

## **Delivering on Global Methane Pledge: Strategic Finance via a Multi-Partner Trust Fund**

### **Introduction**

Following its adoption in Glasgow, the Global Methane Pledge (GMP), currently at 159 signatories of which 118 are eligible for official development assistance (ODA), has spurred various new initiatives. However, financial support to date has been uneven, unpredictable and project-based, hindering implementation and effectiveness. Although there is some coordination of efforts, having one main investment vehicle would increase efficiency and coherence. Over the last two decades, the United Nations (UN) Multi-Partner Trust Fund (MPTF) Office, hosted by the United Nations Development Programme (UNDP), has become the centre of excellence in inter-agency, multi-stakeholder pooled funding, allowing its partners to respond to emerging demands with tailored approaches. It is time to consider establishing an MPTF for methane as the main investment vehicle to support ODA-eligible signatories with achieving the transformative change sought by the GMP.

### **Why a Multi-Partner Trust Fund?**

To deliver sustainable methane reductions under the GMP, countries must improve aid effectiveness, increase alignment among a wide range of actors and reduce transaction costs among donors, recipient signatories and implementing agencies and partners. An MPTF, the UN pooled financing mechanism *par excellence* for which over 200 have been established, merits strong consideration as the next step to deliver on the GMP. Ultimately, an MPTF can—and should—be designed to accommodate all super pollutants but methane is currently best positioned to serve as its flagship and hence is the focus here.

The MPTF model has several advantages that have led to its proliferation. This includes allowing partners to design funds for performance, specify the programmatic results, reduce fragmentation and duplication, strengthen strategic alignment and ownership, improve accountability and transparency, increase predictability through multi-year financing strategies and broaden the financial base.<sup>1</sup> A well-designed MPTF for methane would have several benefits:

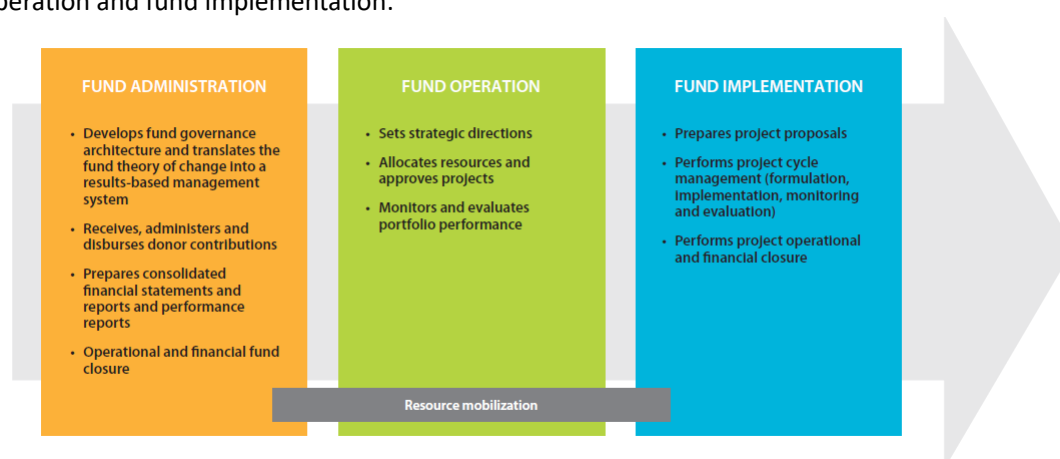
- **Enhance Alignment and Synergies.** Multiple UN entities and implementing partners currently operate across various aspects of methane or within methane-emitting sectors with little coordination, resulting in a patchwork of projects and initiatives. An MPTF, designed to support ODA-eligible signatories with the development and implementation of multi-year country programmes for methane, would align the activities of these actors around a common theory of change and implementation strategy in partnership with recipient countries. This would promote synergies while otherwise allowing approaches reflective of national circumstances.
- **Leverage Finance and Consolidate Contributions.** The “Methane Finance Sprint” that took place in advance of the 28<sup>th</sup> Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) in 2023 reportedly raised over \$1 billion in pledges.<sup>2</sup> Almost two years later, however, with no pooled financing mechanism to receive these pledges, no programmatic basis for their delivery and no common theory of change and implementation strategy, the true impact of “Methane Finance Sprint” remains uncertain. An MPTF, designed to pool funds within a single mechanism with a clear theory of change and implementation strategy, would fill this financing gap and improve delivery, while avoiding duplication of efforts from the donor countries. In addition, an MPTF can receive funds from both public and private donors, including philanthropy.

- **Ensure Efficiency and Cost-Effectiveness.** The collective experiences of various multilateral environment agreements underscore the efficiency and cost-effectiveness of providing grant finance for enabling activities. Indeed, this support is one of the primary reasons that the Montreal Protocol on Substances that Deplete the Ozone Layer with its Multilateral Fund (MLF) is widely considered the most successful multilateral environmental agreement. Following adoption of the Kigali Amendment to phase-down hydrofluorocarbons (HFCs), another super pollutant, donor countries provided additional contributions of USD 25.5 million to support enabling activities before its entry into force. This covered institutional strengthening, reporting, policy development (national strategies) and demonstration projects as well as licensing and capacity-building and training for alternatives.<sup>3</sup> In the most recent triennium, the MLF allocated USD 45 million for institutional strengthening (USD 15 million per year) in addition to USD 7.3 million for the multi-year country programmes and USD 20 million for pilot projects:

Type of cost	Per triennium (USD millions)	One-off (USD millions)
Institutional strengthening	45	
Multi-Year Country Programmes (165 countries)		7.3
Pilot projects		20

Also in the most recent triennium, MLF provided USD 35 million (USD 11.6 million per year) to its Compliance Assistance Programme (CAP), which provides capacity-building, training, implementation assistance and knowledge-exchange, among other activities, through its regional ozone networks. These reasonable costs underscore the efficiency and cost-effectiveness of investment in enabling activities.

- **Tailor Governance for Performance.** The governance architecture will define the bodies responsible for performing the various functions required for the fund: fund administration, fund operation and fund implementation:



Fund administration is undertaken by the administrative agent, typically the MPTF Office of the UNDP (over 90% of the time), which reduces transaction costs (only 1% administrative agent fee) and reduces rollout time.<sup>4,5</sup> Fund operation is undertaken by a steering committee, typically with a tripartite arrangement constituting the main participating UN entities, implementing agencies and partners and civil society, with the assistance of a secretariat that is responsible for the day-to-day operation of the fund. Fund implementation is thereafter undertaken by implementing agencies and partners. An MPTF offers the opportunity to design the governance architecture for performance, populating it with those entities, agencies and partners with the most skin in the game – most vested in its success.

- **Capitalize on Strategic Opportunities.** In addition to pooling methane-related finance around a common theory of change and implementation strategy, the approach could be applied to other super pollutants to capitalize on strategic opportunities. An MPTF can provide this flexibility by allowing other thematic windows, and in doing so sidestep the gridlock at the United Nations Framework Convention on Climate Change (UNFCCC) to create proofs of concept and a community of practice among mitigation-minded countries – an agreement without the agreement.

Taken together, a well-designed MPTF can improve aid effectiveness, increase alignment among actors and reduce transaction costs for donors, recipient countries and implementing agencies and partners.

## Multi-Year Country Programmes for Methane: Design of a MPTF

To deliver on the GMP, a common theory of change and implementation strategy built around multi-year country programming should be mainstreamed across ODA-eligible signatories, inspired by the successful model of the Montreal Protocol and MLF.

Key design elements include:

- **Enabling Activities.** Grant finance would be provided to ODA-eligible signatories for activities necessary to enable implementation, in particular: (i) institutional strengthening, such as country consultants or units that also serve as focal points; (ii) policy development, including inventories and national planning; and (iii) reporting. The level of financial support should achieve a minimum baseline to enable the activities to be undertaken, graduated in increments so as to remain proportionate to the task at hand based on overall methane emissions or the size of the economy.
- **Progressive Outputs.** Outputs would be funded in tranches upon the achievement of milestones toward the development and implementation of multi-year country programmes, allowing for a longer-term commitment to the ODA-eligible signatories while promoting accountability. Multi-year country programmes can be broken down into various phases: (i) preparatory activities, such as data-gathering to establish inventories and sources; (ii) needs assessment and intervention opportunities, in particular as it relates to policies and investment projects; (iii) policy development and project preparation and implementation. With respect to investment projects, a “project preparation facility” would be established to assist ODA-eligible signatories with accessing climate finance already made available in existing multilateral development banks, international financial institutions and multilateral funds, such as the Green Climate Fund (GCF), the Global Environment Facility (GEF) and World Bank. [**Note:** This represents a departure from the approach to finance under the Montreal Protocol and its MLF. There, implementing agencies assist with project preparation, similar to the “project preparation facility” proposed above, and investment projects to phase out ozone-depleting substances and phase down hydrofluorocarbons are also funded by the MLF itself. Here, the “project preparation facility” component is included but, given that existing climate finance for investment projects is available to ODA-eligible countries in existing multilateral development banks, international financial institutions and multilateral funds, it is not suggested that the MPTF fund investment projects. This also serves to keep the initial costs for the MPTF much lower.]
- **Implementing Agencies.** Implementing agencies would be enlisted to support the development and implementation of the multi-year country programmes, including project management, funding administration, technical assistance, and monitoring and evaluation. These should include UN specialized agencies with relevant experience and expertise, such as the United Nations Development Programme (UNDP), Food and Agriculture Organization (FAO), World Health Organization (WHO), United Nations Capital Development Fund (UNCDF), United Nations Industrial Development Fund (UNIDO) as well as the United Nations Environmental Programme (UNEP), in addition to other entities like the World Bank, regional development banks and non-governmental organizations, such as the Stockholm Environment Institute (SEI), among others.

- **Technical and Scientific Support.** Additional support would be provided by bodies with expertise on methane, including UNEP's International Methane Emissions Observatory (IMEO),<sup>6</sup> already an implementing partner of the GMP with a focus on data, and the technical and scientific bodies of the Climate and Clean Air Coalition (UNEP-CCAC), namely the Technology and Economic Assessment Panel (CCAC-TEAP)<sup>7</sup> and Scientific Advisory Panel (CCAC-SAP),<sup>8</sup> among others. Additional technical support could be provided by non-governmental organizations as implementing partners as well, such as the World Resources Institute on waste or Clean Air Task Force on energy, for example.
- **Regional Networks.** Existing regional networks could be leveraged to enhance regional cooperation and delivery of various clearinghouse functions, including capacity-building, training, information exchange, awareness-raising and education. This could include, for example, the Central American Integration System (SICA), Economic Community of West African States (ECOWAS), Association of Southeast Asia Nations (ASEAN), among others.
- **UN Resident Coordinators and Country Teams.** Although the MPTF for methane would be global in scope, collaboration with UN Resident Coordinator leading country teams in implementing the 2030 Agenda would be undertaken, as appropriate, in the development and implementation of the multi-year country programmes, involving relevant UN entities.

In addition, thematic windows to capitalize on strategic opportunities to develop and implement multi-year country programmes for other super pollutants should be factored into the original design, and pilot and demonstration projects should also be supported. Pilot projects are initial small-scale implementation of a larger project to work out issues and roadblocks before full-scale implementation. Demonstration projects promote technological innovations or best practices through development and analysis of a live project, building a body of evidence upon which to base future decisions. Thematic windows for these strategic opportunities would ensure flexibility and adaptability.

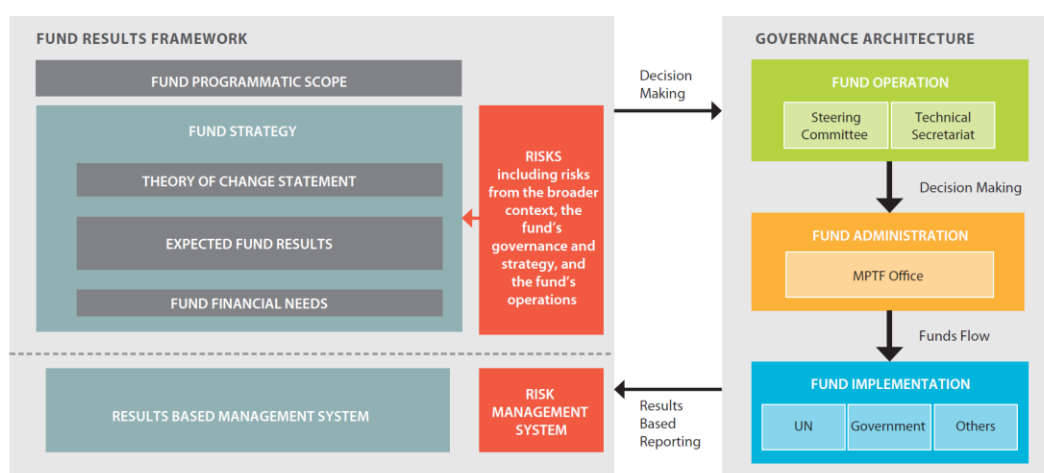
## MPTF Operationalization and Modalities

In *Designing Pooled Funds for Performance: A Manual Prepared by the Multi-Partner Trust Fund Office*, the Multi-Partner Trust Fund Office outlines how to design a fund for performance, including on operation, administration and implementation.<sup>9</sup> In addition, it provides a "starter kit" with templates for: (i) terms of reference, with separate sections covering functions, programmatic scope and theory of change, governance arrangements, fund implementation, reporting, monitoring and evaluation, audit, public disclosure and modification and expiration;<sup>10</sup> (ii) memorandums of understanding (MoU) with participating UN organizations;<sup>11</sup> and (iii) standard administrative agreements (SAA) with donors.<sup>12</sup>

Relevant considerations include:

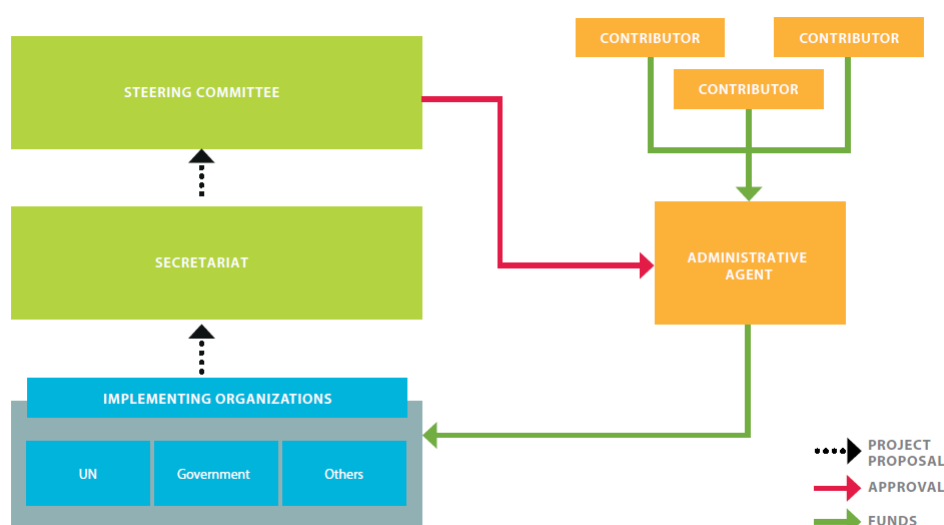
- **Financing Strategy.** A financing strategy for an MPTF for methane (but adaptable to expand to all super pollutants) would focus on pooling funds from the wider financing ecosystem, which currently includes philanthropy and bilateral ODA, to fill the current financing gap. In particular, grant finance would be provided for the development and implementation of multi-year country programmes, supported by a project preparation facility to assist ODA-eligible signatories with accessing existing funds managed by other partners (e.g. the World Bank, regional development banks) for the investment projects, in particular, identified in their multi-year country programmes.
- **Fund Allocation Architecture.** An MPTF for methane translates well into the prototypical fund allocation architecture provide by the MPTF Office.<sup>13</sup>

## FUND ALLOCATION ARCHITECTURE



The programmatic scope of the MPTF is to support delivery of the GMP and other priority pollutants based on the development and implementation of multi-year country programmes in ODA-eligible signatories through grant financing of enabling activities, technical assistance from UN entities and implementing partners and project preparation support. The expected results are specific, measurable, achievable, relevant and time-bound (*i.e.* multi-year country programmes in ODA-eligible signatories that deliver sustainable methane reductions under the GMP and, as appropriate, other super pollutants) and the financial needs are reasonable and defined.

- **Governance Architecture.** In terms of governance, the standard governance architecture is:



Similarly, although each MPTF decides on the exact composition of the steering committee, the standard tripartite steering committee arrangement would also be well-suited, comprised of governments, UN entities and civil society.

According to the MPTF Office, which has significantly reduced the administrative burden of establishing an MPTF, the main steps are:

- **Convene stakeholder consultations and develop a concept note.** Stakeholders should agree on the added value and potential of the new fund and map opportunities given existing financial mechanisms. The result is a concept note that outlines programmatic scope and purpose, along with financial and governance arrangements and a preliminary analysis of financial viability, such

as expected donor interest. A committed funder is also required at the outset, such as the Global Methane Hub or a donor country. [**Note:** the concept note could build upon this thought starter, which already outlines the potential programmatic scope and purpose and financial and governance arrangements of an MPTF for methane.]

- **Develop and agree on a terms of reference.** Develop and agree on terms of reference based on the concept note that spells out the function, objectives and governance structure of the fund. At least two participating UN entities are required to initiate an MPTF and it would seem appropriate these to be UNEP and UNDP, by selecting the MPTF Office of the UNDP as the administrative agent and given the central role of the UNEP-CCAC as the GMP secretariat and dealing with all super pollutants, in addition to serving as implementation agencies, both entities are well-positioned to be the founding participating UN entities. [**Note:** While it is ultimately the participating UN entities that define the parameters of an MPTF, including its steering committee, to move quickly and build on existing methane infrastructure one could envision building upon the composition of the UNEP-CCAC Board with two modifications: (i) the UNEP-CCAC Head of Secretariat co-chairs the steering committee with the existing two country co-chairs; with (ii) dedicated seats for participating UN entities that serve as main implementation agencies, perhaps on a rotational basis, such as UNDP, FAO, WHO, UNCDF and UNIDO. In terms of secretariat, the UNEP-CCAC could be asked to provide secretarial services as an extension of its role as the GMP secretariat, avoiding new structures and duplication, and building upon its expertise and leveraging the CCAC-TEAP and CCAC-SAP. This would also allow for further expansion of the fund to all super pollutants.
- **Sign legal documents.** Participating UN entities sign a memorandum of understanding based on approved terms of reference. Once signed, the fund becomes active and legally established, with an option for other participating UN entities to join at a later stage.
- **Conclude contribution agreements to capitalize the fund and implement.** The administrative agent concludes a standard administrative agreement (SAA) with donors who wish to contribute to the fund and private sector contributors, which are subject to an additional due diligence process. After the SAA is signed, the fund is operational and the steering committee is at liberty to convene and begin making decisions and allocating resources.

Once the decision to explore and establish an MPTF is taken, it can be completed rather quickly – within weeks. If established in advance of the 30<sup>th</sup> Conference of the Parties to the UNFCCC (COP-30), with announcements of funding commitments from philanthropy and donor countries, an MPTF for methane could be the flagship initiative in Belem, Brazil to deliver on the collective commitment to reduce global methane emissions across all sectors by at least 30% below 2020 levels by 2030.

#### **For more information:**

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## References

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- <sup>2</sup> European Commission (website). *2023 Global Methane Pledge Ministerial: Decisive Action to Curb Emissions*. Available [here](#).
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- <sup>4</sup> United Nations Multi-Partner Trust Fund Office (2015). *Designing Pooled Funds for Performance: A Manual Prepared by the Multi-Partner Trust Fund Office*. Page 27. Available [here](#).
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