand the mandate and relatively limited scope of authority of auditors. In some contexts, investment in performance monitoring might provide more value for money. Trust Funds can engage technical companies, international NGOs or local civil society organizations, or a mix of these, to monitor delivered results. Third party monitoring can also be organized in forms of social accountability by requesting recipient local communities to verify the results delivered and the quality of these. In addition to mere monitoring, such local community engagement might create enhanced local ownership to the Trust Fund's mission and increased sustainability in terms of local willingness to engage in maintenance of both tangible and intangible results. Third party monitoring is especially valuable in hard-to-reach or culturally complex areas where the government or the fund administrator are unable to obtain reliable data on their own. Both monitoring and third-party monitoring come at a considerable cost. In some fragile contexts, third party monitoring has become a profitable business. Trust Funds must undertake cost-benefit analyses to choose the type of monitoring that provides the best value for money in each given context. ***Donors should consider monitoring costs as integral to programme delivery. Trust Funds should consider engaging third party performance monitoring in hard-to-reach areas.***

Enhance contextual understanding: Engage in monitoring! Many Trust Funds organise joint monitoring visits or other ways for interested donors to get under the skin of the Trust Fund and understand the context in which it is operating. Understanding context is a prerequisite to understand the various trade-offs that Trust Funds have to make between fiduciary risk and effectiveness risks, for example. For Trust Fund administrators, it is problematic that donors have limited knowledge and experience with actual implementation challenges, and Fund administrators have noted that ***donors who participate in reviews or evaluations are much more appreciative of the constraints and choices that administrators and implementers face, and that this provides for more constructive dialogue in the Boards on how to move the Trust Fund forward.***

About the Authors

Mr. Arne Disch (M.A., PhD) is a development economist with over 40 years' experience. He taught economics for three years at the U of São Paulo before spending 13 years in Africa for UNDP, Norad and the World Bank. Since 1996 he has worked as a consultant, and in that capacity has carried out nearly 100 reviews and evaluations for over 15 clients with field work in 45 countries, being team leader on most. This has included reviews of a number of multi-partner funds, including multi-country programmes in fragile and conflict-affected situations. He has led evaluations for the World Bank, the EU, UN agencies and a range of bilateral donors, providing advice on policy and procedural matters, and has presented these to international meetings of broad-based governance bodies. His focus is on governance challenges, including public finance management and issues such as corruption and illicit financial flows, and how various forms of joint action can be mobilized to address such challenges.

Ms. Kirsten Sandberg Natvig (MSc), is a business economist from Norway's School of Economics with specialisation on development economics and organisational psychology, and also holds a degree in social anthropology. She has worked with development issues for more than 20 years in nearly 30 countries in Latin-America, Africa and Asia, most of these fragile, corrupt, conflict and violence-affected countries. Her main fields of expertise are organisational and institutional strengthening, hereunder anti-corruption and governance; gender mainstreaming, gender sensitivity and women empowerment; and conflict sensitivity, peace and reconciliation, and women, peace and security issues. She has been a senior consultant since 2013 and has carried out close to 30 evaluations, reviews and studies since that. She has an extensive command of different social research methodologies. She is as a guest lecturer for Master students in Value-based leadership at VID Specialised University in Oslo.