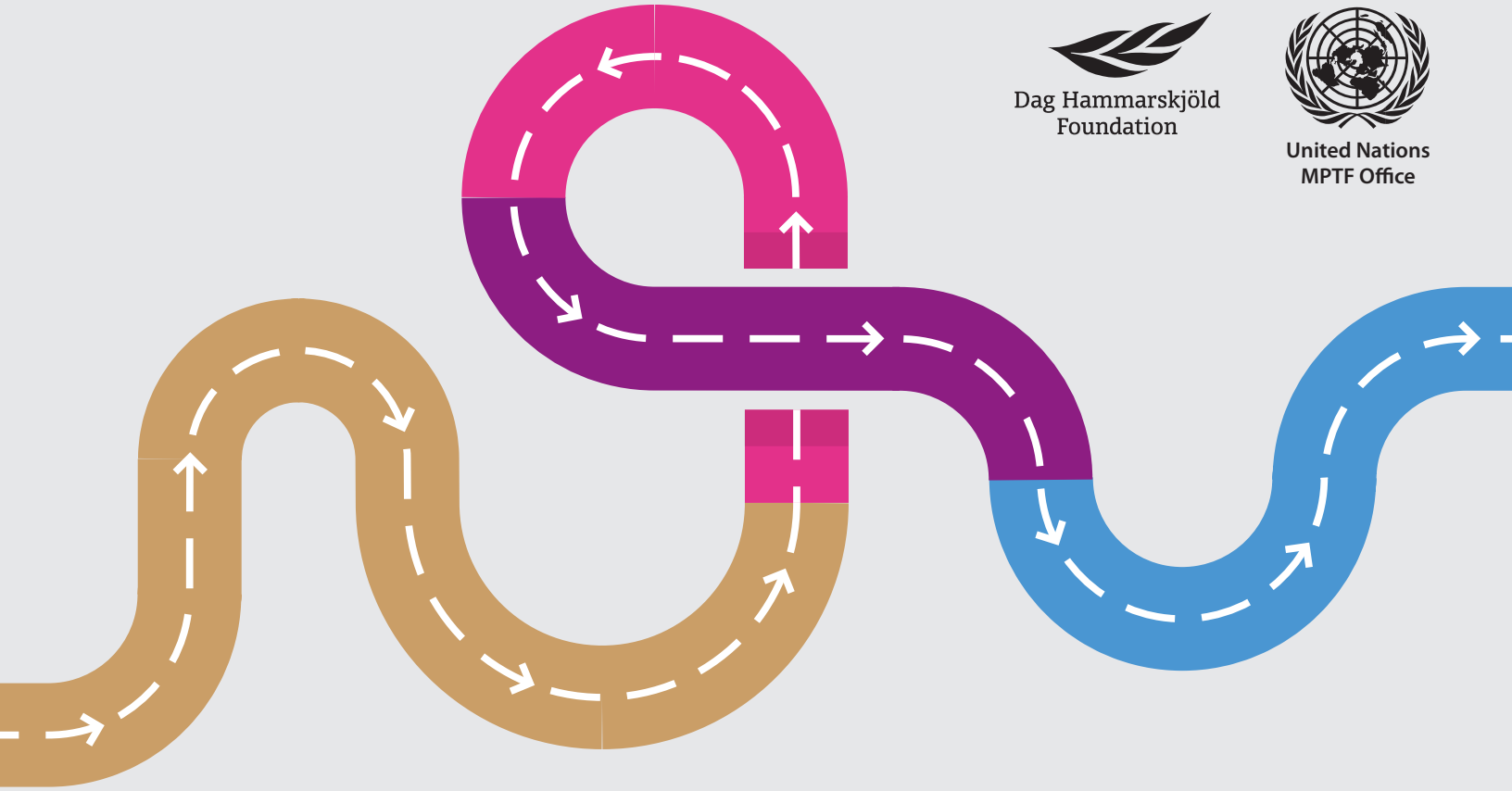


Dag Hammarskjöld Foundation

United Nations MPTF Office

September 2020

Financing the UN Development System

Time to Walk the Talk

Climate neutral
Print product
ClimatePartner.com/14796-2008-1001

Graphic Designers
Pär Jansson and Kristin Blom

Illustrations
Cover illustration: Adobe Stock Images

Copy Editors
Annika Östman
Ken Barlow
Johanna Mårtendal
David Prater

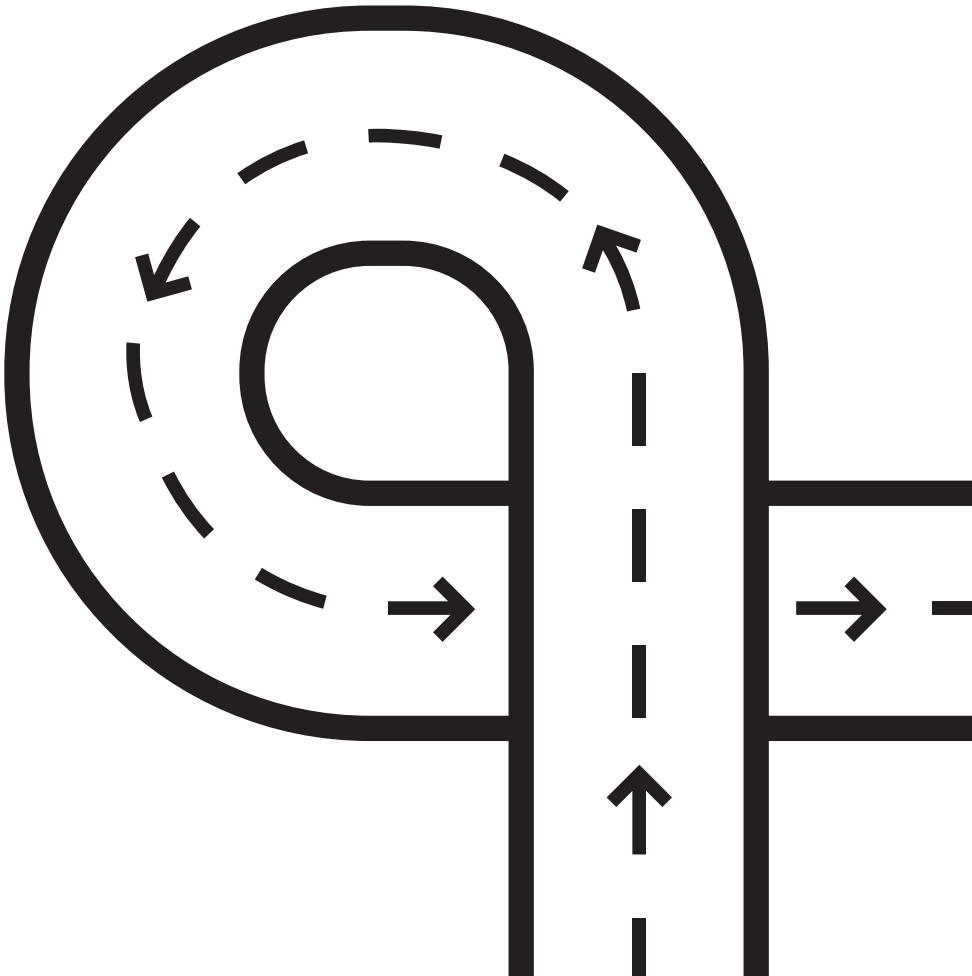
Printer
X-O Graf Tryckeri AB
Uppsala, Sweden
August 2020

Data Visualisation Designer
Elkanodata

ISBN
978-91-985372-5-3

Financing the UN Development System

Time to Walk the Talk



Acknowledgements

The annual *Financing the UN Development System* report is the result of a longstanding partnership between the Dag Hammarskjöld Foundation and the United Nations Multi-Partner Trust Fund Office.

It is a collective effort led by Jennifer Topping (Executive Coordinator of the MPTF Office) and Bruce Jenks (Senior Advisor to the Dag Hammarskjöld Foundation), and supported by colleagues, namely: Per Andersson, Kristin Blom, Dijana Fajardo-Ardila, Henrik Hammargren, Raul de Mora Jiménez, Henriette Keijzers, Johanna Mårtendal, Annika Östman, David Prater and Veronika Tywuschik-Sohlström.

Parts Two and Three were made possible through the generous contributions of our guest authors. Sincere thanks to Thomas Beloe, Emily Davis, Philipp Erfurth, Félix Fernández-Shaw, Orria Goni, Navid Hanif, John Hendra, Omar Hilale, Homi Kharas and Silke Weinlich.

As in previous years, we have relied on others to provide us with the raw data used for the figures and tables in Part One. This year we received raw data from the UN as well as the Organisation for Economic Co-operation and Development (OECD). We thank Laura Gallacher from the Chief Executives Board for Coordination (CEB) Secretariat, Andrew MacPherson from the United Nations Department of Economic and Social Affairs (UN DESA) and Marisa Berbegal Ibáñez from the OECD.

We would also like to thank our information design agency, Elkanodata, for creating the online version of this report, including the data visualisations.

Table of contents

Overview of figures and tables in Part One

Figures

Tables

Executive summary

This sixth edition of the *Financing the United Nations Development System* report presents comprehensive data on UN revenues and expenditures. The subtitle of this year's report, *Time to Walk the Talk*, reflects the need for concerted action to reform the UN development system (UNDS) in the context of the unfolding COVID-19 pandemic.

The landscape of global affairs has dramatically shifted as a result of the pandemic, and many of its consequences are yet to be fully comprehended. It took six months for the world to reach 10 million confirmed coronavirus cases, then a mere six weeks for this figure to double. Millions more will be affected by COVID-19 before we can begin to speak of the crisis being over. The severity of the pandemic underscores the importance of both multilateral action and the multilateral institutions that make such action possible. The UN was created in order that challenges to development and peace could be collectively met. Since then, neither the UN Charter nor the organisation itself have lost their relevance – rather, the opposite is true.

The current focus of national governments and regional organisations is on addressing urgent national public health crises, as well as tackling the considerable economic and social fallout from the pandemic. In this context, the UNDS, which is heavily dependent on voluntary contributions, faces a significant challenge: how best to support and complement multilateral responses to the pandemic. The situation is grave, with COVID-19 presenting serious obstacles – both operationally and financially – to multilateralism. Commitments to multilateral funding are likely to be reassessed, putting the targets agreed as part of the Financing for Development process into question. Traditional systems for multilateral support – such as the official development assistance (ODA) of the Organisation for Economic Co-operation and Development (OECD) – will inevitably be affected by declining gross national income caused by the pandemic-related economic recession.

Despite these challenges, the main message of the report is that now is the time for concerted action. Put simply, it is time to walk the talk. COVID-19 has had, and will continue to have, a devastating impact on the lives and wellbeing of people around the world. As such, the UN and its partners have had to move swiftly, as well as with agility and flexibility, to meet the challenges posed by the pandemic. At the same time, the need for longer-term strategic planning in order to build back better and inclusively has become paramount. A glimmer of hope lies in the strength of feeling expressed by those calling for collective action. While there may be exceptions to this underlying sentiment, more generally it reflects a realisation that the challenges confronting us cannot be met unilaterally. It thus follows that multilateralism is the best instrument we have for finding effective solutions to these challenges.

As in previous years, this report aims to capture the various developments and trends taking place in UN funding and financing. It is a task embarked on in full recognition that the effects of the COVID-19 pandemic demand humility, and an acceptance of the need to prepare for significant trend shifts. The financial data explored in this report provide a useful benchmark for understanding the level at which UN financing stood – in terms of both quantity and quality – when the pandemic struck. Important steps were taken in 2019 as Member States and the UN agreed on a Funding Compact, which involves committing to tackling a number of financial challenges that must be overcome if the 2030 Agenda is to be effectively implemented. Such efforts were critical before the pandemic – they are even more so now. COVID-19 must not be allowed to bring these advances to a standstill or, worse, reverse them. The UN and its Member States should remain on course, reaffirming their commitment to achieving the 2030 Agenda and ensuring no one is left behind.

Total revenue of the UN system by entity and by financing instrument, 2018 (US$ million)
(Table 2a from Part One, Chapter One):

Table 2a

Entity	Assessed	Voluntary core	Earmarked	Fees and other revenues	Total
UN Secretariat	2,487		2,898	639	6,024
CTBTO	128		3	3	135
DPKO	7,286		363	96	7,744
FAO	499	55	1,067	11	1,632
IAEA	413		240	15	668
IARC	25	0	18	2	45
ICAO	73		135	28	236
ICC	166		2	1	169
IFAD		218	161	64	443
ILO	387	13	243	49	692
IMO	40		12	21	73
IOM	52	30	1,768	13	1,863
ITC	37	28	53	2	120
ITU	127		18	34	179
OPCW	71		14	3	88
PAHO	103		518	703	1,324
UNAIDS		185	30	5	220
UNCDF		10	56	3	69
UNDP		662	4,523	332	5,517
UNEP	247	70	422	3	742
UNESCO	336		297	51	684
UNFCCC	35	1	46	17	99
UNFPA		379	877	87	1,343
UN-HABITAT	14	4	154	7	179
UNHCR	39	647	3,614	39	4,338
UNICEF		1,628	4,867	181	6,676
UNIDO	78	77	92	1	248
UNITAID		188	3		191
UNITAR		1	20	6	26
UNODC	34	5	350	20	409
UNOPS				942	942
UNRISD		2	1		2
UNRWA		830	431	34	1,295
UNSSC		5	7	0	12
UNU		37	17	4	58
UN Women	8	149	235	12	405
UNWTO	16	0	6	3	25
UPU	37		18	19	74
WFP		412	6,882	75	7,368
WHO	501	89	2,264	47	2,901
WIPO	18		12	407	436
WMO	66	2	18	3	89
WTO	199	21		15	235
Total	13,522	5,747	32,754	3,996	56,019

Source: see page 30

Scope of the report

This year's edition of the Financing the United Nations Development System report is divided into three parts.

Part One examines the UN's financial ecosystem. It looks first at overall revenue for the entire UN system, including who is being funded, by how much, by whom, and for what broad functions. Next, expenditure is put under the spotlight, including how it links to the Sustainable Development Goals (SDGs), as well as to particular geographical priorities and trends. Part One concludes with an examination of what is being done to improve UN system-wide financial data and address data-quality issues.

In Parts Two and Three, contributors from within and outside the UN system reflect on the current status of financing for the SDGs, potential strategies and priorities, and what might be the best way forward. In doing so, they broaden our perspective from the UN to the wider international and multilateral development community, while also considering elements of UN reform and the current impact of the global pandemic on Member States.

The remainder of this executive summary summarises the report's key findings, including highlights from the analysis of data on UN revenues and expenditures in 2018.

As always, the intention is to let the figures, tables and graphs speak for themselves where possible. This edition also attempts to look further into trends, on the basis that history provides perspective and guidance for future actions. The online version allows interaction with the data through three visualisations, making individual deep dives and further analysis possible (https://docs.daghammarskjold.se/time-to-walk-the-talk).

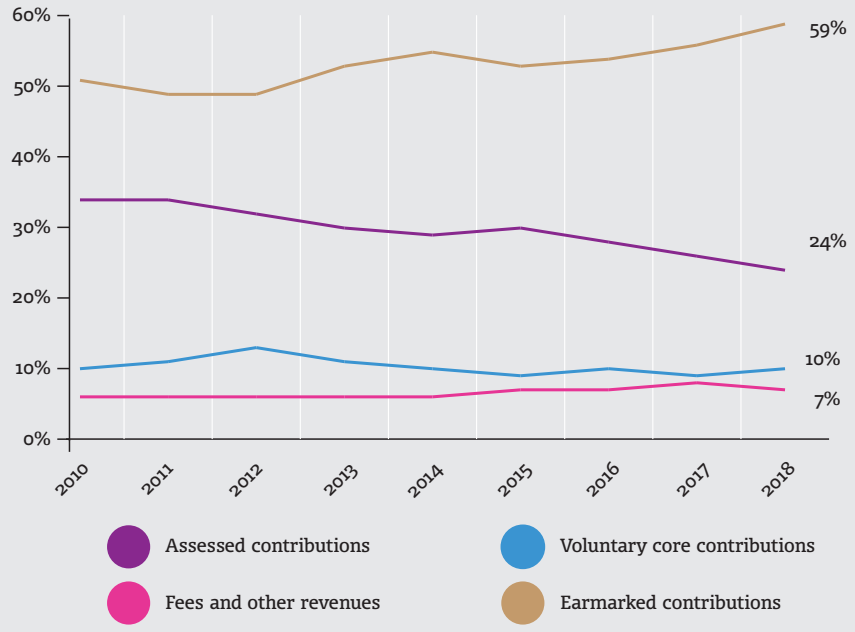
Part One: United Nations resource flows

Chapter One: Revenue

The UN system's total revenue in 2018 amounted to US$ 56 billion, an increase of US$ 3.2 billion compared to 2017 (see Table 2a on the previous page). While this mostly reflects actual growth in overall UN revenue numbers, around 10% of the growth is attributable to improved system-wide financial reporting. Table 2a shows that the largest UN entity in terms of revenue in 2018 – apart from the Department of Peacekeeping Operations (DPKO) – was the World Food Programme (WFP), which passed the US$ 7 billion mark for the first time. WFP also received the largest nominal growth in funding, with its overall revenue increasing by US$ 0.9 billion, followed by the UN Secretariat, which grew by US$ 0.6 billion.

Distribution of total UN system revenue, by financing instrument, 2010–2018
(Figure 2 from Part One, Chapter One):

Figure 2

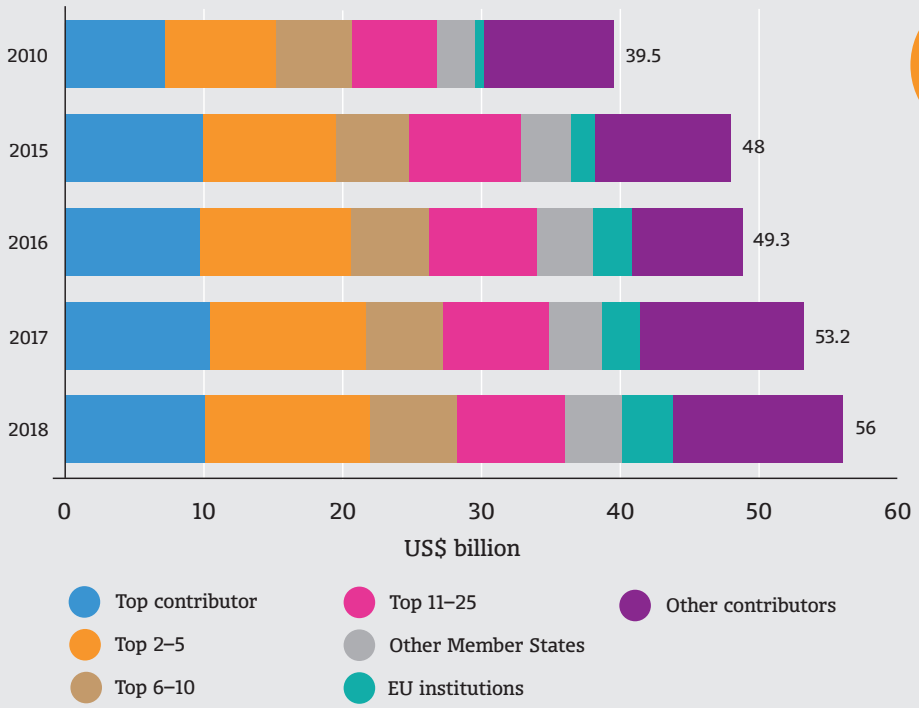


Source: see page 32

Contributions to the UN system by Member States, EU institutions and other contributors, 2010–2018 (US$ billion)

(Figure 5 from Part One, Chapter One):

Figure 5

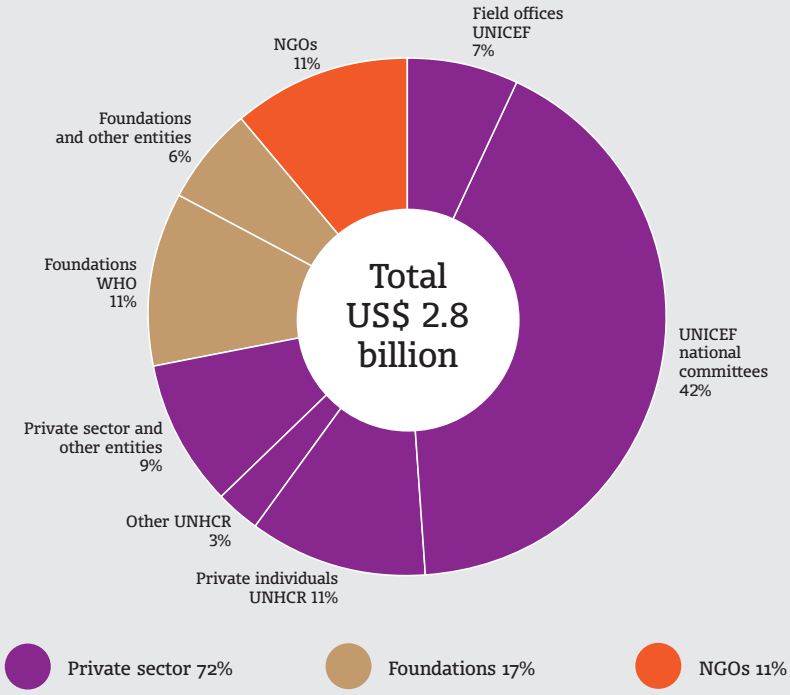


Source: see page 34

Non-state revenue of the UN system, 2018

(Figure 7 from Part One, Chapter One):

Figure 7



Source: see page 37

How was this revenue received? Earmarked contributions – funding tied to a particular project, theme or location – represent by far the largest financing instrument to the UN system. In 2018, 59% (US$ 32.7 billion) of all UN revenue was earmarked, an increase of 2% compared to the previous year, with most of it tightly earmarked to a single UN entity for a single project in a single country. Higher quality and more flexible earmarking instruments, such as thematic and interagency pooled funds, experienced faster growth in line with the UN Funding Compact requirements. However, given only limited conclusions can be drawn from analysing year-on-year variations, Figure 2 on page 12 offers a longer-time perspective of UN revenue by financing instrument. In doing so, it reveals the relative decline of the assessed funding curve and the relative incline of the earmarked contribution curve. Elsewhere, the relative shares of voluntary core, and fees and other revenues can be seen to have remained largely static over time (see Table 1 on page 27 for definitions of these UN financing instruments).

Next, we turn to who funds the UN. In summary, UN financing relies heavily on a small set of Member State contributors, with the top ten contributors accounting for over half of the UN's total revenue in all years. This pattern has remained fairly constant over the past eight years, starting out at 52% in 2010, increasing to 55% in 2012, then falling back to 50% in 2018 (see Figure 4 on page 34 in the full report). The only source that has notably increased its contribution over the period is the European Union (EU) institutions, rising from 2% to 7% of total UN funding. Figure 5 on page 13 reveals how the EU's annual contributions increased from less than US$ 0.7 billion in 2010 to US$ 2.7 billion in 2017, then up to US$ 3.7 billion in 2018.

Regarding non-public funding sources, which represented 5% of total UN contributions for 2018 (amounting to US$ 2.8 billion), it is notable that roughly half came from private individuals giving voluntarily through, for example, the UN Children's Fund (UNICEF) national committees, or the private giving programme of the UN High Commissioner for Refugees (UNHCR) (see Figure 7 on page 13). In terms of foundations, by far the largest contributor was the Bill & Melinda Gates Foundation, which contributed to the work of various UN organisations, but most notably provided 80% of contributions by foundations to the World Health Organization (WHO).

Figure 9 on the next page, meanwhile, looks specifically at the funding of operational activities for development (UN-OAD) over the last nine years in terms of core and earmarked funding. Here, it is revealed that 79% of all contributions to UN-OAD in 2018 were earmarked, which is 20% more than the equivalent percentage at the UN system-wide level. Thus, the earmarking of contributions to UN-OAD is driving the upwards trend of earmarking at the system-wide level. Most of it is earmarked to a single project by a single donor.

Having looked at how and by whom the UN is funded, the next question concerns what is being funded. Figure 10, also on the next page, divides this into the four system functions, revealing that funding for humanitarian assistance is almost identical in size – even a little larger – than funding for development assistance. Together, these two functions account for almost three-quarters of funding to the UN system.

Figure 11 on page 16 takes the analysis a step further, showing how expenditure for development and humanitarian assistance – the two functions that make up UN-OAD – has evolved over the past nine years. Overall, growth in funding for humanitarian assistance has outpaced growth in funding for development assistance. This growth in humanitarian expenditures has been fuelled by the rapid increase in earmarked contributions seen in Figure 9.

The report then asks how funding for the UNDS and its operational activities compares with funding patterns for other multilateral organisations. The data shows that the UN has consolidated its role as the largest channel for multilateral ODA, driven by the rapid growth in earmarked resources (see Figure 12, page 16). In 2010, the UN received 31% of total multilateral ODA funding, with EU institutions receiving 26% and the World Bank 23%. By 2018, the UN – having absorbed half the total growth in multilateral aid – had seen its share grow to 34%, while the EU's share had dropped to 23% and the World Bank's to 22%.

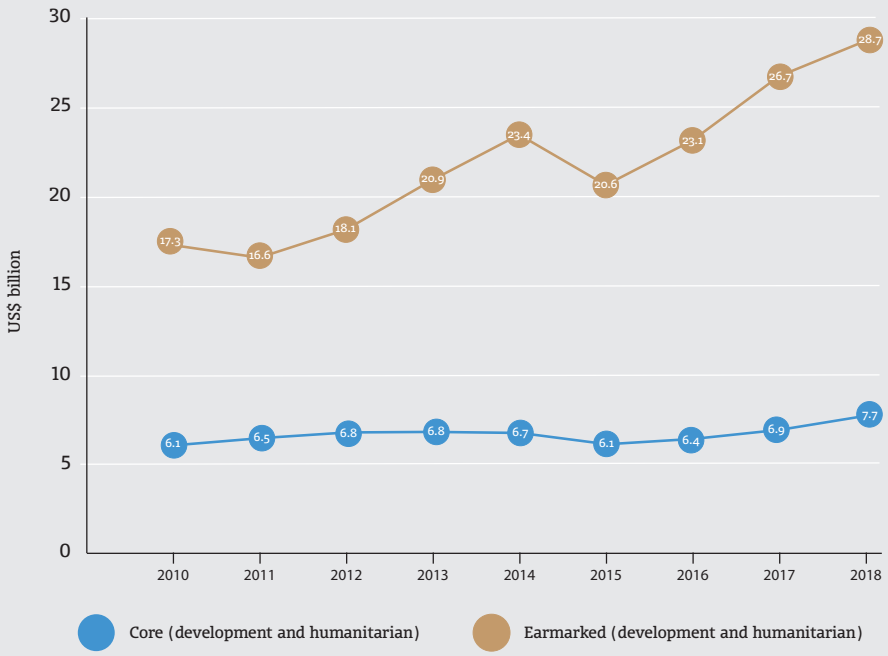
As noted earlier, over half of the total contributions to the UN come from the top ten Member State contributors and the EU. A similar pattern is true for contributions towards funding the UN's humanitarian and development activities. Figures 17b and 18b on page 17 present the 2018 funding mix of the top 20 contributors to UN humanitarian and development-related activities. They reveal that while the top five contributors are the same, their weight within the overall funding differs substantially between humanitarian and development-related activities.

Humanitarian funding is highly concentrated, with the top five contributors accounting for 63% of total humanitarian funding in 2018 – the United States as the top contributor alone accounted for 27%. By contrast, the United States accounted for only 9% of overall funding for development-related activities; and the same group of top five contributors had a combined 36% share of the total.

Total core and earmarked contributions for UN operational activities, 2010–2018

(Figure 9 from Part One, Chapter One):

Figure 9

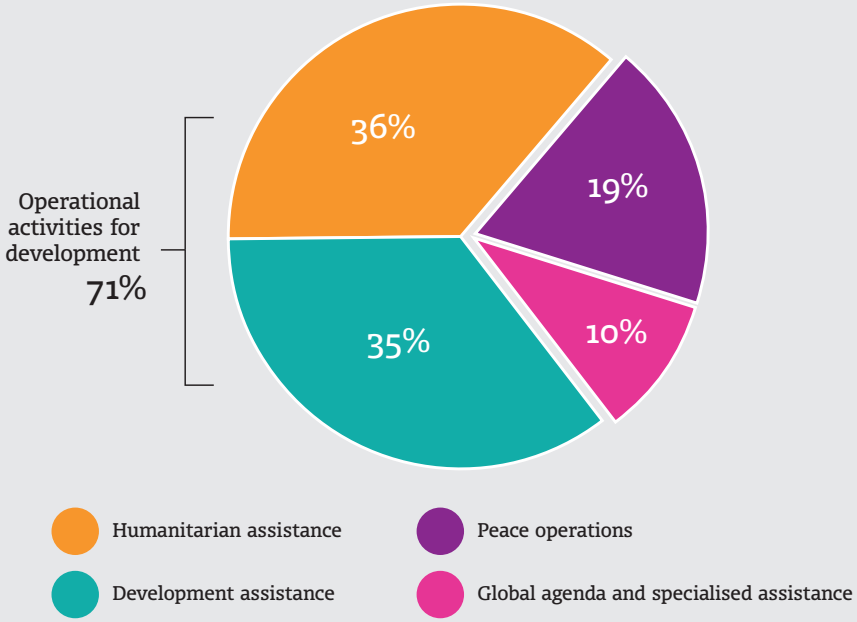


Source: see page 40

Funding of UN system-wide activities, 2018

(Figure 10 from Part One, Chapter One):

Figure 10



Source: see page 41

Total expenditure for development and humanitarian-related UN operational activities, 2010–2018

(Figure 11 from Part One, Chapter One):

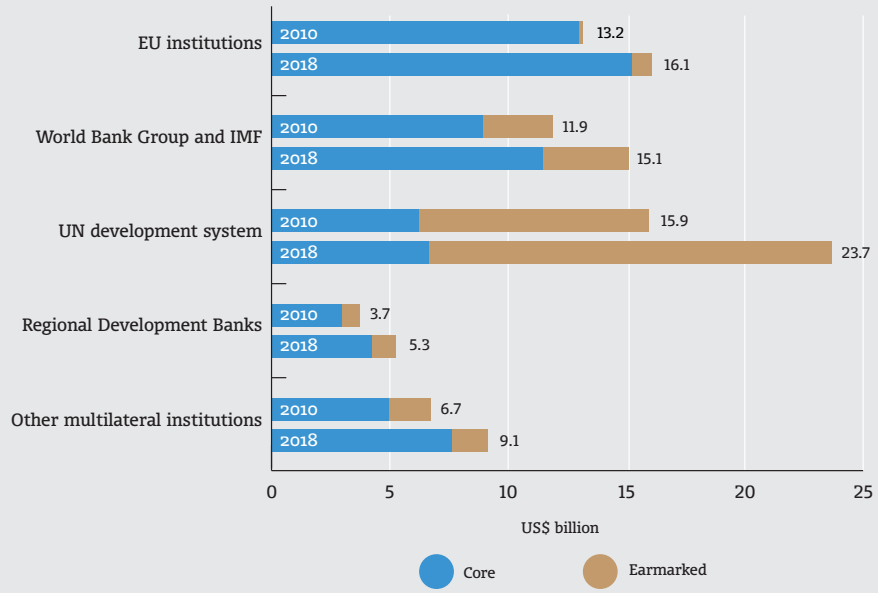
Figure 11

Source: see page 42

Channels of total multilateral assistance from OECD-DAC countries, core and earmarked, 2010 and 2018 (US$ billion)

(Figure 12 from Part One, Chapter One):

Figure 12

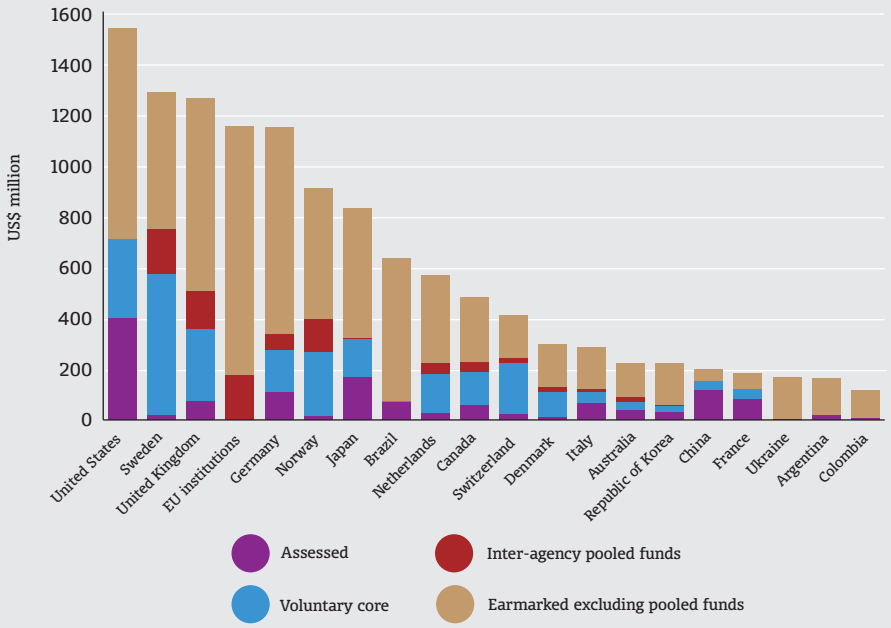


Source: see page 43

Development assistance funding mix of the top 20 contributors to the UNDS, including assessed contributions, 2018 (US$ million)

(Figure 17b from Part One, Chapter One):

Figure 17b

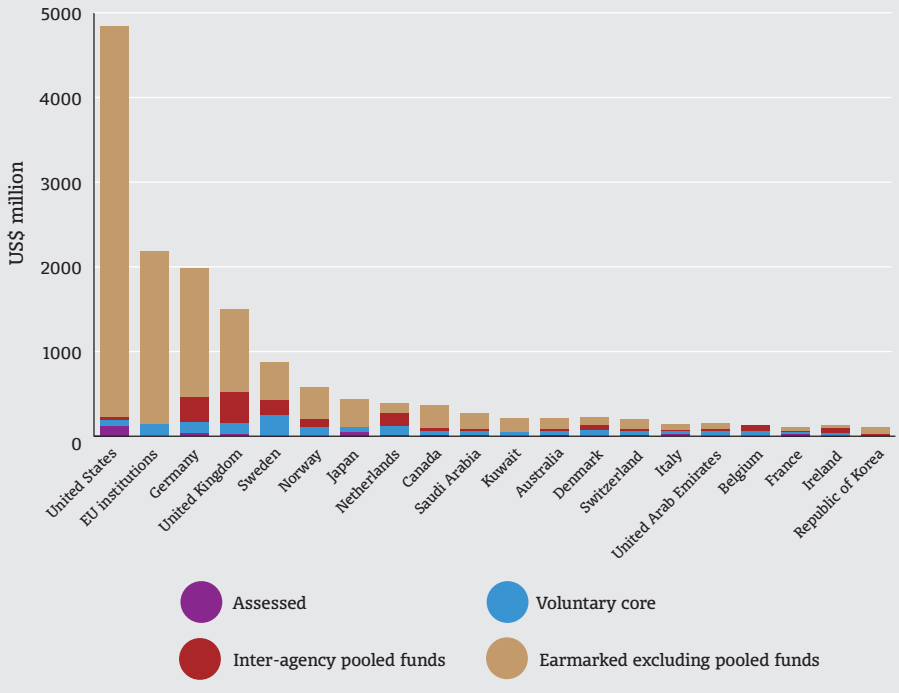


Source: see page 48

Humanitarian assistance funding mix of the top 20 contributors to the UNDS, including assessed contributions, 2018 (US$ million)

(Figure 18b from Part One, Chapter One):

Figure 18b



Source: see page 49

Chapter Two: Expenditure

Having explored the revenue coming into the UN system, Chapter Two proceeds to examine how the UN invests these revenues. It shows that the UN system's expenditure increased from US$ 51.6 billion in 2017 to US$ 52.7 billion in 2018 (see Table 5 on page 54 in the full report), with the two entities that enjoyed the largest nominal growth in expenditure the same two that saw the largest growth in revenue: the expenditure of WFP increased by US$ 0.6 billion, while that of the UN Secretariat rose by US$ 0.4 billion.

As for geographical priorities, the region with the fastest growth in expenditure was Western Asia, with an increase in nominal terms from US$ 2.2 billion in 2011 to US$ 8.3 billion in 2018 (see Figure 22 on the next page). Over the same period, the region's percentage share of total expenditure more than doubled, from 10% to 23%. Much of this growth was due to the Syrian crisis and its impact on refugee-hosting neighbours (from 2012), and to the deepening humanitarian crisis in Yemen (especially from 2017).

For the first time, the report features graphs on expenditure linked to the SDGs, as showcased in six UN entities (see Figures 23-28 on pages 56–57 in the full report). Overall, they show that 2018 provided a healthy start for SDG reporting, with the six agencies together linking US$ 18.5 billion to the SDGs – more than half the total amount spent on UN operational activities. The International Labour Organization (ILO), UN Women and WFP reported 100% of their expenditure as being linked to the SDGs, with all three having a single SDG goal – the one closest to the respective organisation's mandate – to which the majority of expenditure was linked.

Finally, regarding expenditure by income status, it is on average largest in low-income countries, with 47% of 2018 expenditure on operational activities taking place in this group of countries. The most visible concentration of the UN's operational activities is, however, to be seen in the exactly one-third (54) of UN programme countries defined as crisis-affected. Expenditure in this group constituted 81% of total country-level expenditure. As can be seen in Figure 30 and the related online visualisation, most such countries are characterised by protracted crisis, having been in this category since at least 2010.

Chapter Three: Taking action on data quality

Chapter Three begins by noting that over the past few years the UN has taken concerted action to improve its system-wide financial data. Most notably, in 2018 the UN adopted the 'data cube' and its common set of financial data standards, which are now being phased into the financial reporting of the UN system. The chapter underscores that this will, over time, improve the quality of financial data available at the UN system level, starting with the 2018 data used for this report. Even so, the issue of financial data quality remains, and improving it requires concerted efforts and tenacity across the UN system.

A snapshot of some of the work currently taking place to improve UN system-wide data is then provided. This includes training on how to report against the UN data standards; detailed guidance on issues such as eliminating double counting; strengthening collaboration both within and outside the UN system; and continuing discussions on a common minimum financial dataset, to be used for capturing disaggregated financial data below the level of the financial statements.

It is also emphasised that over the coming year or two, reporting should ideally move from the aggregated financial-statement level to the disaggregated level. Only in this way will the UN be able to create a single 'data cube' with disaggregated data across multiple dimensions, which can then be used for analysis and decision-making, and for reporting by and to all UN stakeholders.

Part Two: Financing the Sustainable Development Goals

Part Two provides a platform for contributors to broaden our perspective from the UN to the wider international and multilateral development community. The first article, by **Homi Kharas**, focuses on SDG financing, looking at – among other things – how private financing contributes to public investment. Kharas stresses that economic growth, and associated increases in domestic revenues, is far and away the largest driver of new financing for the SDGs. As a result, he estimates that spending on the SDGs by developing countries could increase by US$ 7 trillion.

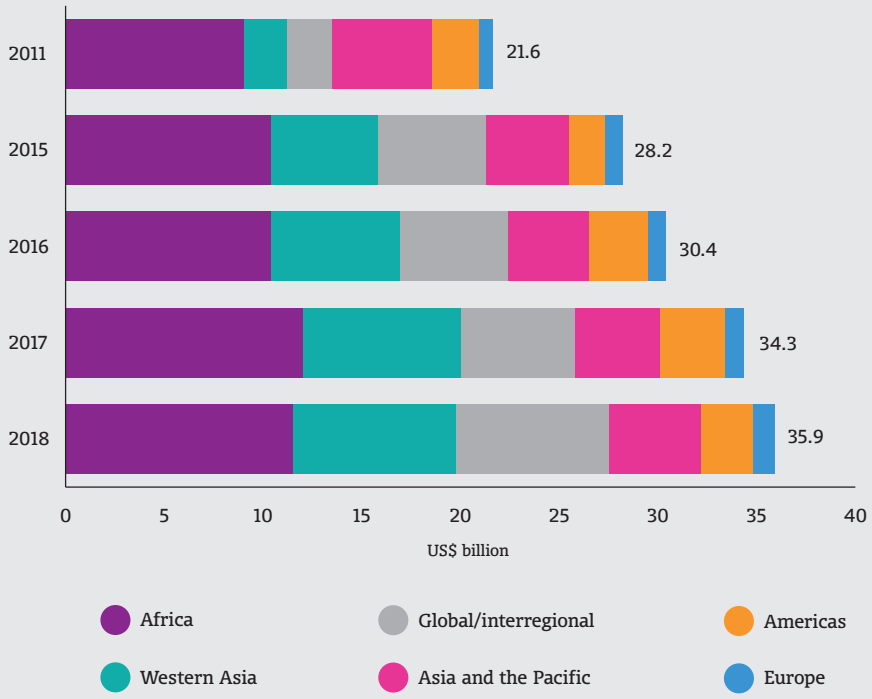
This is followed by a contribution from **Emily Davis, Orria Goni and Thomas Beloe** on how best to build back from COVID-19, looking in particular at financing strategies such as integrated national financing frameworks (INFFs). Here, the authors argue that financing strategies that put the SDGs at the heart of recovery are crucial.

In Part Two's final article, **Navid Hanif and Philipp Erfurth** focus on the nexus of new technologies and investment in sustainable development, asking if this can generate synergies that will unlock new funding for development. Indeed, they argue that investment in emerging technologies can help accelerate achievement of the SDGs, while grasping the benefits of new technologies can help accelerate investment in sustainable development.

Expenditure on UN operational activities by region, 2011–2018

(Figure 22 from Part One, Chapter One):

Figure 22



Source: see page 55

UN operational and peace-related expenditure in crisis-affected countries, 2010–2018

(Figure 30 from Part One, Chapter One):

Figure 30

Source: see page 60

Part Three: Embracing United Nations reform

Part Three explores a number of key areas where practical steps are being taken to make progress on the UN's reform agenda. In the first article, **Ambassador Omar Hilale** explores the challenges currently confronting the climate agenda. Specifically, he focuses on the interactions between the COVID-19 pandemic, the global financial crisis and climate change. In doing so, he argues that the world must make the transition towards sustainable modes of production and consumption, and that financing must be made available for the restructuring necessary to make this leap.

In the second article, the UN **Multi-Partner Trust Fund Office** provides a coming-of-age story on the UN pooled fund mechanism, tracing the evolution of the pooled funding concept from its inception in 2004 to a mechanism that now has a central role to play in making the current UN reforms a success. While aggregate trends are positive, funding to pooled mechanisms is largely restricted to a handful of contributors. The article makes the case that for a quantum leap in funding to take place, a corresponding leap in quality is needed.

In the third article, **John Hendra** and **Silke Weinlich** ask if the transformational potential of the UN Joint SDG Fund can be turned into reality. They explain that the significance of the Joint SDG Fund lies in the fact that it puts a unique financial instrument in the hands of resident coordinators, who can use it as a lever for advancing the Secretary-General's development system reform.

Félix Fernández-Shaw then presents a European perspective on the global recovery from the COVID-19 pandemic, querying what might be the best way forward. He also touches on the increasing importance of the partnership between the EU, its member states, and the UN, stressing the need for effective multilateralism. In this regard, he singles out the need for an effective UN and for the EU to provide strong support for the Secretary-General's development system reform agenda.

The fifth article touches on the important work being done to strengthen the timeliness and quality of UN data and its use in decision-making. **Henriette Keijzers** emphasises that the UN has taken a major leap forward by developing a system-wide data strategy. She notes that realising the UN's ambitious vision on data will depend on the grit and leadership of many across the UN family.

Part Three's final article presents a summary of a recent report produced by the **Dag Hammarskjöld Foundation** on funding effective UN responses to the COVID-19 crisis while safeguarding progress already made towards the 2030 Agenda. The article argues that responses to the pandemic must be flexible, and considers how at a country level the leadership role of the UN Resident Coordinator system provides a platform for effective UN cooperation with Member States and their partners. It also emphasises how the 2019 Funding Compact can provide a solid basis for scaling up the response to the pandemic in an effective and transparent manner.

It is time for concerted action. It is time to walk the talk. A glimmer of hope lies in the strength of feeling expressed by those calling for collective action. While there may be exceptions to this underlying sentiment, more generally it is reflective of a realisation that the issues confronting us cannot be met unilaterally. It thus follows that multilateralism is the best instrument we have for finding effective solutions to current challenges.

Introduction

This sixth edition of the *Financing the United Nations Development System* report presents comprehensive data on UN revenues and expenditures in 2018. The subtitle of this year's report, *Time to Walk the Talk*, reflects the need for concerted action to reform the UN development system (UNDS) in the context of the unfolding COVID-19 pandemic.

The landscape of global affairs has dramatically shifted as a result of the pandemic, and many of its consequences are yet to be fully comprehended. It took six months for the world to reach 10 million confirmed coronavirus cases, then a mere six weeks for this figure to double. Millions more will be affected by COVID-19 before we can begin to speak of the crisis being over. The severity of the pandemic underscores the importance of both multilateral action and the multilateral institutions that make such action possible. The UN was created in order that challenges to development and peace could be collectively met. Since then, neither the UN Charter nor the organisation itself have lost their relevance – rather, the opposite is true.

The current focus of national governments and regional organisations is on addressing urgent national public health crises, as well as tackling the considerable economic and social fallout from the pandemic. In this context, the UNDS, which is heavily dependent on voluntary contributions, faces a significant challenge: how best to support and complement multilateral responses to the pandemic. The situation is grave, with COVID-19 presenting serious obstacles – both operationally and financially – to multilateralism. Commitments to multilateral funding are likely to be reassessed, putting the targets agreed as part of the Financing for Development process into question. Traditional systems for multilateral support – such as the official development assistance (ODA) of the Organisation for Economic Co-operation and Development (OECD) – will inevitably be affected by declining gross national income caused by the pandemic-related economic recession.

Despite these challenges, the main message of the report is that now is the time for concerted action. Put simply, it is time to walk the talk. COVID-19 has had, and will continue to have, a devastating impact on the lives and wellbeing of people around the world. As such, the UN and its partners have had to move swiftly, as well as with agility and flexibility, to meet the challenges posed by the pandemic. At the same time, the need for longer-term strategic planning in order to build back better and inclusively has become paramount. A glimmer of hope lies in the strength of feeling expressed by those calling for collective action. While there may be exceptions to this underlying sentiment, more generally it reflects a realisation that the challenges confronting us cannot be met unilaterally. It thus follows that multilateralism is the best instrument we have for finding effective solutions to these challenges.

As in previous years, this report aims to capture the various developments and trends taking place in UN funding and financing. It is a task embarked on in full recognition that the effects of the COVID-19 pandemic demand humility, and an acceptance of the need to prepare for significant trend shifts. The financial data explored in this report provide a useful benchmark for understanding the level at which UN financing stood – in terms of both quantity and quality – when the pandemic struck. Important steps were taken in 2019 as Member States and the UN agreed on a Funding Compact, which involves committing to tackling a number of financial challenges that must be overcome if the 2030 Agenda is to be effectively implemented. Such efforts were critical before the pandemic – they are even more so now. COVID-19 must not be allowed to bring

these advances to a standstill or, worse, reverse them. The UN and its Member States should remain on course, reaffirming their commitment to achieving the 2030 Agenda and ensuring no one is left behind.

Background

Since the signing of the United Nations Charter in San Francisco in 1945, the financial system of the UN has developed organically. However, with the COVID-19 pandemic presenting the world with its largest development setback since the UN was established, this system may be subject to significant changes in the years ahead. This year's edition of the *Financing the United Nations Development System* report, subtitled *Time to Walk the Talk*, analyses the financial landscape in which the UN was operating in the pre-COVID period.

The UN's wider financial system has had to adapt over time to ever-evolving global challenges. The size, scope and direction of UN finances has been informed by a drive towards enabling efficient and financially viable multilateral responses, and ensuring fair burden-sharing when determining UN budgets. The imperative of striking a balance between trust and control, as well as between agility and predictability, has over the past 75 years been at the forefront of UN finance discussions. This is still the case today and will no doubt remain so going forward.

Just as in a natural ecosystem, the UN financial system is interlinked and often interdependent. Thus, when exploring UN financing, we prefer to look at the finances at the level of the UN system as a whole, rather than restricting the analysis to any single UN entity. All elements of the UN ecosystem must be nurtured in order to keep it healthy – from setting a broad normative agenda to addressing concrete needs. The far-reaching and still-unfolding consequences of the global COVID-19 pandemic have offered a stark reminder of these interlinkages. The pandemic has also demonstrated the importance of responding in an agile, well-coordinated and multilateral manner, while at the same time utilising locally appropriate responses to contain the virus. All this must be done while protecting sustainable development gains and leaving no one behind.

Today, the Sustainable Development Goals (SDGs) and the 2030 Agenda call for wider partnerships both within and, more importantly, beyond the UN and its Member States. Civil society, the private sector and many other partners play a crucial role in supporting SDG achievement. Good multilateral policy-making now demands a higher level of financial literacy and knowledge regarding the UN and its financial system. As such, this report asks: What are the funding alternatives available today, both globally and at a country level? What are the consequences of our financing choices? And how can the UN and the multilateral financing model improve?

Scope of the report

This year's report is divided into three parts. As always, the intention of Financing the UN Development System is to 'put the numbers up front' and – where possible – let the figures, tables and graphs speak for themselves. The online version of this year's report allows interaction with the data through three visualisations, making individual deep dives and further analysis possible. This edition also attempts to look further into trends, on the basis that history provides perspective and guidance for future actions.

Part One, 'United Nations resource flows', examines the UN's financial ecosystem. It looks first at overall revenue for the entire UN system, including who is being funded, by how much, by whom, and for what broad functions, with revenues also presented on a time axis from 2010 to 2018. Having presented a financial picture of the entirety of the system, attention is paid to funding for the UNDS, in particular how this funding fits into the broader ODA picture. This includes presentation of data on the funding mix of the main UNDS contributors, and a review of this funding mix in light of the Funding Compact. Finally, UN pooled funding – a key element in the Funding Compact – is scrutinised.

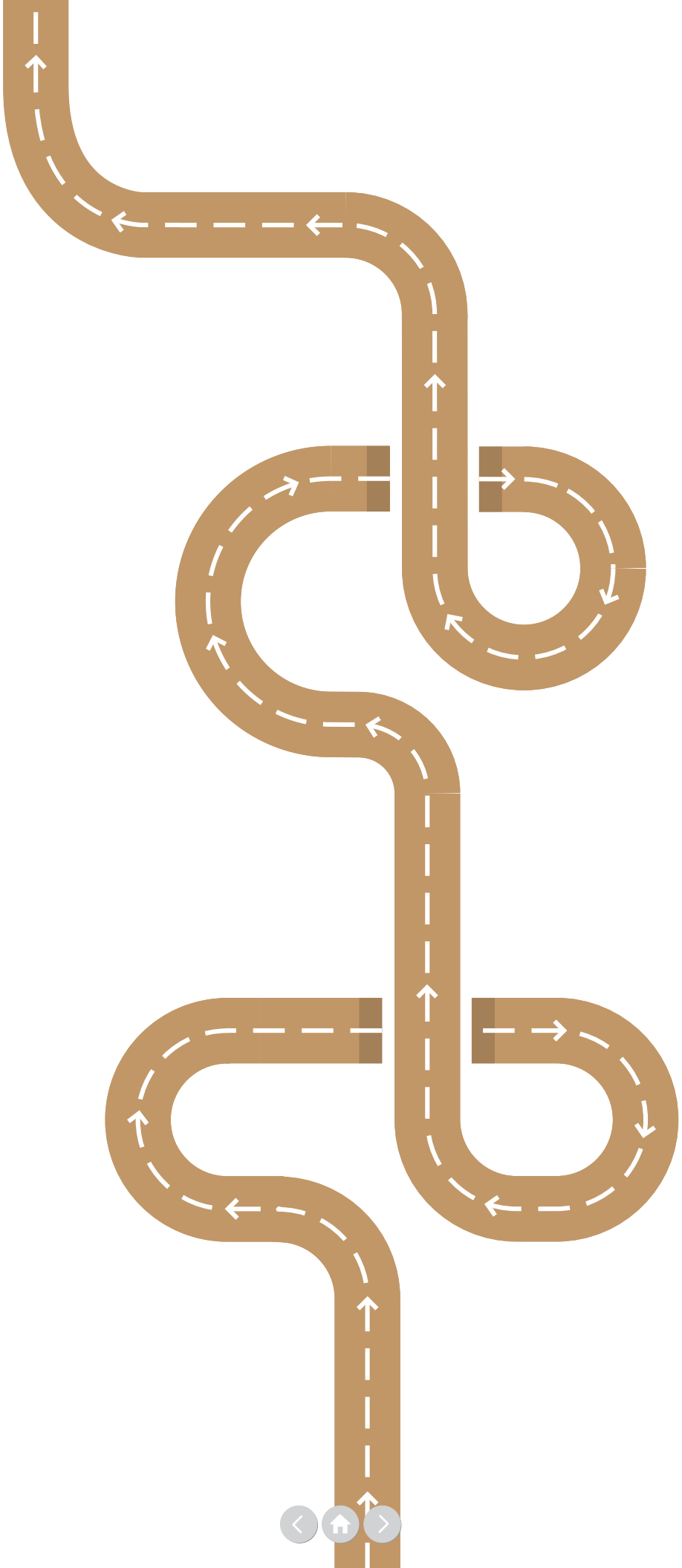
Next, expenditure is put under the spotlight, including how it links to the SDGs, as well as specific geographical priorities and trends. In particular, expenditures in crisis-affected countries are examined. Throughout, we inspect the various segments of the UN system, such as the numbers involved at the level of individual UN entities, with a time axis of 2010 to 2018 used for examination of revenues. Finally, we take a look at the quality of data.

A variety of datasets have been used for different segments of our analysis. This is something which should be borne in mind when looking at particular figures or graphs. Some may reflect the perspective of the entire UN system; others the more limited scope of the UNDS. Above all, what is crucial is the accuracy of the data used. In 2018, the UN adopted the 'data cube' and its common set of financial data standards, which are now being phased into the UN system's financial reporting. This will, over time, improve the quality of financial data available at the UN system level, starting with the 2018 data used for this report. Even so, the issue of financial data quality remains, meaning a degree of caution is required when interpreting the data in Part One.

In Part Two, 'Financing the Sustainable Development Goals', the contributors broaden our perspective out from the UN to the wider international and multilateral development community. The first article focuses on SDG financing, looking at – among other things – how private financing contributes to public investment. The next article explores how best to build back from COVID-19, looking in particular at financing strategies such as integrated national financing frameworks. The third and final article in Part Two focuses on the nexus of new technologies and investment in sustainable development, asking if this can generate synergies that will unlock new funding for development.

Part Three, 'Embracing United Nations reform', is action-oriented, examining a range of topics central to the intersection of financing and UN reform. The first article looks at the financing of climate action and energy transition during the COVID-19 crisis, bringing together perspectives on two of our greatest current global challenges. In the second article, the UN Multi-Partner Trust Fund Office provides a coming-of-age story on the UN pooled fund mechanism, while the third article asks questions of the UN Joint SDG Fund – specifically, whether its transformational potential can be turned into reality. The fourth article presents a European perspective on the global recovery from the pandemic, querying what might be the best way forward. The fifth article then outlines how the UN data strategy is an important tool for impact and reform. The sixth and final article in Part Three focuses on financing for effective UN responses to COVID-19 at the country level, providing an overview of the findings of a recent report by the Dag Hammarskjöld Foundation.

In summary, this year's *Financing the United Nations Development System* report presents the most up-to-date and comprehensive data on UN revenues and expenditures, while also exploring the impact of the unfolding global pandemic crisis on financing issues. COVID-19 has had, and will continue to have, a devastating impact on the lives and wellbeing of people around the world. As such, the UN and its partners have had to move swiftly, as well as with agility and flexibility, to meet the challenges posed by the pandemic. At the same time, the need for longer-term strategic planning in order to build back better and inclusively has become paramount. Thus, this report presents a timely analysis of the financing of the UNDS and – in the individual articles contained within Parts Two and Three – a variety of insightful reflections on the current status of financing, potential strategies and priorities, and how best to move forward.



PART ONE

United Nations resource flows

Chapter One:

Revenue

Chapter Two:

Expenditure

Chapter Three:

Taking action on data quality

PART ONE

Overview

The first chapter of Part One categorises and explains the revenue options for multilateral funding. In doing so, the following questions – among others – are explored: What trends can be seen in United Nations funding and why do they matter? Who are the contributors to and recipients of UN funding? What particular funding trends can be seen in the development and humanitarian sectors? How flexible is funding coming into the UN compared with other multilateral institutions? Can any trends be discerned in contributions to UN pooled financing?

In 2019, a Funding Compact initiated by the Secretary-General was agreed between the UN and its Member States, establishing the value of qualitative and predictable funding of the UN, as well as the importance of operational efficiency and effectiveness in delivery and transparency. In this report, we revisit some of the issues associated with the Funding Compact, including changes in the funding mix of the top contributors (see page 45).

The second chapter of Part One, meanwhile, examines where the UN and its partners invest their financial resources, both geographically and by UN entity. UN expenditure in countries of different income status is analysed, as well as the trend in expenditures in different crisis-affected countries. What is the mix between humanitarian, development and peace expenditures in crisis-affected countries? Also, what different financial trends can be seen over time when, for example, a country experiences an escalating humanitarian crisis versus the closing of a peacekeeping mission?

In addition, with the UN building up its capacity to track expenditure against SDG targets, we have added analysis on SDG financing and examine the expenditure profile of six financially large UN entities in this regard.

The third chapter of Part One takes a look at the actions taken to improve the quality of UN system-wide financial data. It analyses the major progress made thanks to the adoption of the UN data standards and their integration in the UN's financial reporting over 2018. It also lists some remaining data quality challenges, and the work being done to address them.

Revenue

How is the UN funded?

The UN is financed through a number of instruments, each of which has different characteristics and operational implications. Table 1 provides a summary of the five funding instruments available to multilateral organisations, namely:

1) assessed contributions
2) voluntary core contributions
3) negotiated pledges
4) earmarked contributions
5) fees

With the exception of negotiated pledges, all these revenue streams can be found in the UN system today.

Table 1: The spectrum of UN financing instruments

	Assessed contributions	Voluntary core contributions	Negotiated pledges	Earmarked contributions	Fees
Definition	Fixed amounts, calculated based on an agreed formula that Member States undertake to pay when signing a treaty	Voluntary untied contributions	Legally binding contribution agreements made by Member States	Voluntary contributions that are designated for a specific purpose	Payments for services
What is the central characteristic of financing?	A price of a membership	Voluntary, usually annual contributions (no earmarking)	Member States negotiate and agree on the contribution each will make	Funding is earmarked to theme, country or project	Collection of separate knowledge, management and product fees from both state and non-state actors
How are decisions on the amount of contribution made (burden sharing)?	Price is based on an agreed formula	Contributions are purely voluntary	The amount to be paid is negotiated and legally binding	No institutionalised formula, contributions are purely voluntary	Flat or negotiated fees
How are resources allocated?	Established in recipient's budget	Established in recipient's budget	Established in recipient's budget	Agreed, case by case, between contributor and UN recipient	Various
Who takes allocation decision?	UN membership	UN Member States	Recipient UN entity and UN Member States	Specific parties concerned	Various

Assessed contributions involve a pre-negotiated cost-sharing formula used to fund part of, or a certain budget within, a UN organisation. Currently, assessed contributions are used primarily in Member State funding of: UN Secretariat core functions; UN peacekeeping missions (Department of Peace Operations (DPO), formerly the Department for Peacekeeping Operations (DPKO)); and the core functions of most specialised UN agencies and related organisations. Assessed contributions to the UN Secretariat and the DPO – which make up the bulk of such funding in nominal terms – are linked to the obligations of UN Member States. These are set out in the UN Charter, which forms the foundation of the UN budget system we see today (See the box below for the UN budget process).

Voluntary core contributions, also known as regular resources, are non-earmarked funding directed at a specific UN entity. Such funding is not tied to any specific project, theme or location, and should not be an advanced payment for the purposes of preferential treatment. The UN currently has no system of receiving system-wide voluntary core funding – instead, funds are always given to a specific UN entity, and are often used to finance its core functions in line with pre-agreed work plans and standards. Voluntary core funding is therefore essential to most UN entities that do not receive assessed contributions to cover core function costs. Earmarked contributions, also known as non-core resources, represent all funding tied in some way to a particular project, theme or location. The degree and

Funding the UN Secretariat and UN peacekeeping missions: From UN Charter to UN budgets

The UN Charter, signed in 1945, includes articles determining the budgetary and financial framework of the United Nations. Chapter IV (Article 17) tasks the UN General Assembly with considering and approving the budget, while Chapter XV assigns responsibility for bearing the costs of the organisation to Member States. Article 97 appoints the UN Secretary-General as chief administrative officer, responsible for preparing and presenting the budget. The Charter also addresses the consequences of assessed contributions non-payment (Chapter IV, Article 19). Further financial rules and regulations have since been developed, along with a procedural system for agreeing budgets and a cost-sharing formula.

In any assessed contributions modality, two – often interlinked – decisions must be taken:

1) the size of the budget; and
2) who should pay for it (and how much each contributor should pay).

If the budget level is set first, the negotiation for setting the cost-sharing formula becomes a zero-sum game, with any decrease/increase in one contributor's share of the total budget having to be offset by an increase/decrease in the share paid by other contributors. If the cost-sharing formula is set first, negotiators know in advance the outcome of each budget increase/decrease, with any budget expansions or cuts distributed according to the formula. Historically, in order to come to a consensus agreement, the two decisions have often had to be made jointly.

There are two main budgetary procedures inside the UN Secretariat: one for core functions (known as the regular budget), and one for the budget of each UN peacekeeping mission mandated by the Security Council. Both procedures have assessed funding modalities and a negotiated cost-sharing formula. As of 2020, both work according to an annual budget cycle – this is a major change for the regular budget, which previously has been prepared and approved on a biennial basis. The process for the regular budget is initiated by the UN administration submitting a budget proposal to the UN General Assembly, which then passes on the proposal to the appropriate subsidiary bodies for review. Of particular note in this regard are the Fifth Committee (the committee responsible for budgetary affairs), and the Advisory Committee on Administrative and Budgetary Questions (ACABQ), which is responsible for – among other things – assisting the Fifth Committee and performing expert examinations of UN budgets. At the end of the process, budgets are approved by the General Assembly, which is made up of all UN Member States.

Currently, the principles underlying calculation of a Member State's contribution to the costs of the UN Secretariat – the 'membership fee of the UN' – are based on the notion of fair burden sharing. The starting point for this is that each Member State's contribution is calculated using an average of the country's gross national income (GNI) during a base period. A system of payments ceilings and floors is applied: no Member State currently pays more than 22% of the UN regular budget, while at the other end of the scale there is a minimum payment share of 0.001%. Further adjustments and proportional reductions are made for least developed countries, and countries with a heavy debt burden. The Permanent Five members of UN Security Council pay an additional amount, which finances the ceilings and adjustments of others. The formula is recalculated every three years.

The cost-sharing formula for UN peacekeeping missions is based roughly on the same formula, though with some differences – for example, the ceiling for an individual Member State's contribution is currently 25% of the mission's budget. The budget process is also different in the sense that each new peacekeeping mission is decided upon by the UN Security Council, and thereafter referred to the Fifth Committee. Thus, each new peacekeeping mission requires a UN General Assembly budget decision.

modalities of such funding varies widely. For example, tightly earmarked funding may only be directed at a single UN entity for a single project in a single country.[1] More flexible earmarked funding includes contributions to UN inter-agency pooled funds, as well as UN single-agency thematic funding.

Negotiated pledges are legally binding mutual commitments. Though this is not currently a revenue channel for the UN system, it represents a major funding stream for other multilateral organisations. For example, negotiated pledges form the basis of the replenishment system used by the World Bank for the International Development Association (IDA).

Finally, fees incorporates a broad category of UN revenue streams and income, from partners paying for global goods – such as for the patent services of the World Intellectual Property Organisation (WIPO) – to the management and service fees generated by, for example, the United Nations Office for Project Services (UNOPS).

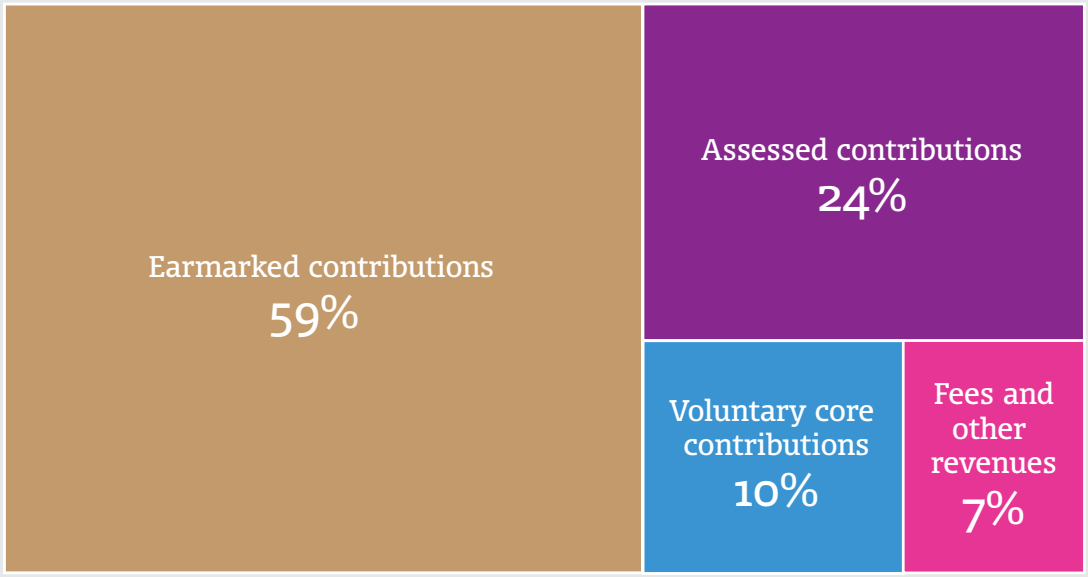
UN system-wide funding 2010–2018

We now proceed to the analysis of UN funding trends in the period 2010–18. For this, we use two main datasets, along with a few additional sources. The main source for the tables that follow, as well as Figures 1–8, is the dataset of the Chief Executives Board (CEB). This is based on the financial data reported to the CEB by individual UN entities. As of 2018, this is based on the six data standards for the reporting of UN system-wide financial information: 1) UN entity; 2) UN system function; 3) geographic location; 4) UN grant financing instruments; 5) SDGs; and 6) reporting on revenue by contributor.[2]

From Figure 9 (see page 40) onwards, we introduce the second major financial dataset, which covers UN operational activities for development (UN-OAD). This is prepared by the United Nations Department of Economic and Social Affairs (UN DESA), based on the CEB data.

Figure 1 and Table 2a provide an overview of the revenue coming into the UN System in 2018, broken down by financing instrument. Total revenue in 2018 amounted to US$ 56 billion, an increase of US$ 3.2 billion compared to 2017, according to figures published by the CEB. To a large extent, this increase reflects actual growth in overall UN revenue numbers. However, around 10% of this growth is attributable to improved system-wide financial reporting. In submitting their 2018 data, three UN entities – the Organisation for the Prohibition of Chemical Weapons (OPCW), the global health initiative UNITAID, and the International Agency for Research on Cancer (IARC) – were reporting for the first time, with their combined total revenue amounting to US$ 323.8 million.[3]

Figure 1: Overview of the total revenue of the UN system by financing instrument, 2018



Source: Chief Executives Board for Coordination (CEB)
For notes – see page 109

Table 2a: Total revenue of the UN system by entity and by financing instrument, 2018 (US$ million)

Entity	Assessed	Voluntary core	Earmarked	Fees and other revenues	Total
UN Secretariat	2,487		2,898	639	6,024
CTBTO	128		3	3	135
DPKO	7,286		363	96	7,744
FAO	499	55	1,067	11	1,632
IAEA	413		240	15	668
IARC	25	0	18	2	45
ICAO	73		135	28	236
ICC	166		2	1	169
IFAD		218	161	64	443
ILO	387	13	243	49	692
IMO	40		12	21	73
IOM	52	30	1,768	13	1,863
ITC	37	28	53	2	120
ITU	127		18	34	179
OPCW	71		14	3	88
PAHO	103		518	703	1,324
UNAIDS		185	30	5	220
UNCDF		10	56	3	69
UNDP		662	4,523	332	5,517
UNEP	247	70	422	3	742
UNESCO	336		297	51	684
UNFCCC	35	1	46	17	99
UNFPA		379	877	87	1,343
UN-HABITAT	14	4	154	7	179
UNHCR	39	647	3,614	39	4,338
UNICEF		1,628	4,867	181	6,676
UNIDO	78	77	92	1	248
UNITAID		188	3		191
UNITAR		1	20	6	26
UNODC	34	5	350	20	409
UNOPS				942	942
UNRISD		2	1		2
UNRWA		830	431	34	1,295
UNSSC		5	7	0	12
UNU		37	17	4	58
UN Women	8	149	235	12	405
UNWTO	16	0	6	3	25
UPU	37		18	19	74
WFP		412	6,882	75	7,368
WHO	501	89	2,264	47	2,901
WIPO	18		12	407	436
WMO	66	2	18	3	89
WTO	199	21		15	235
Total	13,522	5,747	32,754	3,996	56,019

Source: Chief Executives Board for Coordination (CEB)

For notes – see page 113

Table 2b: Total revenue of seven UN entities, 2015–2019 (US$ million)

Entity	Total revenue 2015	Total revenue 2018	Total revenue 2019	Percentage growth rate 2015–2019	Percentage growth rate 2018–2019
UNDP	4,820	5,517	4,829	0%	-12%
UNFPA	1,037	1,343	1,470	42%	9%
UNHCR	3,582	4,338	4,183	17%	-4%
UNICEF	5,010	6,676	6,412	28%	-4%
UNRWA	1,213	1,295	1,001	-17%	-23%
WFP	4,911	7,368	9,170	87%	24%
WHO	2,475	2,901	3,116	26%	7%

Source: Chief Executives Board for Coordination (CEB)
For notes – see page 113

Earmarked contributions represent by far the largest financing instrument to the UN system. In 2018, 59% (US$ 32.7 billion) of all revenue to the UN was earmarked, an increase of 2% compared to the previous year. The majority of revenue growth to the UN can be found in this category, with the US$ 2.7 billion increase spread throughout the UN Secretariat, funds and programmes, specialised agencies, and related organisations. Notably, the World Food Programme (WFP) received an additional US$ 1.2 billion, the International Organization for Migration (IOM) an additional US$ 318 million, the Food and Agriculture Organization (FAO) an additional US$ 316 million, and the United Nations Development Programme (UNDP) an additional US$ 278 million. The UN Secretariat itself reported an increase in earmarked revenue from US$ 2.3 billion to US$ 2.9 billion.

Compared to 2017, assessed contributions in 2018 decreased both relatively – from 26% to 24% – and nominally, from about US$ 14 billion to US$ 13.5 billion. The main reason for this was the US$ 0.5 billion fall in revenue for DPKO, which was linked to the reduction in the number and size of UN peacekeeping budgets in, among others, Haiti, Liberia and Sudan.

Voluntary core contributions, at 10% (US$ 5.7 billion) of total UN revenue, remained the third largest revenue stream in 2018, growing from 9% (US$ 4.7 billion) in 2017. Half this increase can be attributed to a US$ 305 million growth in voluntary core funding for the United Nations Children's Fund (UNICEF) and a US$ 205 million increase in funding for the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). In addition, at least another five UN entities saw their voluntary core funding rise. UNITAID received US$ 188 million in voluntary core funding in 2018, though this cannot be labelled as an increase in overall core contributions because, as mentioned above, this was the first year for which it had submitted data.

Fees and other revenues fell to 7% (US$ 4 billion) of total UN revenue in 2018, compared to 8% (US$ 4.4) in 2017. The WFP, the Pan American Health Organization (PAHO) and the World Health Organization (WHO) all reported less income from fees and other revenues in 2018, while UNICEF reported a slight increase. To some extent this was balanced out by the fact that UNOPS – a service provider funded entirely by fees – reported US$ 940 million in revenue, an increase of about 10%. Further, WIPO's revenue – which is almost entirely funded by service fees for its patent services – increased slightly, accounting for about 10% of total UN revenue in this category.

Only limited conclusions can be drawn from analysing year-to-year variations in UN funding patterns. As such, the lens of a longer time perspective is required. Figure 2 on the following page shows the relative sizes of assessed, voluntary core and earmarked contributions, as well as fees and other revenues, between 2010 and 2018. In doing so, it reveals the relative decline of the assessed funding curve and the relative incline of the earmarked contribution curve. Elsewhere, the relative shares of voluntary core, and fees and other revenues remain largely static over time.

The growth in earmarked funding is far more pronounced when we look at absolute numbers: an increase from US$ 20.2 billion in 2010 to US$ 32.8 billion in 2018. Over the same period, assessed contributions remained unchanged in nominal terms, at US$ 13.3 billion in 2010 and $US 13.5 billion in 2018. However, the nominal increases of voluntary core from US$ 3.8 billion to US$ 5.7 billion and fees and other revenues from US$ 2.3 billion to US$ 4 billion allowed for a relatively stable level of funding through these financing instruments over the 2010–2018 period.[4]

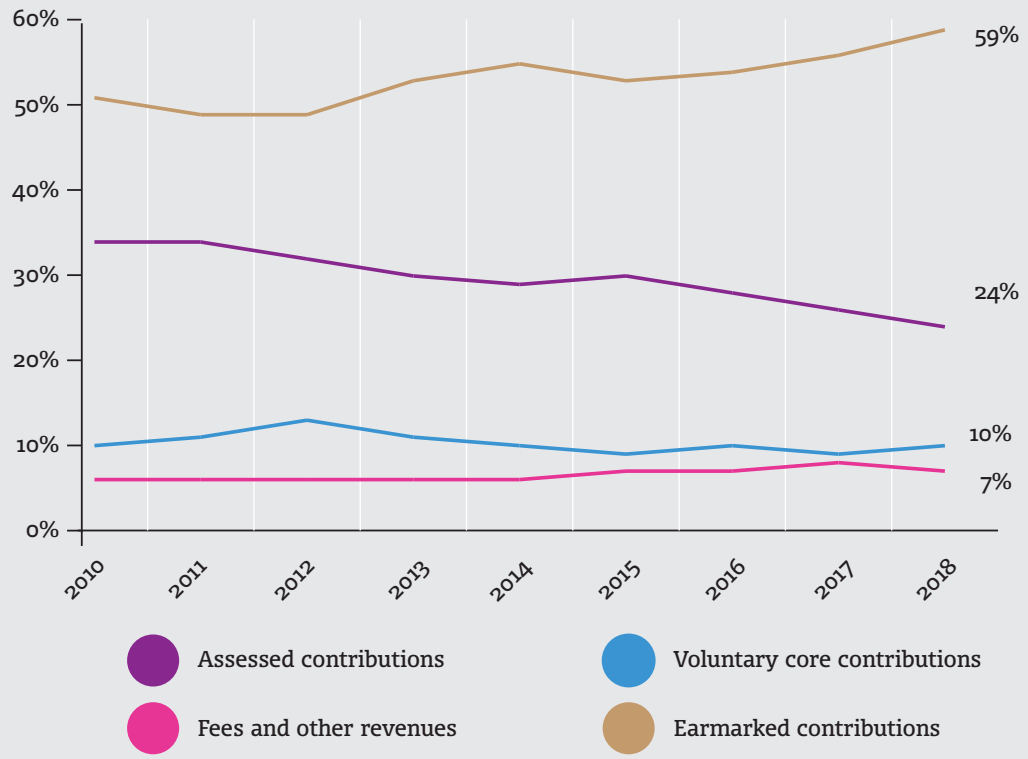
Who is funding the UN?

Figure 3 shows contributors to the UN, broken down into individual UN Member States (Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) members and non-members); other public contributors (UN inter-agency pooled funds, global vertical funds, and the European Union (EU) institutions); and non-state actors (non-governmental organisation (NGOs), private sector and foundations).

The UN is largely (at least 86%) financed through public funding that originates – directly and indirectly – from UN Member States. In 2018, at least 76% of UN funding came directly from Member State governments, either as contributions to an individual UN entity or to UN inter-agency pooled funds. In addition, 10% of funding was channelled indirectly, coming from other public sources such as the EU (7%) and global vertical funds (3%), such as the Global Environment Facility (GEF) and the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM). The best-known exception is Gavi, the Vaccine Alliance, which receives substantial non-state contributions from both the Bill and Melinda Gates Foundation and through innovative financing mechanisms. Even here, though, the majority of Gavi's resources come from national governments.

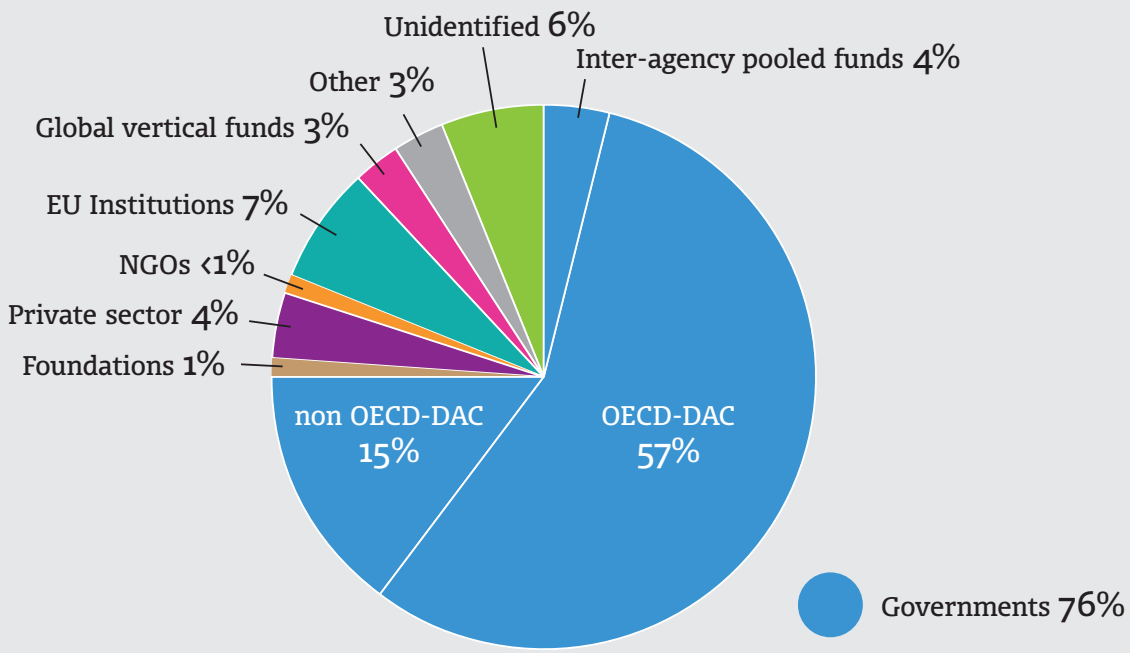
About 5% in contributions come from non-public funding sources, including NGOs, private sector contributions and foundation partners. Further details on these non-state contributions can be found in Figure 7 on page 37. The final 6% consists largely of 'unidentified'

Figure 2: Distribution of total UN system revenue, by financing instrument, 2010–2018



Source: Chief Executives Board for Coordination (CEB)
For notes – see page 109

Figure 3: Funding sources for UN system, 2018



Source: Chief Executives Board for Coordination (CEB)
For notes – see page 109

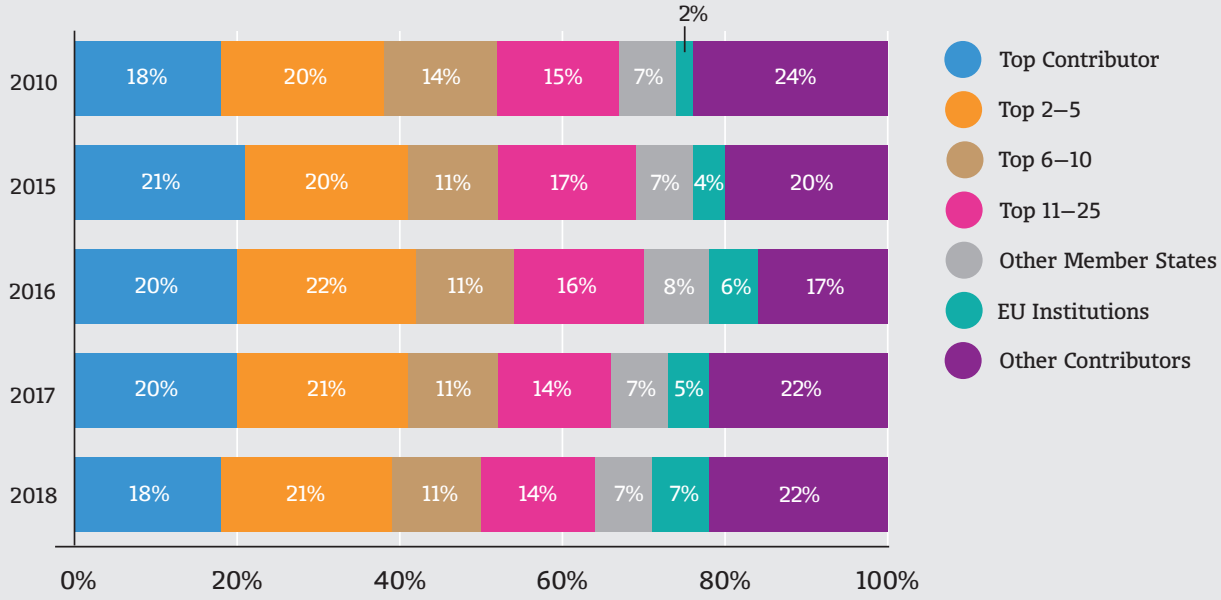
contributions, that is funds for which the reporting UN entity did not indicate contributor type. As reporting against the UN data standard on revenue by contributor improves over time, this share should decrease.

Figure 4 on the following page shows the evolution of the relative contributions made by UN Member States, the EU, and all other (ie non-state and other public) contributors, with Member States grouped into five different sub-sets. The figure reveals that UN financing relies heavily on a small set of Member State contributors, with the top ten contributors accounting for over half of total UN revenue in all years. This pattern has remained fairly constant over the period, starting out at 52% in 2010, increasing to 55% in 2012, then falling back to 50% in 2018. The top contributor, the United States, contributed an 18% share in both 2010 and 2018, while the figure for Member States outside the top 25 government donors was 7% in both years. The only source that has shown a notable increase over the period is the EU, rising from 2% to 7% of total UN funding. This 5% increase compensated for the reduction in the share in funding provided by the top 6–10 and top 11–25 Member States. Even so, as Figure 5 on the following page shows, the absolute total of contributions made to the UN by these groups increased over the nine-year period.

The ranking of individual Member States in each of the five groups is not shown in Figures 4 and 5. Thus, a deeper dive into the figures is needed to reveal changes over time at this level. For example, Canada, China and Sweden have all held the ranking of the fifth-largest contributing Member State at some time in the period 2010 to 2018, with Sweden occupying this position in 2018. More on the changing landscape of top ten contributors can be found on page 37, with a link to the online visualisation enabling further exploration.

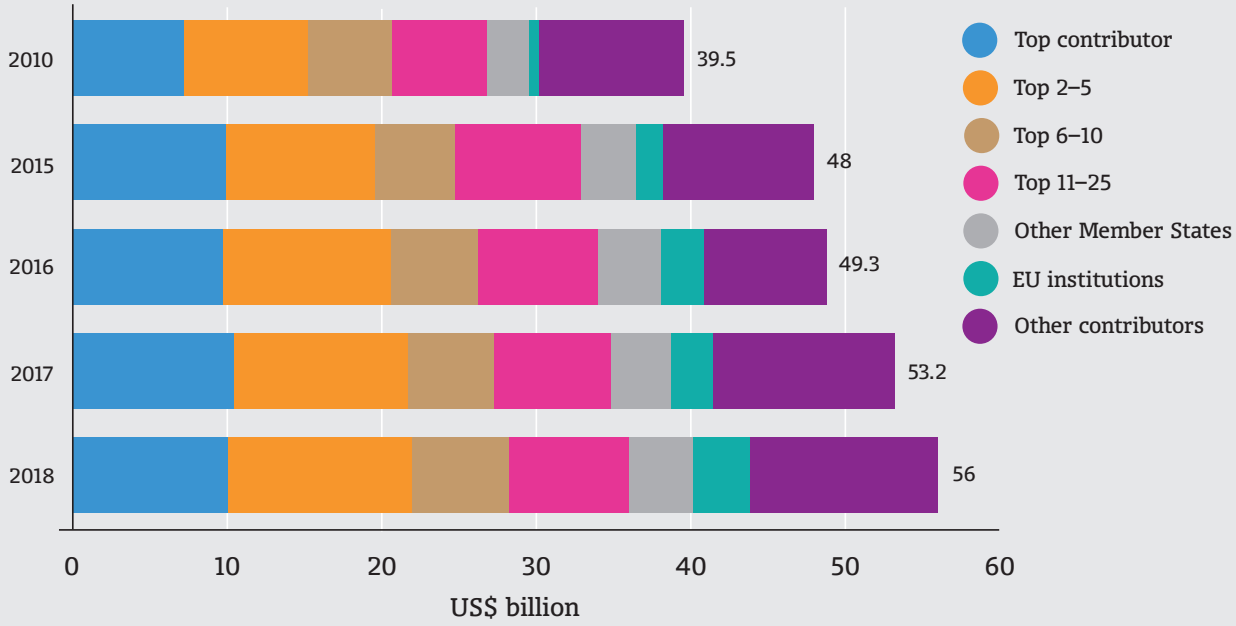
Figure 6a on page 35 explores the rapid growth of the European Union's total contributions to the UN. The EU and its institutions represent a hybrid inter-governmental organisation with a supranational function, being simultaneously a contributor, a fund, and a geographical region with enhanced observer status in the UN. The figure shows the growth in the EU's contribution to the UN between 2010 and 2018, with annual contributions increasing from less than US$ 0.7 billion in 2010 to US$ 2.7 billion in 2017 and then to US$ 3.7 billion in 2018.

Figure 4: Contributions to the UN system by Member States, EU Institutions and other contributors, 2010–2018 (proportion of total)



Source: Chief Executives Board for Coordination (CEB) and Report to the Secretary-General (A/64/220/Add.1).
For notes – see page 110

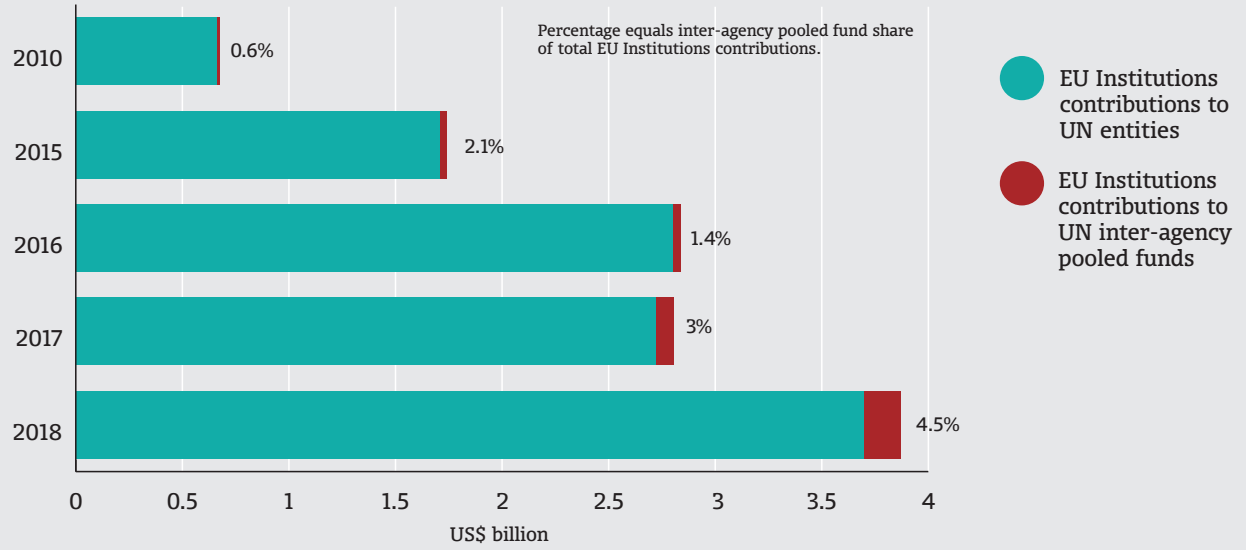
Figure 5: Contributions to the UN system by Member States, EU Institutions and other contributors, 2010–2018 (US$ billion)

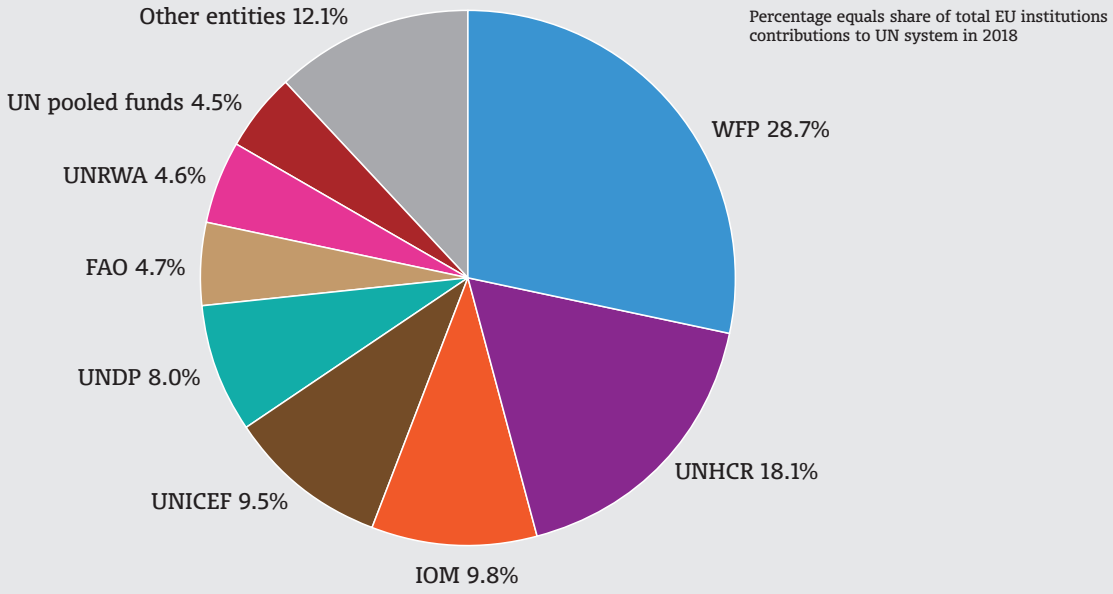


Source: Chief Executives Board for Coordination (CEB) and Report to the Secretary General (A/64/220/Add.1).
For notes – see page 110

Compared to the UN membership, the EU is often unable to make core contributions, either as assessed contributions or voluntary core. Hence, in line with the Funding Compact, the EU has started to use alternative routes for providing flexible financing, for example by contributing to single-agency thematic funds at the UN entity level or to UN inter-agency pooled funds at the system level. The figure reveals the rapid increase in EU funding to pooled funds in recent years, with contributions to the Spotlight Initiative Fund driving the growth that can be seen between 2016 and 2018, which have brought the pooled fund share up to 4.5% of total funding. Figure 6b below provides a breakdown of the EU's 2018 contributions to the UN according to UN channel being used. WFP and the United Nations High Commissioner for Refugees (UNHCR) are the two largest direct UN recipients of EU funding, with UN pooled funds in the eighth place.

Figures 6a (above) and 6b (below): EU Institutions funding to the UN system including inter-agency pooled funds, 2010–2018





Source: Chief Executives Board for Coordination (CEB) and UN Pooled Funds Database
For notes – see page 110

Figure 7 breaks down the 5% of total 2018 contributions (amounting to US$ 2.8 billion) received from non-public funding sources: NGOs, private sector and foundations. Interestingly, roughly half the non-state contributions came from private individuals giving voluntarily through, for example, UNICEF national committees or the private giving programme of UNHCR. In terms of foundations, by far the largest contributor was the Bill and Melinda Gates Foundation, which contributed to the work of various UN organisations. Its most important UN recipient was WHO, which received almost $300 million in contributions from foundations, out of which 80 % came from the Bill and Melinda Gates Foundation.

Who is being funded?

Figure 8 shows the top ten Member State contributors to the UN, as well as the top 10 UN entities in terms of funding received. In the online visualisation (https://docs.daghammarskjold.se/time-to-walk-the-talk/index.html), one can explore in greater detail the corresponding financial flows over the period 2010–2018, thereby revealing the changing composition of and rankings within this group of top-ranking contributors, with Japan, the United Kingdom and Germany all ranked as second-largest donor at some point during the nine-year period. Norway began and ended the nine-year period in sixth place, despite contributing almost a third more in nominal terms in 2018 than it did in 2010. China – the only non-OECD-DAC country to appear in this visualisation more than once – made the top ten for the first time in 2015, occupying fifth place in 2017 and seventh place in 2018.

Table 2a (see page 30) gives a full overview of 2018 revenue reported to the CEB by 43 UN entities, including the United Nations Secretariat, its affiliated funds and programmes, specialised agencies and related organisations. The largest UN entity, apart from DPKO, was WFP, which passed the US$ 7 billion mark for the first time. Five other UN entities had total revenue of more than US$ 2.5 billion, namely – from largest to smallest – UNICEF, the UN Secretariat, UNDP, UNHCR and WHO. Combined, these seven UN entities accounted for more than US$ 40 billion in UN revenue.

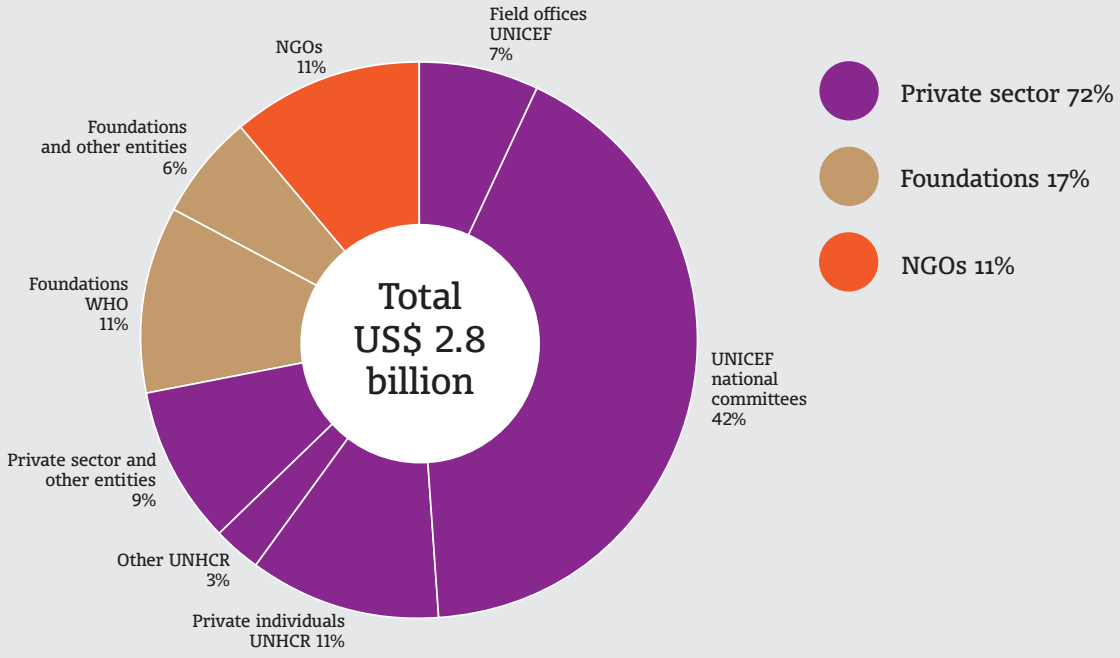
As indicated above, the UN's total revenue increased from US$ 53.2 in 2017 to US$ 56 billion in 2018. WFP received the largest nominal growth in funding, with its overall revenue increasing by US$ 0.9 billion, followed by the UN Secretariat, which grew by US$ 0.6 billion. As Table 2b (see page 31) shows, WFP's total revenue continued to grow rapidly in 2019, reaching US$ 9.2 billion, the first time any of the UN funds, programmes and specialised agencies has passed the US$ 9 billion threshold in terms of total revenue. WFP was also the fastest growing UN entity of the seven included in the table, with an overall increase in total revenue of 87% in the four-year period 2015–2019. By contrast, UNDP's growth in that same four-year period was 0%, while UNRWA's total revenue declined due to the 23% fall in its 2019 revenue level.

Table 3 on page 38 shows assessed contributions for 2005–2018 for those UN entities receiving them. With a few exceptions, assessed contributions were fairly stable, due to the cost-sharing formulas for specific UN-entity membership fees remaining static. While on average assessed contributions constituted 24% of total revenue to the UN in 2018, it accounted for a far larger share for most institutions receiving assessed contributions, including over 90% of contributions to the Comprehensive Nuclear Test Ban Treaty Organisation (CTBTO), the DPKO and the International Criminal Court (ICC). Assessed contributions also constituted roughly between half and three-quarters of total revenue for seven, mostly relatively small, UN specialised organisations with a clear technical mandate.

The long-term trends visible in Table 3 are the growth in nominal terms of assessed contributions before 2010, limited growth between 2010 and 2015, and a downward trend thereafter. The most important shift between 2017 and 2018 was the substantial US$ 567 decrease in assessed contributions to DPKO, the result of an overall reduction in both the number and size of UN peacekeeping missions. Assessed contributions increased significantly between 2017 and 2018 for a few UN entities, such as the UN Environment Programme (UNEP) (increase of US$ 48 million) and WHO (an additional US$ 44 million).

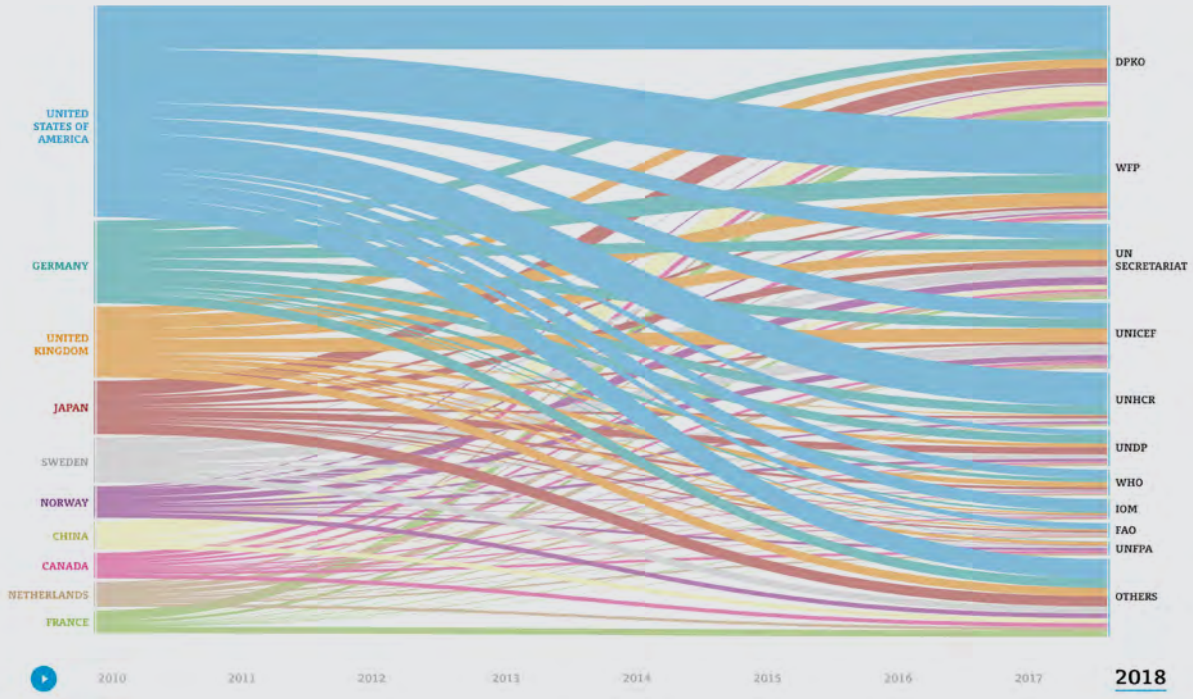
As Table 4 on page 39 shows, between 2005 and 2018 earmarked funding to the UN more than doubled, from US$ 15.2 billion to US$ 32.8 billion, with the largest nominal growth to be found in three entities with a strong humanitarian mandate: UNHCR, UNICEF and WFP. Combined, their total earmarked contributions grew by US$ 9.4 billion over the period.

Figure 7: Non-state revenue of the UN system, 2018



Source: Chief Executive Board for Coordination (CEB), UNHCR, UNICEF and WHO.
For notes – see page 110

Figure 8: Top ten Member State contributors to the UN and the UN entities funded, 2010–2018



Source: Chief Executives Board for Coordination (CEB) and Report to the Secretary-General, (A/64/220/Add.1.).
For notes – see page 110.

Table 3: Assessed contributions to the UN system by entity, 2005–2018 (US$ million)

Entity	2005	2010	2015	2017	2018	Percent of total 2018 revenue
UN Secretariat	1,828	2,167	2,771	2,578	2,487	41%
CTBTO				119	128	95%
DPKO	4,394	7,828	8,504	7,853	7,286	94%
FAO	377	507	497	474	499	31%
IAEA	278	392	377	434	413	62%
ICAO	59	77	68	80	73	31%
ICC				167	166	98%
IFAD	190					0%
ILO	265	409	401	370	387	56%
IMO	36	43	45	41	40	55%
IOM	33	38	43	49	52	3%
ITC	26	35	37	35	37	31%
ITU	98	135	128	125	127	71%
OPCW					71	81%
PAHO	92	98	106	102	103	8%
UNEP	62	221	223	199	247	33%
UNESCO	305	377	341	316	336	49%
UNFCCC				31	35	35%
UN-HABITAT	9		17	14	14	8%
UNHCR		40	49	48	39	1%
UNIDO	91	103	78	80	78	31%
UNODC			29	31	34	8%
UN Women			8	8	8	2%
UNWTO	11	16	15	16	16	63%
UPU	27	37	36	37	37	49%
WHO	429	473	467	457	501	17%
WIPO	13	18	18	18	18	4%
WMO	48	66	66	70	66	74%
WTO	128	202	198	200	199	85%
Total	8,798	13,283	14,520	13,953	13,522	24%

Source: Chief Executives Board for Coordination (CEB), General Assembly Financial Report (A/60/5 Vol.II March 2006) and Global Policy Forum

For notes – see page 113

Table 4: Earmarked contributions to the UN system by entity, 2005–2018 (US$ million)

Entity	2005	2010	2015	2017	2018	Percent of total 2018 revenue
UN Secretariat	848	1,361	2,094	2,279	2,898	48%
CTBTO				7	3	3%
DPKO	23	33	195	343	363	5%
FAO	364	891	744	751	1,067	65%
IAEA	124	202	236	260	240	36%
IARC					18	40%
ICAO	154	129	106	114	135	57%
ICC				2	2	1%
IFAD	39	80	93	104	161	36%
ILO	179	248	225	293	243	35%
IMO	14	11	8	7	12	16%
IOM	962	1,051	1,397	1,450	1,768	95%
ITC	32	40	25	62	53	44%
ITU	16	12	6	10	18	10%
OPCW					14	16%
PAHO	65	741	651	614	518	39%
UNAIDS	26	34	23	52	30	14%
UNCDF				47	56	81%
UNDP	3,609	4,311	3,726	4,245	4,523	82%
UNEP	79	174	432	443	422	57%
UNESCO	349	323	352	261	297	43%
UNFCCC				38	46	46%
UNFPA	199	357	581	718	877	65%
UN-HABITAT	125	166	156	142	154	86%
UNHCR	1,089	1,521	2,779	3,445	3,614	83%
UNICEF	1,921	2,718	3,836	5,153	4,867	73%
UNIDO	157	229	250	256	92	37%
UNITAID					3	1%
UNITAR	16	19	24	32	20	76%
UNODC	124	238	234	342	350	86%
UNOPS						0%
UNRISD				0	1	21%
UNRWA	528	13	611	559	431	33%
UNSSC				7	7	57%
UNU	20	37	61	49	17	30%
UN Women			171	214	235	58%
UNWTO	3	8	3	3	6	25%
UPU	6		21	17	18	25%
WFP	2,963	3,845	4,469	5,609	6,882	93%
WHO	1,117	1,442	1,857	2,058	2,264	78%
WIPO	5	10	10	11	12	3%
WMO	19	25	5	17	18	21%
WTO	21	31	21	21		0%
Total	15,196	20,298	25,403	30,035	32,754	58%

Source: Chief Executives Board for Coordination (CEB)

For notes – see page 113

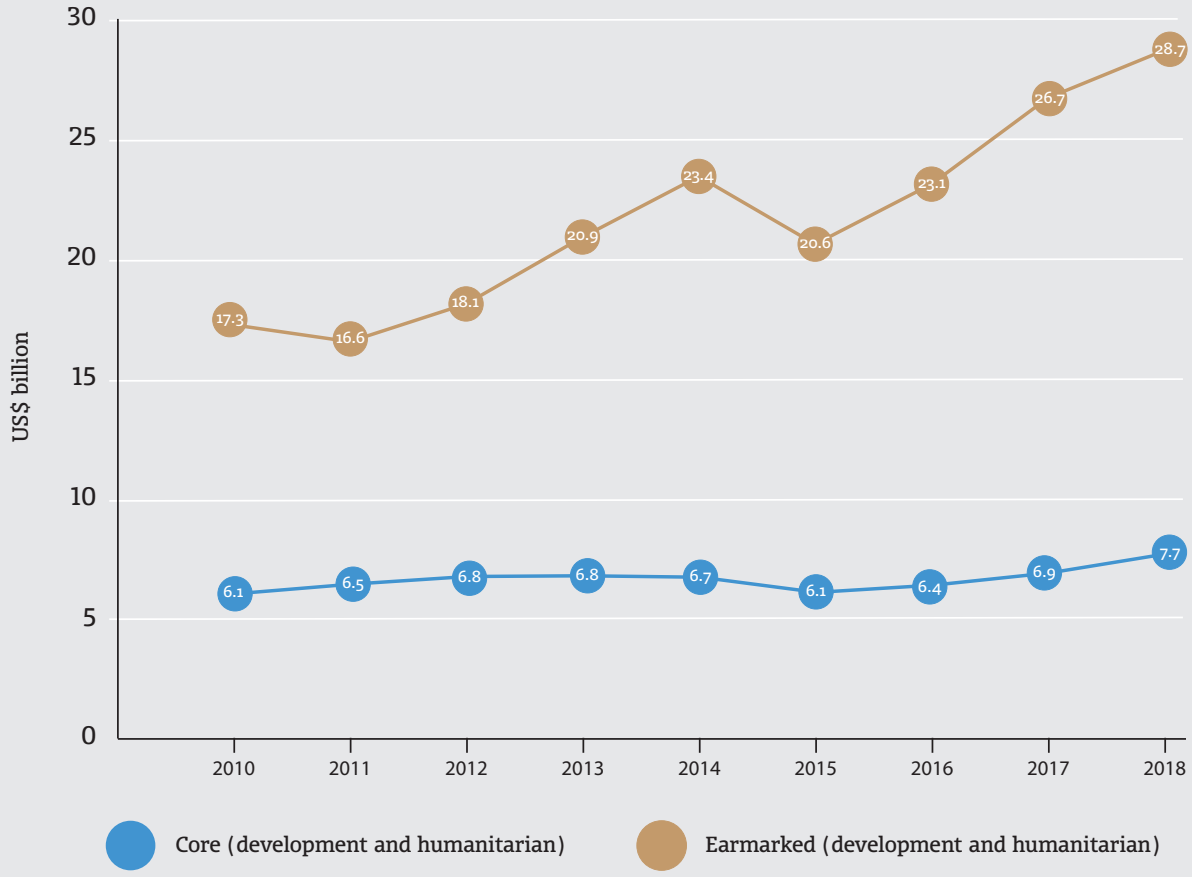
Funding for the UN development system

Having looked at how and by who the UN is funded, as well as which entities are at the receiving end of such funding, we now focus on funding for the UNDS and its operational activities for development. In doing so, we introduce the second dataset used in this year's edition of the report, the financial dataset for UN-OAD, prepared by UN DESA. Based on CEB data, it has benefitted from enhancements in data quality resulting from the introduction in 2018 of the UN data standards for system-wide financial reporting.

Figure 9 shows the development of core and earmarked funding to UN-OAD, with core resources being the total of assessed contributions and voluntary core contributions. In 2010, core and earmarked stood at US$ 6.1 and US$ 17.3 billion respectively, rising by 2018 to US$ 7.7 and US$ 28.7 billion, which equates to growth of, respectively, 26% and 66%. Overall, 79% of all contributions for UN-OAD was earmarked in 2018, which is 20% more than the equivalent percentage at the UN system-wide level (Figure 1, page 27). Thus, the earmarking of contributions to UN-OAD is driving the upwards trend of earmarking at the system-wide level.

Figure 10 provides an overview of what is being funded in the UN, as divided into the four system functions: 1) humanitarian assistance; 2) development assistance; (which together are the UN-OAD); 3) peace operations; and 4) global agenda and specialised assistance. UN entities have been requested to report their expenditure against these four functions, as defined in the 2018 data standards. As a result of changes in definitions, the data behind Figure 10 are not fully comparable with equivalent figures in the previous version of this report (which were based on earlier definitions and 2017 data). Additionally, there is no longer a distinct function for normative activities, as was the case up to 2017. Instead, each of these four functions is expected to include work on global norms and standards.

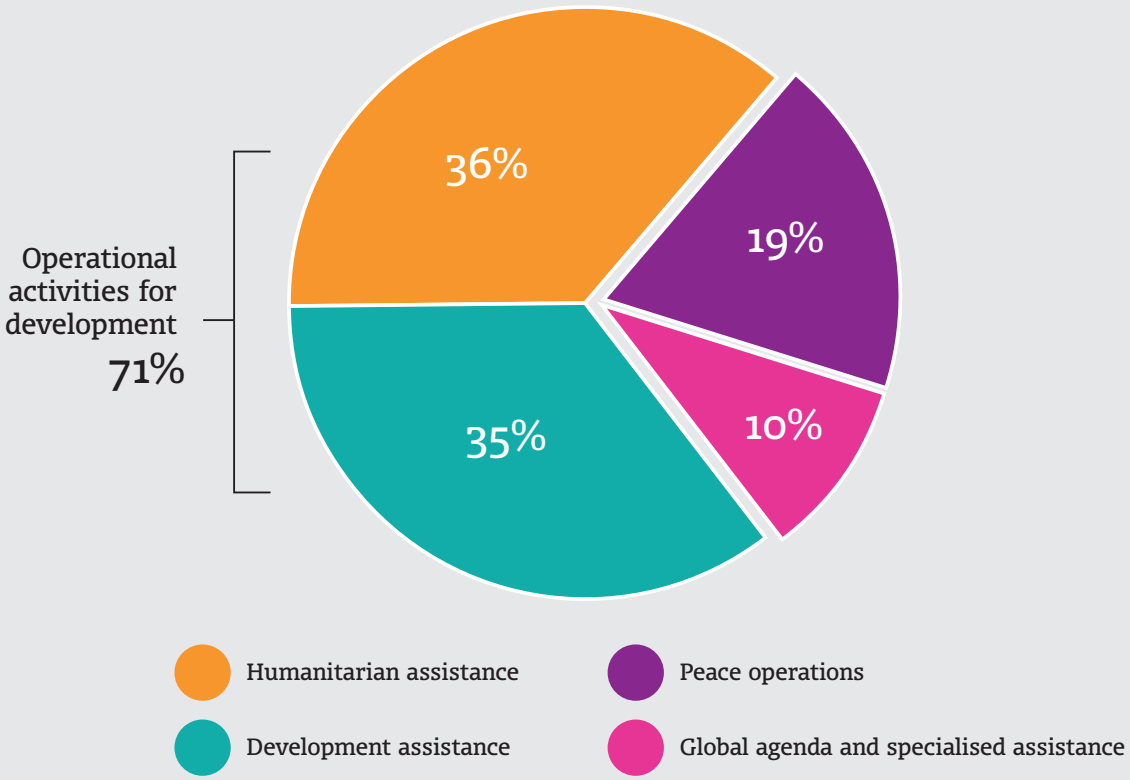
Figure 9: Total core and earmarked contributions for UN operational activities, 2010–2018



Source: Report of the Secretary-General (A/75/79-E/2020/55)

For notes – see page 110

Figure 10: Funding of UN system-wide activities, 2018



Source: Report of the Secretary-General (A/75/79-E/2020/55)
For notes – see page 110

As Figure 10 shows, funding for humanitarian assistance is almost identical in size and even a little larger than funding for development assistance. Together, these functions account for close to three-quarters of funding to the UN system. Meanwhile, peace operations – referring to funding for peacekeeping and other UN activities involving the deployment of civilian, police and military personnel aimed at creating the conditions for lasting peace in conflict-affected countries – account for 19% of the total. The fourth function is global agenda and specialised assistance, covering activities that address global and regional challenges without a direct link to the other three functions, as well as sustainable development activities in non-UN-programme countries.

Figure 11 on the next page shows how expenditure for development and humanitarian assistance – the two functions that make up UN-OAD – has evolved over the past nine years. Overall, the growth in funding for humanitarian assistance has outpaced growth in funding for development assistance. This growth in humanitarian expenditures has been fuelled by the rapid increase in earmarked contributions seen in Figure 9. As we will see in Chapter Two, much of the growth in humanitarian assistance has been concentrated in a few countries, such as Turkey, Syria and Yemen. Even so, since 2015 the difference in the total numbers for these two functions has been narrow, with humanitarian spending exceeding development expenditure in both 2016 and 2018, and the opposite being the case in 2017.

Figure 11: Total expenditure for development and humanitarian-related UN operational activities, 2010–2018

Source: Report of the Secretary-General (A/75/79-E/2020/55)
For notes – see page 110

UNDS funding and the broader ODA picture

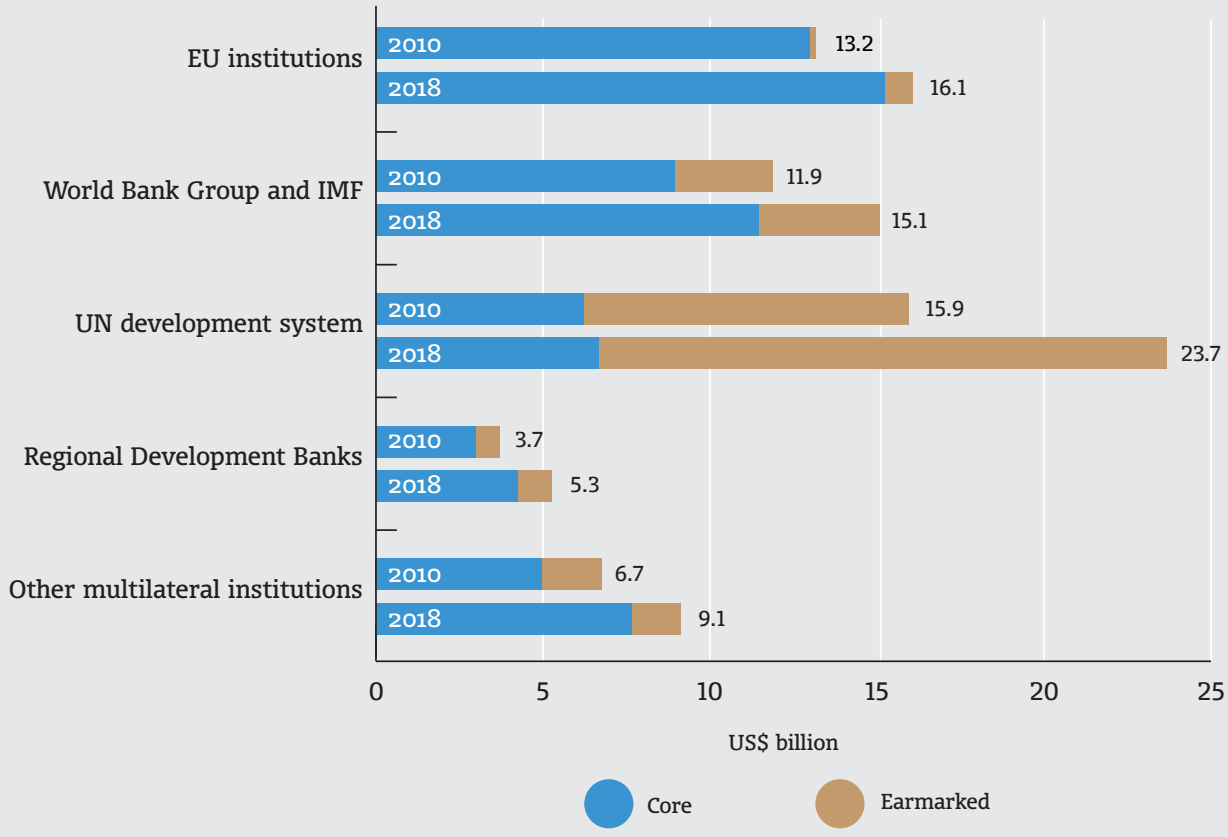
How does funding for the UNDS and its operational activities compare with funding patterns for other multilateral organisations? Data from the OECD on contributions from its members to the multilateral system enable us to make this analysis. Figure 12 summarises how the UN has consolidated its role as the largest channel for multilateral ODA, driven by the rapid growth in earmarked resources.

In 2010, the UN received 31% of total multilateral ODA funding, with EU institutions receiving 26% and the World Bank 23%. By 2018, the UN – having absorbed half the total growth in multilateral aid – had seen its share grow to 34%, while the EU's share had dropped to 23% and the World Bank's to 22%. However, whereas for the UN almost all this growth in funding was concentrated in earmarked resources (and notably earmarked resources for humanitarian purposes), other multilateral channels saw their core resources increase at least much as their non-core resources. The online visualisation allows further exploration of the data behind this figure (see https://docs.daghammarskjold.se/time-to-walk-the-talk/index.html).

Traditionally, ODA and multilateral assistance has fallen within the remits of ministries of foreign affairs and development cooperation agencies, and to a

smaller extent within those of central administrations and ministries of finance. Today, as Figure 13 on the following page shows, we can see a much more mixed picture, involving a wider range of ministries and other governmental institutions as sources of ODA. This is in line with the principle of broader partnership in achieving the SDGs, with line ministries not only taking the lead in global discussions on, for example, health or the environment, but having relevant ODA resources at their disposal. Still, for the UN itself, this widening circle of stakeholders is mostly relevant in terms of policy-making. Direct ODA contributions to the UN from government institutions beyond the traditional providers mentioned above are far more limited than the total ODA picture in Figure 13 shows. For example, while 14% of ODA provided by the United States comes from the Department of Health, the same is true for only 1% of the country's ODA channelled to and through the UN. Going forward, it would be interesting to explore why the broader spectrum of ODA providers are less inclined to use the UN to channel their ODA resources.

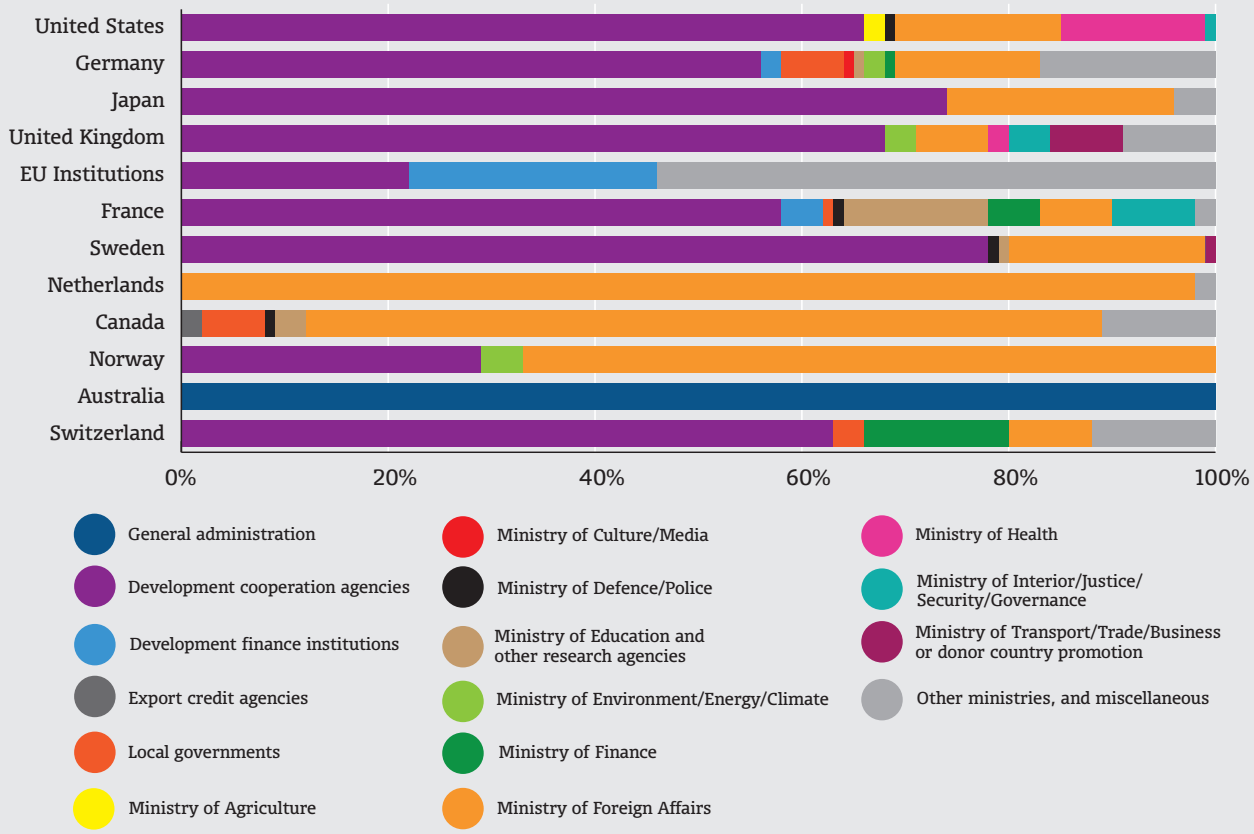
Figure 12: Channels of total multilateral assistance from OECD-DAC countries, core and earmarked, 2010 and 2018 (US$ billion)



Source: Organisation for Economic Co-operation and Development (OECD)

For notes – see page 111

Figure 13: Sources of ODA within the 12 largest OECD-DAC members, as proportion of total, 2018



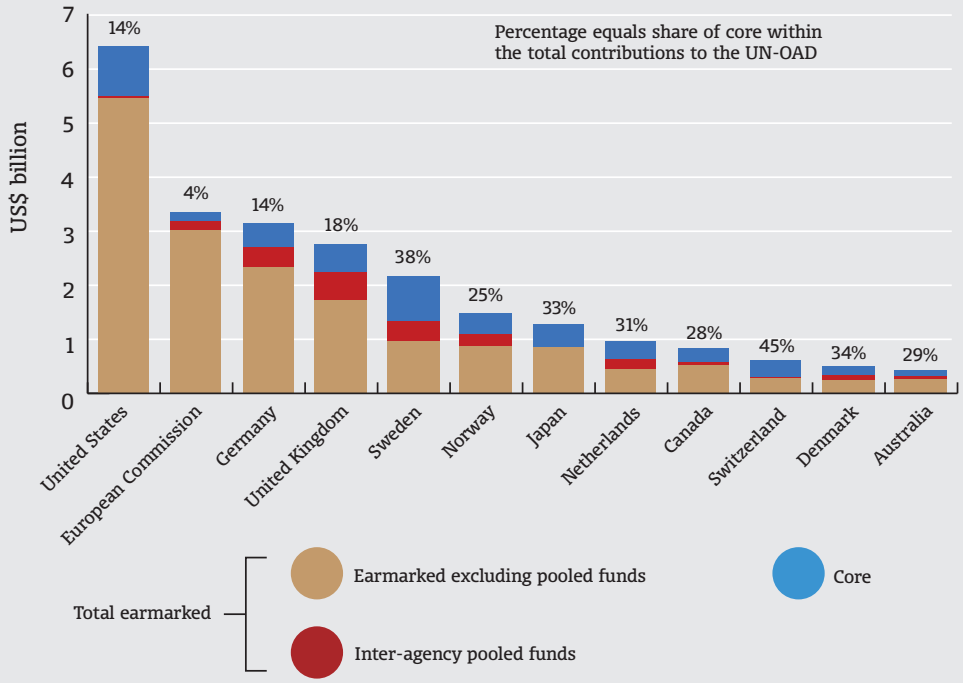
Source: Organisation for Economic Co-operation and Development (OECD)
For notes – see page 111

Funding mix of main UN contributors

As shown in Figure 4 (see page 34), over half the total contributions to the UN come from the top ten Member State contributors and the EU. A similar pattern is true for contributions funding the UN's humanitarian and development activities. Figure 14 shows the funding mix of the top 12 OECD-DAC members to UN-OAD, with contributions broken down into core; inter-agency pooled funds; and other earmarked funding. In 2018, these top 12 OECD-DAC contributors provided 66% of total contributions for UN operational activities, with their share increasing over the past five years – the corresponding number in 2013 was 61%. The EU moved up to second place in the ranking in 2018, up from fourth place the previous year. Figure 15 provides similar details for the second tier (those ranked 12–22) of OECD-DAC members. By way of comparison, Spain is the lowest-ranked country in the list that, referring back to Figure 4, is also counted among the top 25 Member State contributors to the UN.

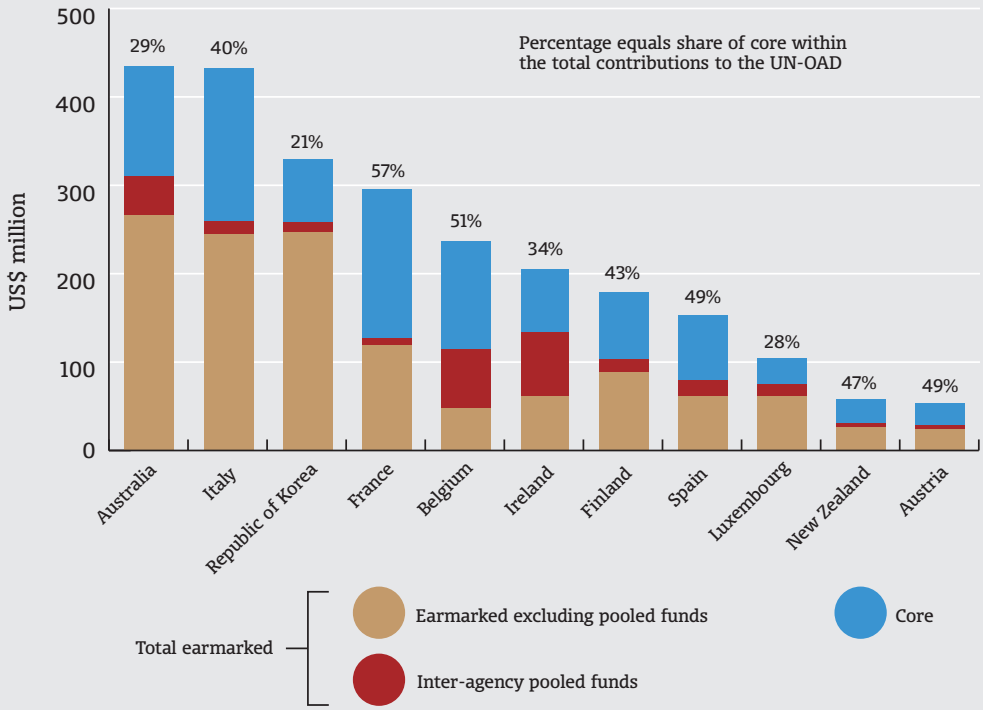
The top 12 non-OECD contributors are shown in Figure 16 (see page 46). Though these countries are ranked according to their total contributions to UN-OAD excluding local resources, once ranking has taken place their identified local resources have been added to the figure. These countries funded 7% of total contributions to UN operational activities in 2018, with the top seven countries – as well as Argentina – also among the top 25 Member State contributors to the UN. The ranking of the top five non-OECD-DAC countries has been dynamic over the past few years. In 2018, Saudi Arabia returned to top spot – the same position it held in 2016 – with its earmarked contributions more than doubling compared to 2017. The UN entities that were benefitting most from the country's contributions were UNRWA, UNDP, UNHCR, UNICEF and WFP. China ranked as second, with most of its contributions consisting of core resources (notably assessed contributions). Brazil was again by far the largest contributor of earmarked resources in 2018, due to the country utilising the UN as implementer for US$ 559 million in local resources, mainly channelled to PAHO.

Figure 14: Funding mix of the top 12 OECD-DAC members to UN operational activities, 2018



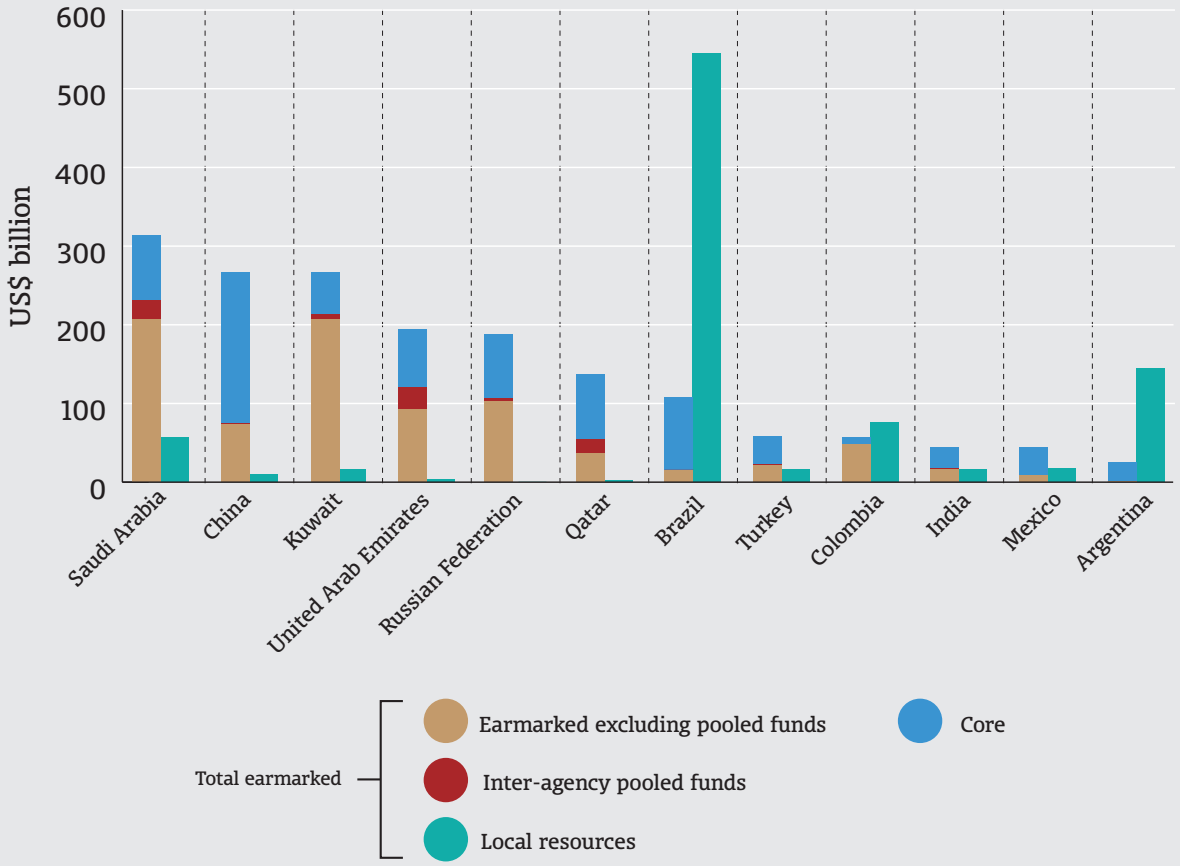
Source: Report of the Secretary-General (A/75/79-E/2020/55) and UN Pooled Funds Database
For notes – see page 111

Figure 15: Funding mix of the top 12–22 OECD-DAC members to UN operational activities, 2018



Source: Report of the Secretary-General (A/75/79-E/2020/55) and UN Pooled Funds Database
For notes – see page 111

Figure 16: Funding mix of the top 12 non-OECD-DAC countries to UN operational activities, 2018



Source: Report of the Secretary-General (A/75/79-E/2020/55) and UN Pooled Funds Database
For notes – see page 111

Funding mix and Funding Compact

Below, we will revisit some of the issues surrounding the Funding Compact concluded between the UNDS and UN Member States in 2019. The core idea of the Funding Compact is to incentivise more qualitative, flexible and predictable contributions from Member States, while encouraging greater coherence, effectiveness, efficiency and transparency within the UNDS. The Funding Compact emphasises core, inter-agency pooled, and single UN-entity thematic funding – in essence, funding modalities that enable the UN to operate flexibly and coherently, while fostering results on the ground. Several of the Funding Compact's key indicators measure success in shifting the funding mix for development-related activities.

Figures 17a and 17b on page 48 present the 2018 funding mix of the top 20 contributors to UN development-related activities.[6] Four observations can be made, with the latter two relating directly to indicators included in the Funding Compact:

1) The funding mixes of the top 20 contributors are very different. In terms of proportion of a country's funding to the UNDS, China has the highest percentage of assessed contributions (59%); Switzerland tops the ranks for voluntary core contributions (49%); Sweden provides the largest share of earmarked contributions through pooled funds (25%); and Ukraine has the greatest share of earmarked contributions excluding pooled funds (98%).

2) The funding from the top two contributing countries moved in opposite directions. The US$ 1.5 billion from the United States represented a significant reduction of US$ 0.4 billion in overall contributions compared to 2017. This contrasts with the close to US$ 1.3 billion in contributions from Sweden, representing an increase of more than US$ 0.4 billion compared to the previous year.

3) Overall, 31% of total funding provided by the top 20 contributors consisted of core contributions (20% voluntary core; 11% assessed). The Funding Compact's target is to have at least 30% of UN funding for development-related activities made up of core funding by 2023 (both including and excluding assessed contributions).

4) Pooled funding made up 7% of earmarked contributions from the top 20 contributors and 7% overall (see Figure 19 below), with the Funding Compact's target being a doubling of such contributions to 10% by 2023.

Figures 18a and 18b on page 49 present the 2018 funding mix of the top 20 contributors to UN humanitarian-related activities. Comparing these figures with those for development-related activities, the following observations can be made:

1) Though the funding mixes of the top 20 contributors to humanitarian assistance activities are again very different, the role of assessed contributions is far less important than in the financing of development assistance.

2) While the top five contributors are the same, their weight in terms of overall funding differs substantially between humanitarian and development-related activities. Humanitarian funding is highly concentrated, with the top five contributors accounting for 63% of humanitarian funding, with the United States alone accounting for 27% of all funding for UN humanitarian assistance in 2018. By contrast, the United States accounted for only 9% of funding for development-related activities, with the top five contributors together having a combined 36% share of the total.

3) Pooled funding made up 11% of earmarked contributions from the top 20 contributors, and 10% overall (see Figure 19).

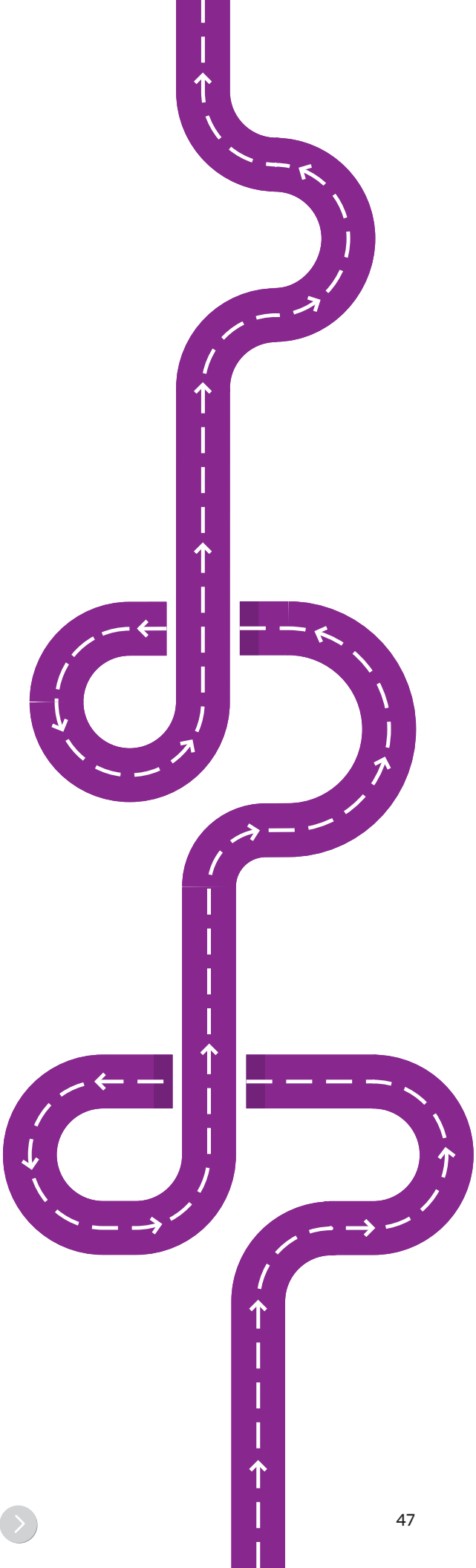


Figure 17a: Development assistance funding mix of the top 20 contributors to the UNDS, including assessed contributions, 2018 (proportion of total)

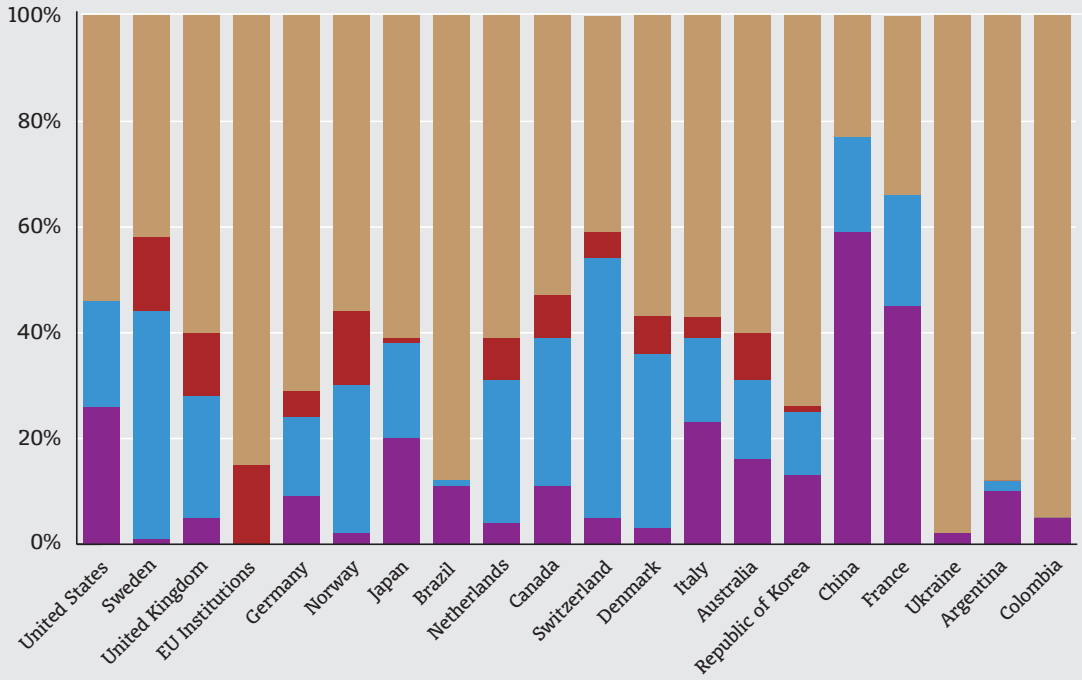
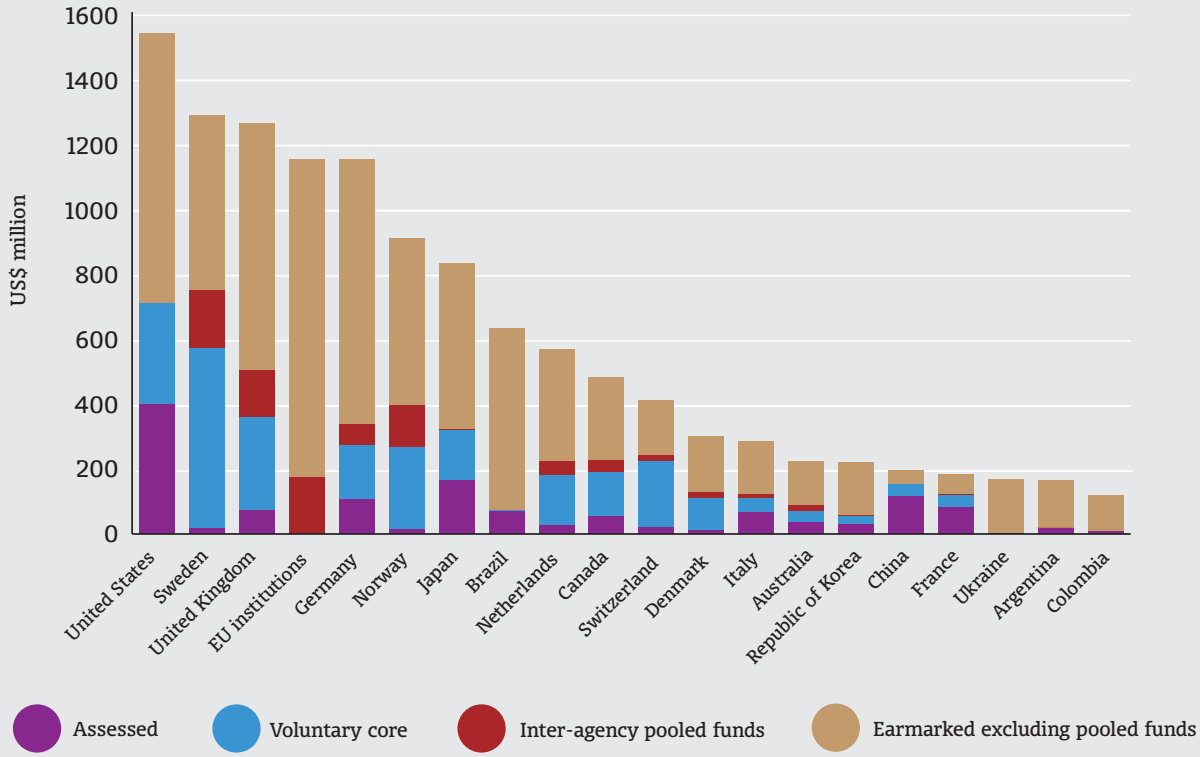


Figure 17b: Development assistance funding mix of the top 20 contributors to the UNDS, including assessed contributions, 2018 (US$ million)



Source: Report of the Secretary-General (A/75/79-E/2020/55) and UN Pooled Funds Database

For notes – see page 111

Figure 18a: Humanitarian assistance funding mix of the top 20 contributors to the UNDS, including assessed contributions, 2018 (proportion of total)

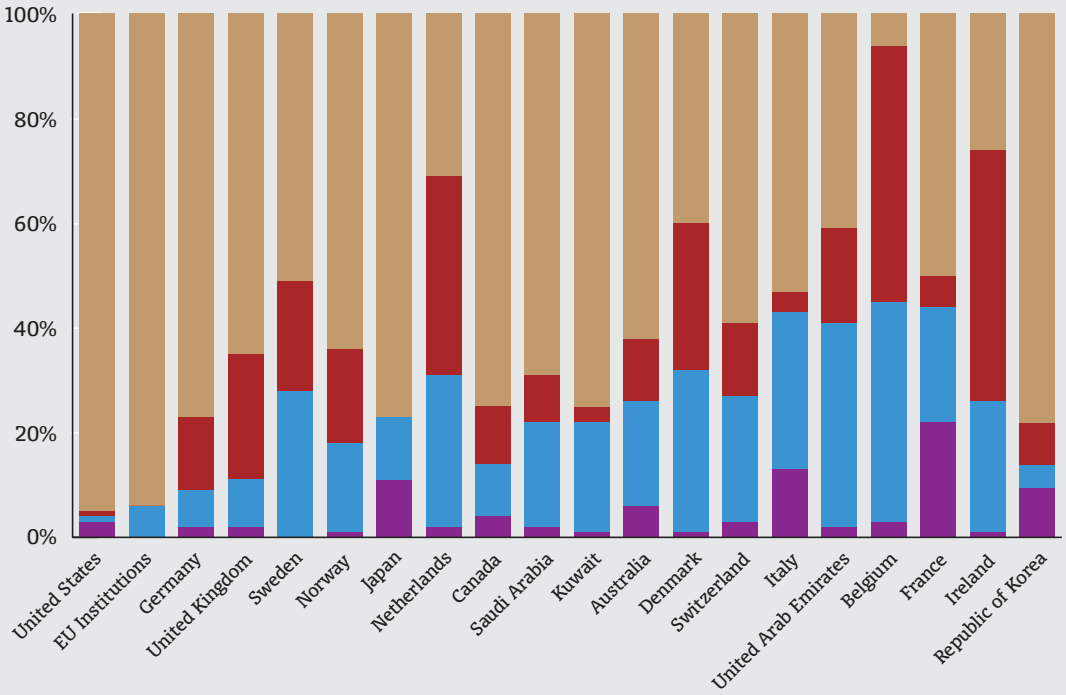
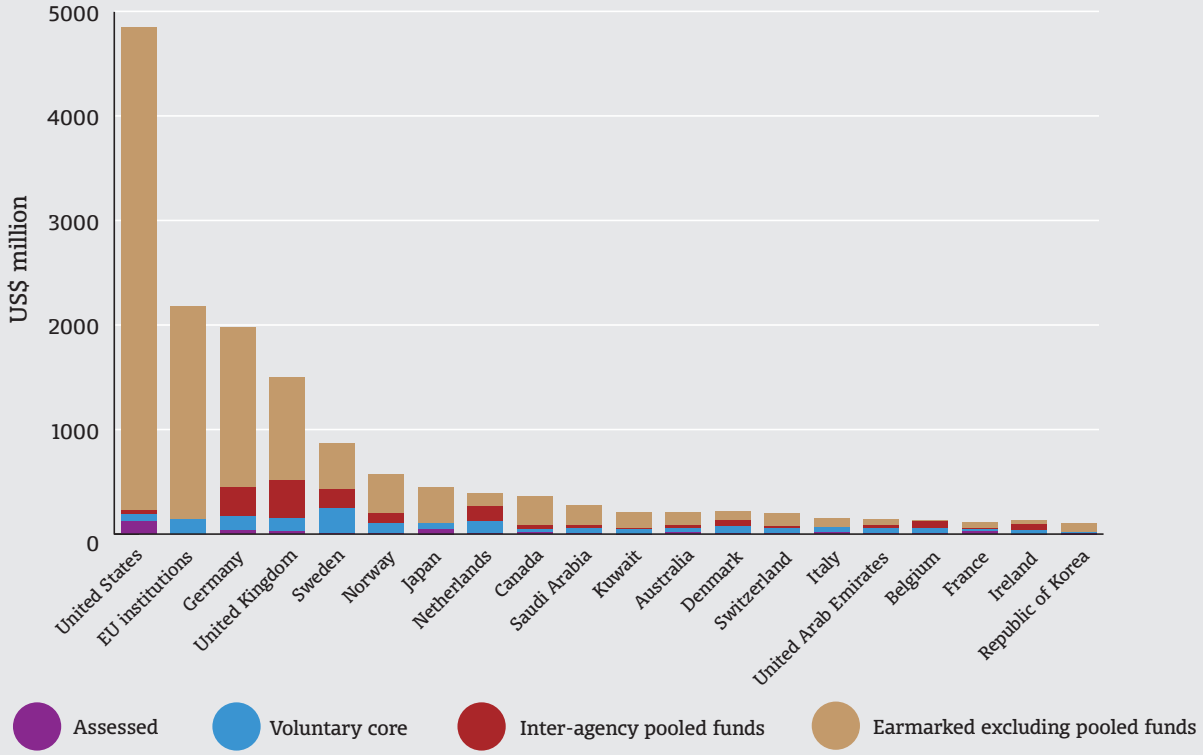


Figure 18b: Humanitarian assistance funding mix of the top 20 contributors to the UNDS, including assessed contributions, 2018 (US$ million)



Source: Report of the Secretary-General (A/75/79 – E/2020/55) and UN Pooled Funds Database
For notes – see page 111

UN pooled funding

Below, we take a closer look at the use and scale of UN inter-agency pooled funds. More information on the strategic importance of this funding instrument for the overall UNDS reform process and the Funding Compact can be found on page 89 in Part Two. Figure 19 reveals the trend of deposits into UN pooled funds between 2010 and 2018. Aside from a spike in 2014, the figures have remained relatively stable, with a clear upward trend over the past couple of years.

One of the objectives of the Funding Compact is to double contributions to development-related UN inter-agency pooled funds, with the target being a 10% share of total earmarked contributions by 2023. As can be seen in Figure 19, the pooled fund share increased significantly from the baseline number of 5% in 2017 to 7.1% in 2018. This reflects both an increase in contributions to pooled funds and a nominal decrease in earmarked funding for development-related activities – if total earmarked funding had remained unchanged compared to 2017, the percentage share would have been 6.7%. Should this positive trend continue, it is likely that the Funding Compact target will be reached. In the humanitarian field, the share of inter-agency pooled funds relative to total earmarked contributions remained at 10%, keeping pace with the growing overall volume of earmarked contributions. Overall, earmarked funding for development- and humanitarian-related UN-OAD is starting to look increasingly similar in terms of share of pooled funding.

Figure 20 shows the top 12 contributors to UN inter-agency pooled funds, combining the numbers for humanitarian- and development-related pooled funds, with the percentage numbers representing the share of earmarked resources channelled through pooled funds by each Member State. The United Kingdom remains by far the largest contributor to pooled funding arrangements, while Sweden traded places with Germany to move up to second. Switzerland returns to the top 12 contributors, having been absent in 2017, with Qatar dropping out of the list. The top five donors are all Member States from Europe, together contributing 65% of UN inter-agency pooled funds. If the numbers are combined with those from Figure 6, one can see that the European Union would have come in as the sixth largest contributor had Figure 20 not been restricted to Member States.

Figure 21 shows the countries contributing more than 10% of their total earmarked funding to the UN through UN inter-agency pooled funds in 2018. Ireland remained the Member State with the highest share of its earmarked funding going to inter-agency pooled funds (51%). Belgium moved up to second place, increasing its share of pooled funding from 28% in 2017 to 48% in 2018. Qatar, formerly in second place, saw its percentage through pooled funds drop to 13%. Overall, the list of countries grew, with 22 countries represented in 2018, compared to 19 in 2017.

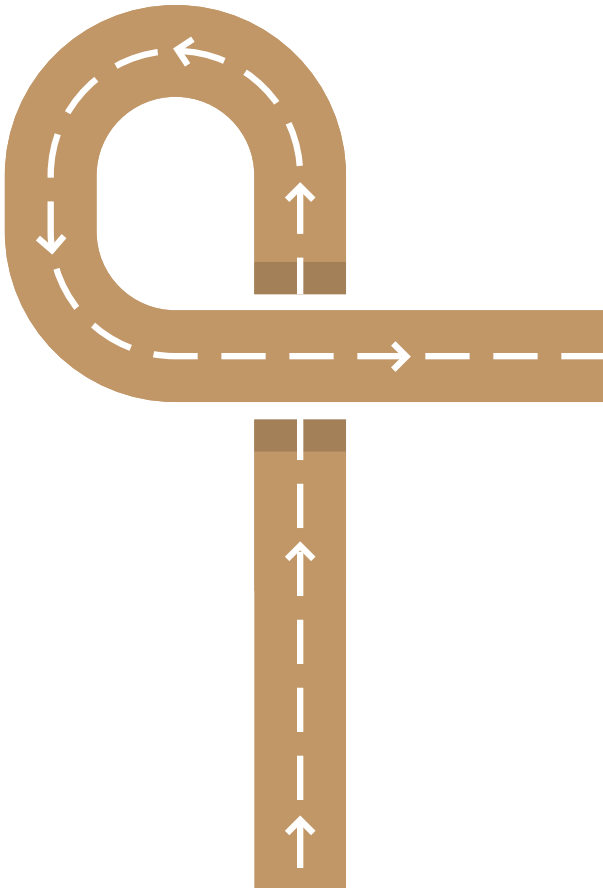
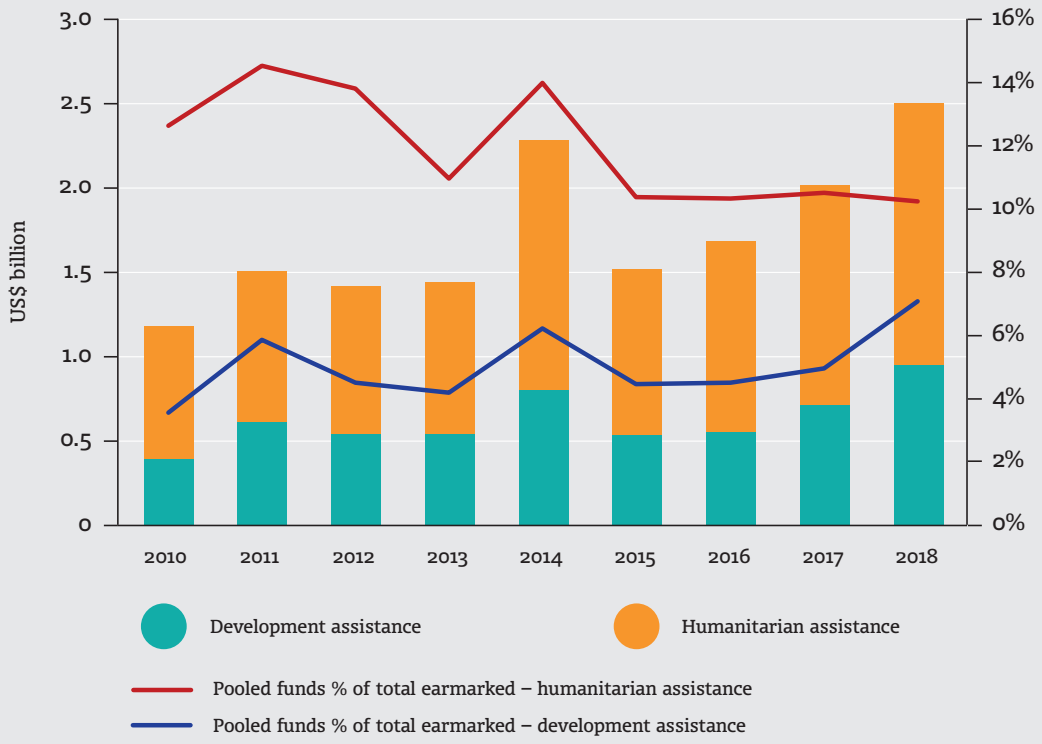


Figure 19: Deposits to UN inter-agency pooled funds, 2010–2018 (US$ billion)



Source: Report of the Secretary-General (A/75/79-E/2020/55) and UN Pooled Funds Database
For notes – see page 111

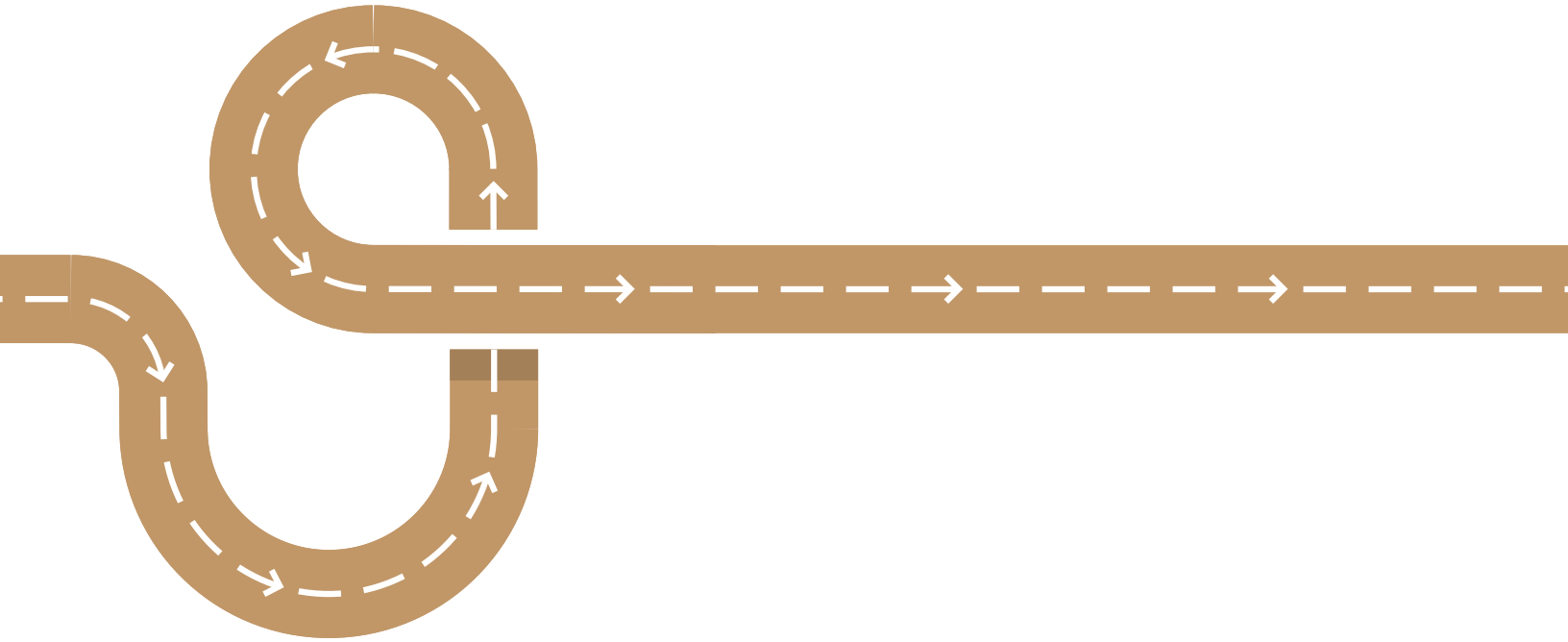
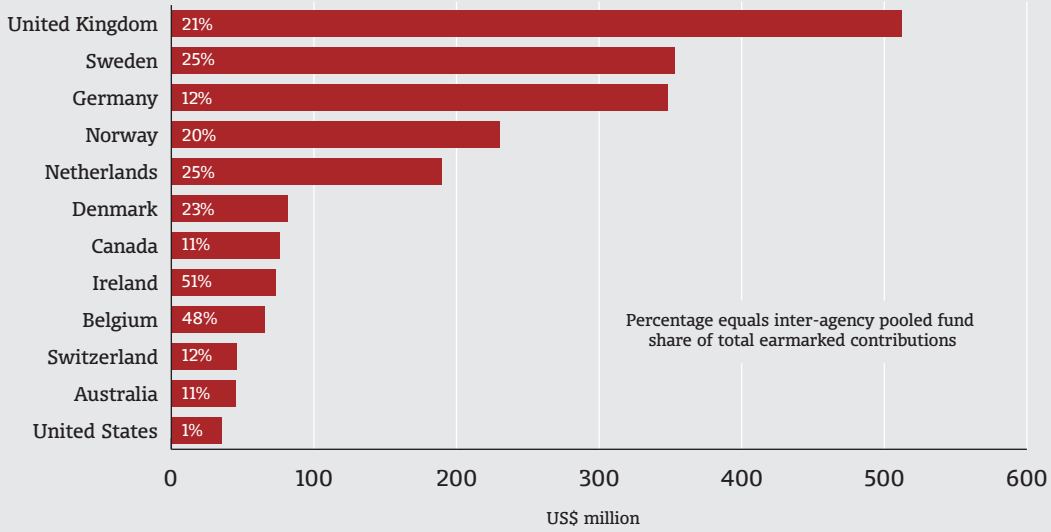
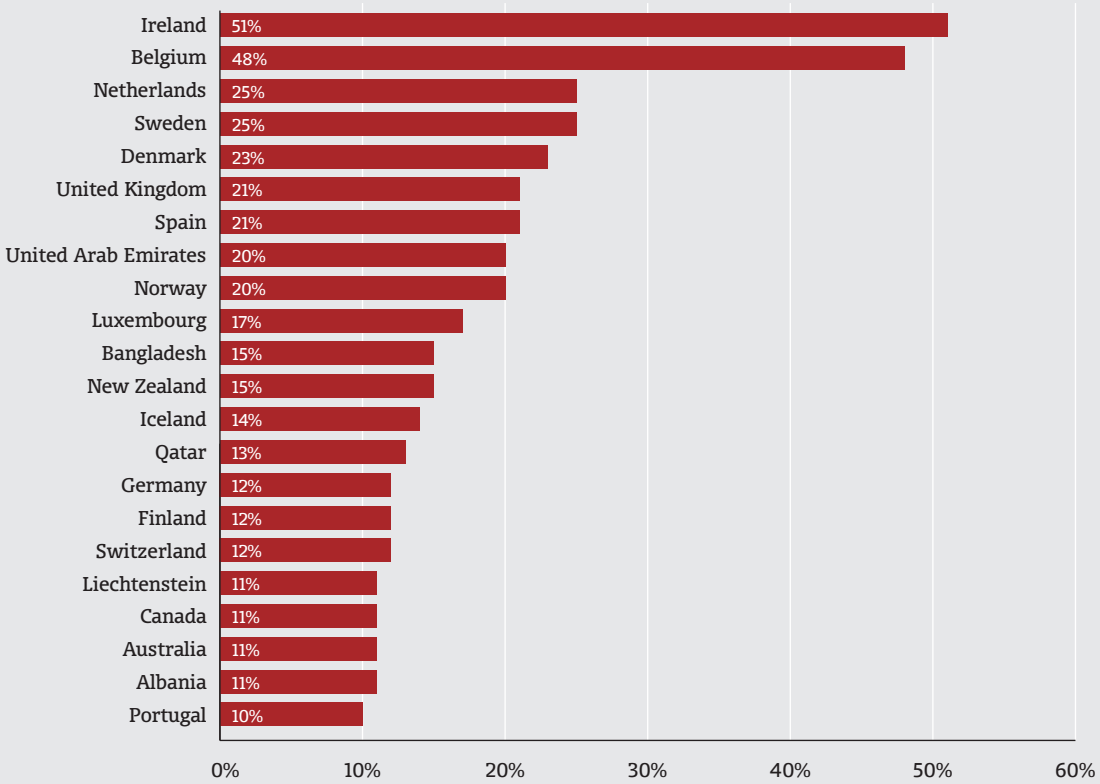


Figure 20: Deposits to UN inter-agency pooled funds from the 12 largest Member States, and share of their total earmarked contributions to the UN, 2018



Source: Chief Executives Board for Coordination (CEB) and UN Pooled Funds Database
For notes – see page 111

Figure 21: Member States contributing more than 10% of their total earmarked funding to the UN through UN inter-agency pooled funds, 2018



Source: Chief Executives Board for Coordination (CEB) and UN Pooled Funds Database
For notes – see page 111

Expenditure

Having explored the revenue coming into the UN system, we now turn to how the UN invests these revenues. The chapter first reviews the geographical distribution of UN expenditure over time, followed by an analysis of expenditure by UN entities. It then moves on to analysis of expenditure through the novel lens of the SDGs. The final section, meanwhile, examines expenditure in crisis-affected countries – here we invite the online reader to delve deeper through exploring the data visualisation.

The UN serves the peoples of the world within the parameters agreed between the UN and its Member States. One of the most important of these is the almost exclusively grant-based nature of the UN system, as outlined in the financial rules and regulations of individual UN entities. This translates into a close relation between the UN's grants-based revenues and its mainly grants-based expenditure. The 2018 revenues by UN entity in Table 2a (see page 30) and the 2018 expenditure by UN entity in Table 5 thus represent two sides of a similar balance sheet. Table 5 shows the scope of the UN's operations in 2018, with total expenditure increasing from US$ 51.6 billion in 2017 to US$ 52.7 billion in 2018. The two entities with the largest nominal growth in expenditure were the same two that saw the largest growth in revenue: the expenditure of WFP increased by US$ 0.6 billion, while that of the UN secretariat rose by US$ 0.4 billion.

Expenditure by geographical region

Turning now to expenditure at the level of the UNDS, Figure 22 (see page 55) outlines expenditure on UN operational activities by region during 2011–2018. Over this period, the geographical region with the fastest growth in expenditure was Western Asia, with an increase in nominal terms from US$ 2.2 billion in 2011 to US$ 8.3 billion in 2018. At the same time, the region's percentage share of total expenditure more than doubled, from 10% to 23%. Much of this growth was due to the Syrian crisis and its impact on refugee-hosting neighbours (from 2012), and to the deepening humanitarian crisis in Yemen (especially from 2017).[7]

In financial terms, Africa remained the largest region for UN investments, with US$ 11.5 billion of expenditure in 2018. Expenditure in the Asia and Pacific region remained relatively consistent throughout the 2011–2018 period, though it fell from being the second-largest region in nominal terms in 2011 to ranking fourth in 2018. Global expenditure constituted 22% of all UN expenditure in 2018, a rise of 5% compared to 2017. This includes both allocations to global agenda-setting and normative work – including programme support, management and administration costs – and expenditure by UN entities that do not specify the geographic location it is attached to. Such global and interregional expenditure are expected to drop considerably in coming years, as UN entities start implementing in full the 2018 UN data standard on geographic location. This requires all UN entities to further disaggregate their expenditure numbers to reflect the regions and countries where the beneficiaries of spending are located.

Expenditure linked to the SDGs

Figures 23–28 (see pages 56–57) are new and map the expenditure of six UN entities to the Sustainable Development Goals – testament to the UN's progress in meeting the agreed UN data standard on SDGs adopted in 2018. ILO, UN Women and WFP were among the 11 entities that reported the SDG profile of their 2018 expenditure to the CEB. All three reported 100% of their expenditure as being linked to the SDGs, and all three had a single SDG goal – the one closest to the respective organisation's mandate – to which the majority of expenditure was linked. For ILO, 64% of expenditure was linked to SDG8 (Decent Work and Economic Growth); for UN Women, 70% of expenditure was linked to SDG5 (Gender Equality and Women's Empowerment); while for WFP, 87% of expenditure was linked to SDG2 (Zero Hunger).

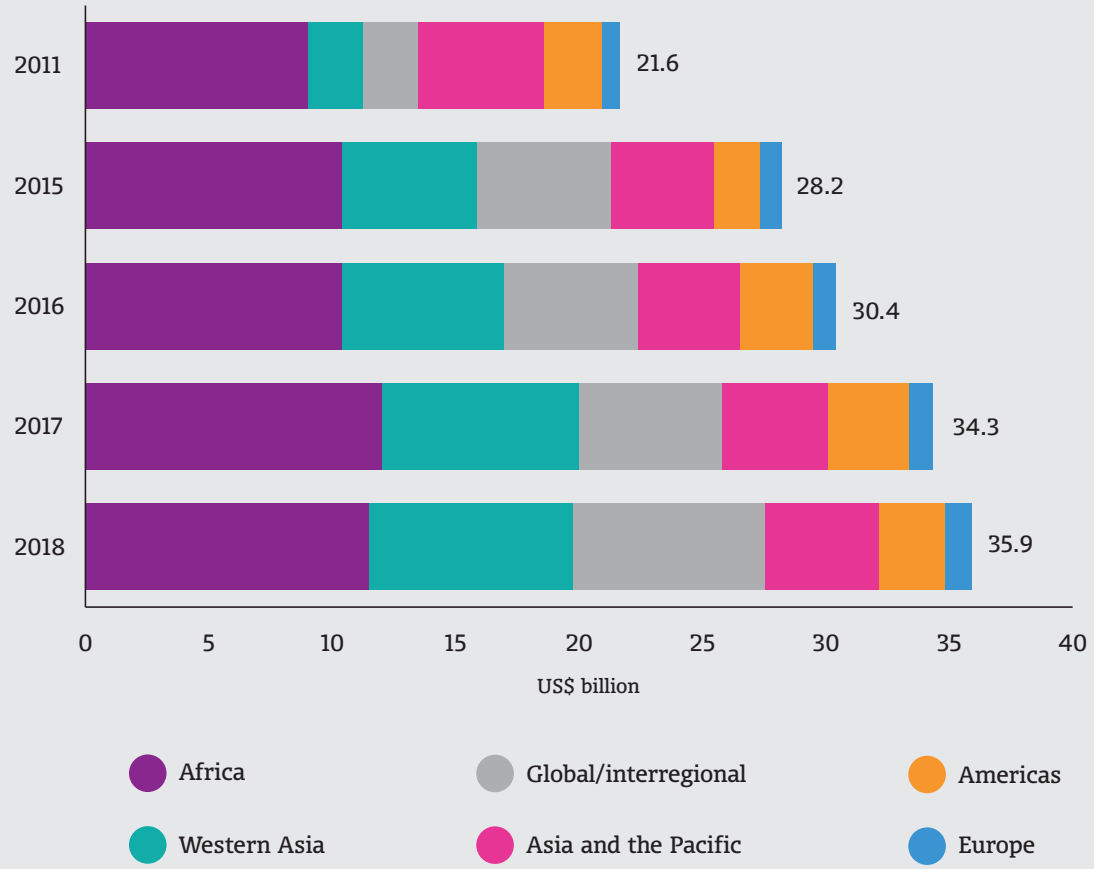
Table 5: Total expenditure of the UN system by entity, 2005–2018 (US$ million)

Entity	2005	2010	2015	2017	2018
UN Secretariat	2,659	3,953	5,613	5,789	6,236
CTBTO	103			125	128
DPKO	4,074	7,616	8,759	8,264	7,988
FAO	772	1,415	1,219	1,532	1,455
IAEA	434	585	571	643	641
IARC					46
ICAO	186	235	195	215	230
ICC				187	177
IFAD	116	784	168	189	193
ILO	454	587	660	641	625
IMO	55	68	68	71	64
IOM	952	1,359	1,594	1,605	1,842
ITC	57	71	103	88	99
ITU	140	193	192	200	187
OPCW					84
PAHO	165	927	1,379	1,435	1,299
UNAIDS	158	284	294	173	184
UNCDF				65	61
UNDP	4,573	5,750	5,057	5,095	5,097
UNEP	288	449	560	562	559
UNESCO	688	797	762	688	682
UNFCCC	29			95	91
UNFPA	523	824	977	927	1,086
UN-HABITAT	116	201	167	197	186
UNHCR	1,142	1,878	3,279	3,943	4,064
UNICEF	2,191	3,631	5,078	5,844	5,919
UNIDO	209	225	244	299	279
UNITAID					216
UNITAR	12	20	23	28	29
UNODC	94	211	279	309	332
UNOPS	58	65	672	816	924
UNRISD				2	2
UNRWA	471	555	1,334	1,310	1,190
UNSSC				10	10
UNU	32	60	75	108	91
UN Women			315	339	380
UNWTO	16	22	27	27	21
UPU	27	50	79	83	75
WFP	3,104	4,315	4,893	6,224	6,789
WHO	1,541	2,078	2,739	2,681	2,500
WIPO	199	324	352	404	356
WMO	73	88	102	108	97
WTO	148	226	247	258	263
Total	26,015	39,847	48,076	51,578	52,776

Source: Chief Executives Board for Coordination (CEB)

For notes – see page 113

Figure 22: Expenditure on UN operational activities by region, 2011–2018



Source: Report of the Secretary-General (A/75/79-E/2020/55)
For notes – see page 111

In addition, the figures show the SDG profiles of three other entities – UNDP, United Nations Population Fund (UNFPA) and UNICEF – that shared their SDG-related information for incorporation into this report, despite not reporting these data to the CEB. None of the three linked 100% of their expenditure to the SDGs, and only UNFPA displayed a similar pattern of anchoring most expenditure to a specific SDG, in this case SDG3 (Good Health and Well-being). By contrast, UNDP and UNICEF have a wide spread of SDGs against which expenditure is mapped, with no single goal accounting for more than 30%.

Overall, 2018 provided for a healthy start in SDG reporting, with the six showcased agencies together linking US$ 18.5 billion to the SDGs – more than half the total amount spent on UN operational activities. Of the six, three (UNDP, UNFPA and WFP) disaggregate expenditure up to the SDG target level, which is the level UN data standards request. In total, across the 14 UN entities for which numbers were available, US$ 20.4 billion of expenditure was linked to SDGs, or 39% of all 2018 UN expenditure. This percentage is expected to increase rapidly in the coming years, as the UN proceeds through the transitionary period for full implementation of this standard, which becomes mandatory only as of 31 December 2021. Once most UN operational entities are reporting, this will allow for a full exploration of expenditure against SDGs, and of the overall contribution the UN system is making to the 2030 Agenda.

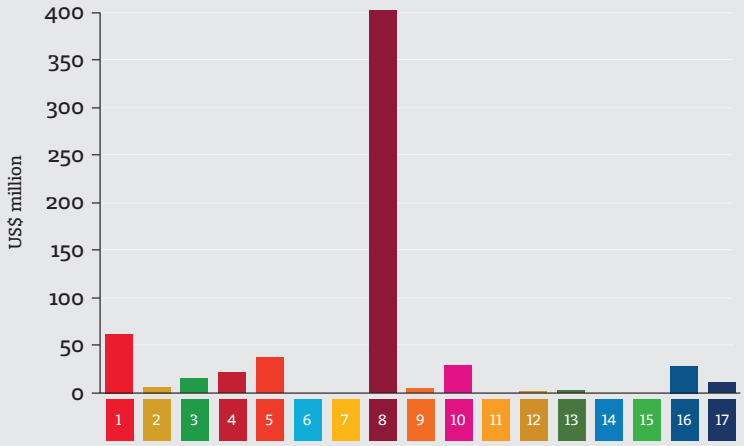
Expenditure in crisis-affected countries

Figure 29 (see page 59) shows UN expenditure on operational activities in the 162 programming countries, broken down into low-, middle- and high-income countries. As in previous years, expenditure in all income categories is heavily reliant on earmarked funding: core

Figures 23–28: Expenditure by SDG for six select UN entities, 2018

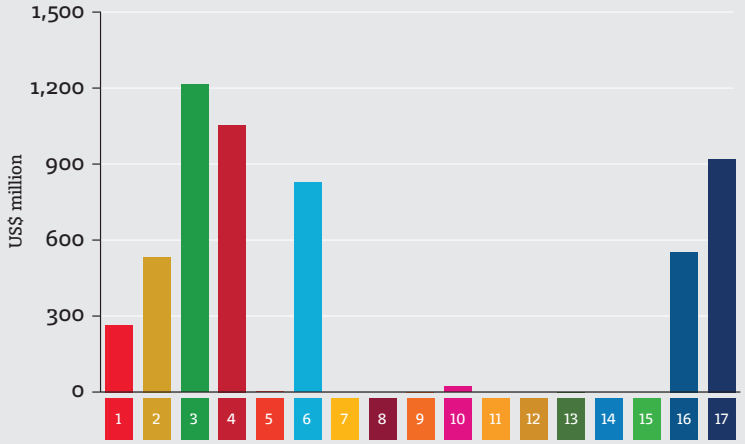
International Labour Organization (ILO)

Expenditure: US$ 625 million (100% of 2018 expenditure)



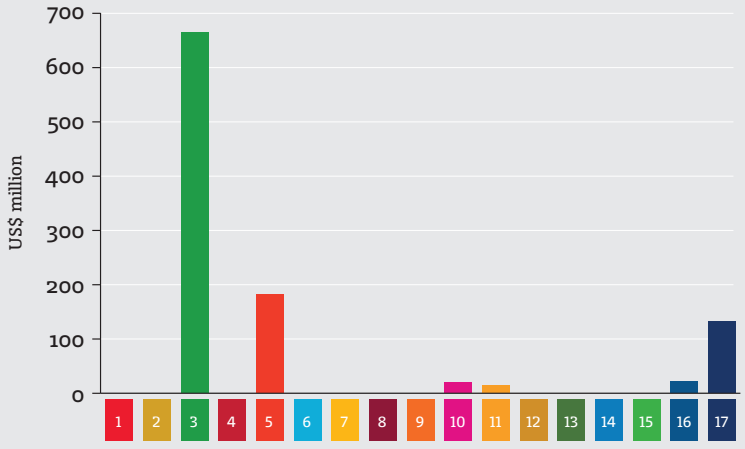
United Nations Children's Fund (UNICEF)

Expenditure: US$ 5,395 million (91% of 2018 expenditure)



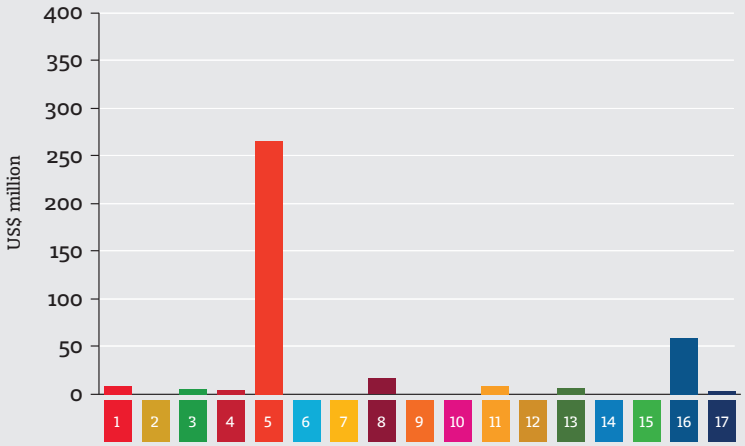
United Nations Population Fund (UNFPA)

Expenditure: US$ 1,034 million (95% of 2018 expenditure)



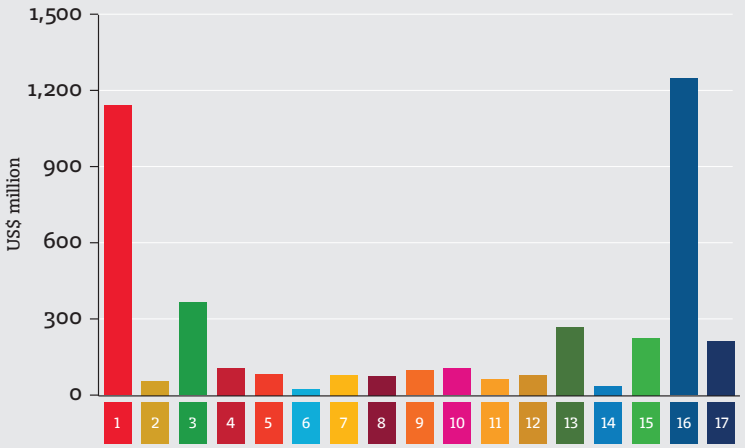
United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)

Expenditure: US$ 380 million (100% of 2018 expenditure)



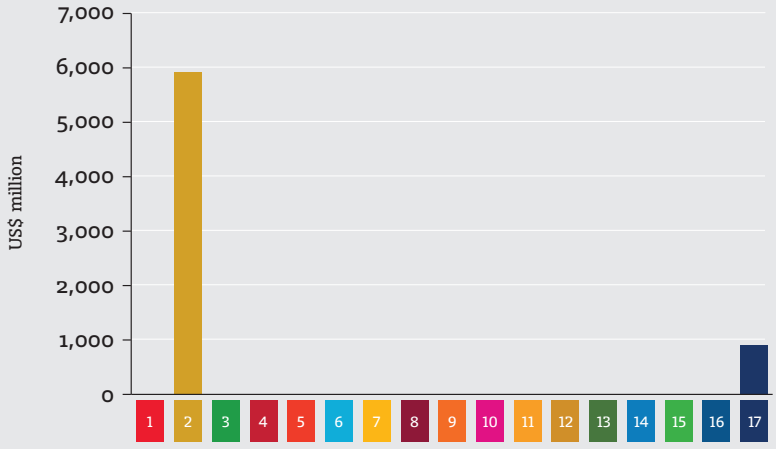
United Nations Development Programme (UNDP)

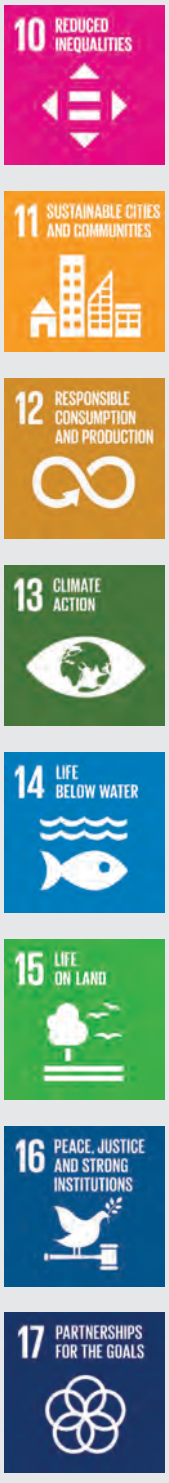
Expenditure: US$ 4,274 million (84% of 2018 expenditure)



United Nations World Food Programme (WFP)

Expenditure: US$ 6,789 million (100% of 2018 expenditure)

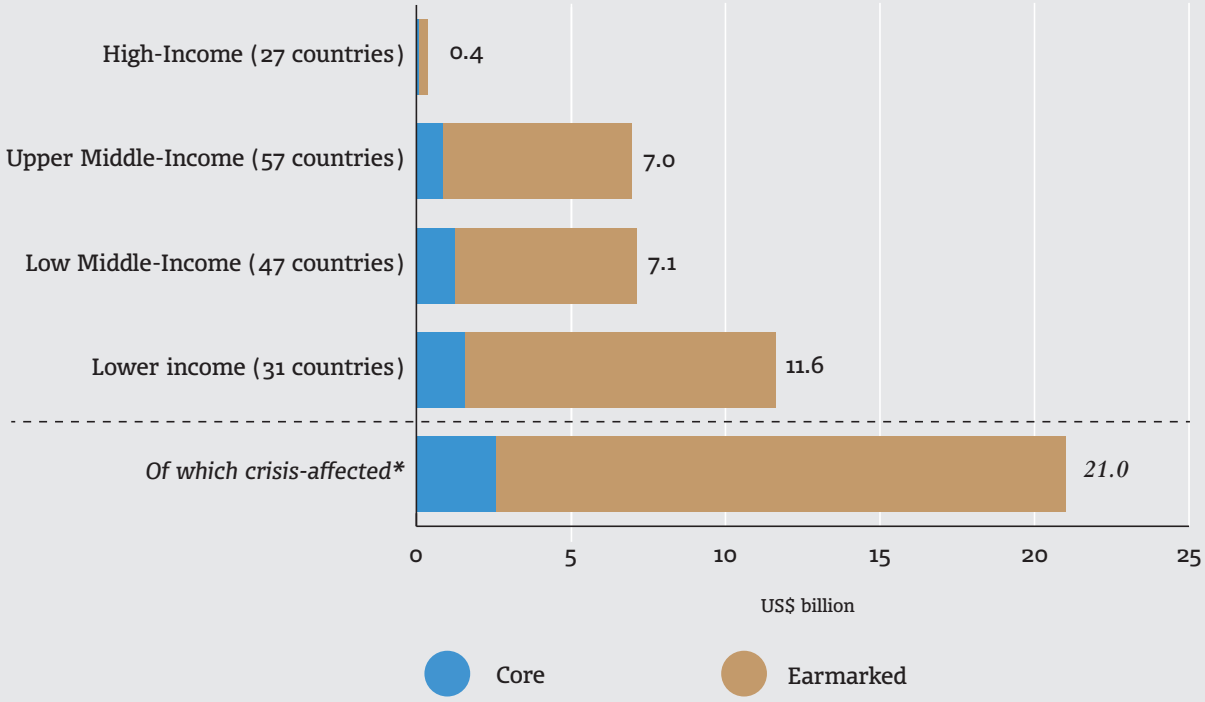




Chief Executives Board for Coordination (CEB), UNICEF, UNDP, and UNFPA

For notes – see page 112

Figure 29: Expenditure on UN operational activities by countries' income status, 2018



* *The 54 crisis-affected programming countries are drawn from the other categories*
Source: Report of the Secretary-General (A/75/79-E/2020/55), World Bank, DPKO, DPPA, OCHA and UN Pooled Funds Database
For notes – see page 112

funding constitutes 25% of expenditure in high-income programming countries, compared to only 12–13% in upper middle-income, low-income and crisis-affected countries. On average, UN expenditure is largest in low-income countries, with 47% of expenditure on operational activities in 2018 taking place in this group of countries.

The most visible concentration of the UN's operational activities is, however, to be seen in the exactly one-third (54) of UN programme countries defined as crisis-affected. Expenditure in this group was 81% of total country-level expenditure, and, as can be seen in Figure 30, most such countries are characterised by protracted crisis and have been in this category since at least 2010.

Figure 30 (see page 60) shows crisis-affected countries with expenditure higher than US$ 100 million, and links to an online data visualisation which allows readers to further explore the data. It shows that South Sudan, Democratic Republic of Congo (DRC), Yemen, Lebanon and Somalia are the top five in terms of UN funding for crisis-affected countries, together constituting 19% of total UN system-wide expenditure in 2018. For Yemen, it is the first time is has been among the top recipients for country-level expenditure. At a broader level, the top ten countries shown in Figure 30 represent close to one-third of UN total expenditure in 2018, illustrating the concentration of the UN's work.

Overall, about half the UN's overall expenditure (US$ 27.7 billion) in 2018 was spent on the 39 countries depicted in Figure 30. Moreover, an increasing share of this was for humanitarian purposes: the humanitarian share of expenditure in crisis-affected countries grew from 30% in 2010 to close to 50% in 2018. Development expenditure grew only marginally, with peace expenditure remaining the same in nominal terms over the nine-year period.

Finally, Figures 31–34 show UN expenditure at the country level in crisis-affected countries. Here we combine multiple datasets to analyse where (which countries) and on what (humanitarian, development, peacekeeping) expenditure is made, going beyond UN operational activities. Crisis-affected countries are defined as countries fitting one or more of the following criteria:

1) reported expenditure for an ongoing or recently discontinued peacekeeping mission;

2) reported expenditure for an ongoing or recently discontinued political mission, such as a group of experts, panel, office of special envoy, or special adviser financed through the Department of Political and Peacebuilding Affairs (DPPA);

3) reported expenditure from the Peacebuilding Fund; or

4) had humanitarian response plans during 2017 and 2018.

The relative ranking and related expenditure levels of individual countries are far from constant. The online visualisationa enables exploration of how the placement of countries has changed over the past nine years, as well as how the mix of humanitarian, development and peace expenditures has varied over time (see https://docs.daghammarskjold.se/time-to-walk-the-talk/part-one-2.html). Some countries have only entered the ranking in recent years, or risen rapidly to one of the unenviable top spots. Others, by contrast, have dropped out of the rankings.

Figures 31–34 show four different examples of scenarios playing out at a country level.

- The first is DRC (number two in the 2018 ranking) which is an example of a crisis-affected country characterised by protracted crisis. As Figure 31 reveals, the UN has had a broad array of humanitarian, development and peace interventions in the country for many years, spending US$ 2 billion per year over the nine-year period, with over two-thirds of this going towards peacekeeping-related expenditure.

- A second interesting case is Haiti, which comes in at 24 in the 2018 ranking. As the country recovered from the impact of the 2010 earthquake and the cholera crisis, UN expenditure on humanitarian interventions dropped over the 2010–2018 period. Simultaneously, the UN peacekeeping mission moved towards closure, resulting in a rapid decline in peace-related UN expenditure. By 2018, total UN expenditure had declined more than 80% from the high of US$ 1.4 billion level in 2010. Other countries with a similar downward trend due to mission drawdown include Côte d'Ivoire and Liberia.

- Lebanon is an example of a country which, on top of its own challenges, has been hosting large numbers of refugees over a long period, notably due to the spillover effects of the Syrian crisis. The UN's financial support (mainly in the form of large humanitarian expenditure) has helped the country take on this heavy responsibility.

- In terms of ranking, Yemen rose from 17 in 2015 to 7 in 2017, and up again to third place in 2018. The country's escalating conflict resulted in a tenfold increase in overall UN expenditure between 2010 and 2017, from US$ 0.14 billion to US$ 1.4 billion. This has risen further to US$ 2 billion in 2018. Most of this growth has been for humanitarian purposes, with Yemen becoming the largest single country-level recipient of annual humanitarian aid, both for 2018 and for the 2010–2018 period.

Figure 30: UN operational and peace-related expenditure in crisis-affected countries, 2010–2018.

For further information see: https://docs.daghammarskjold.se/time-to-walk-the-talk/part-one-2.html

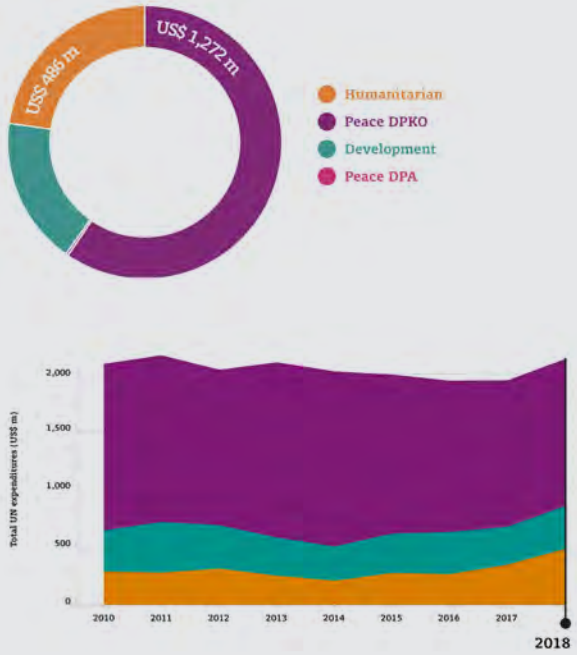
Source: Report of the Secretary-General (A/75/79-E/2020/55 and earlier years); General Assembly Financial Report (various years); and Report of the Secretary-General (A/73/352 and earlier years).

For notes – see page 112

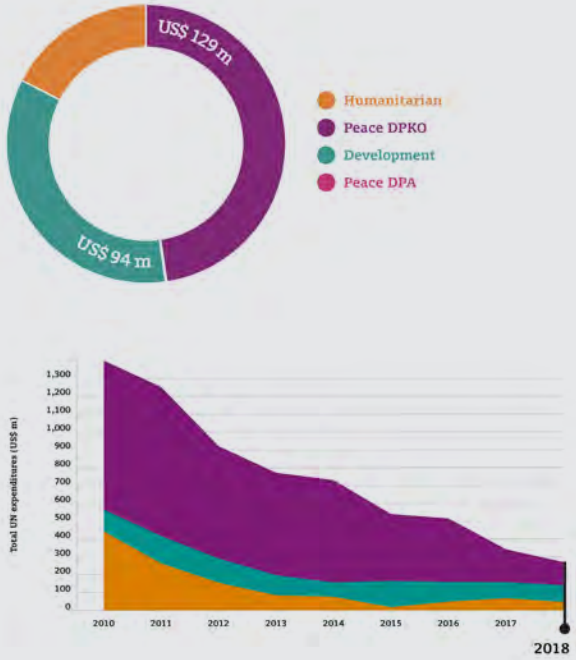
Figures 31–34: UN operational and peace-related expenditure in Democratic Republic of Congo, Haiti, Lebanon and Yemen, 2010–2018.

For further information see: https://docs.daghammarskjold.se/time-to-walk-the-talk/part-one-2.html

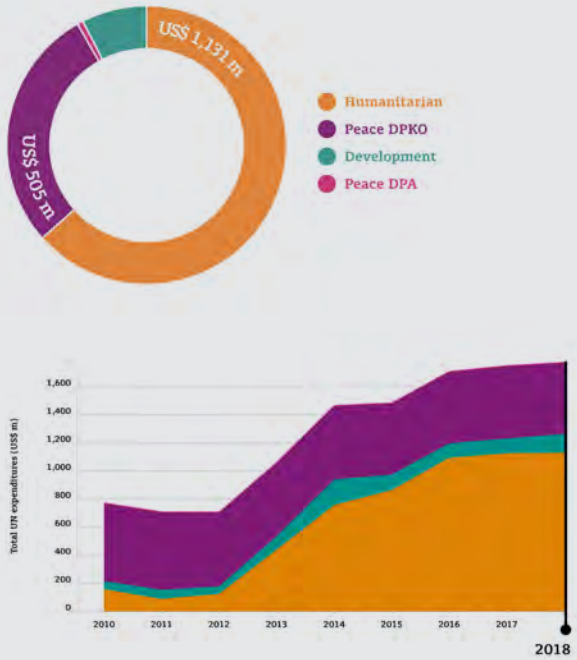
Democratic Republic of the Congo 2018



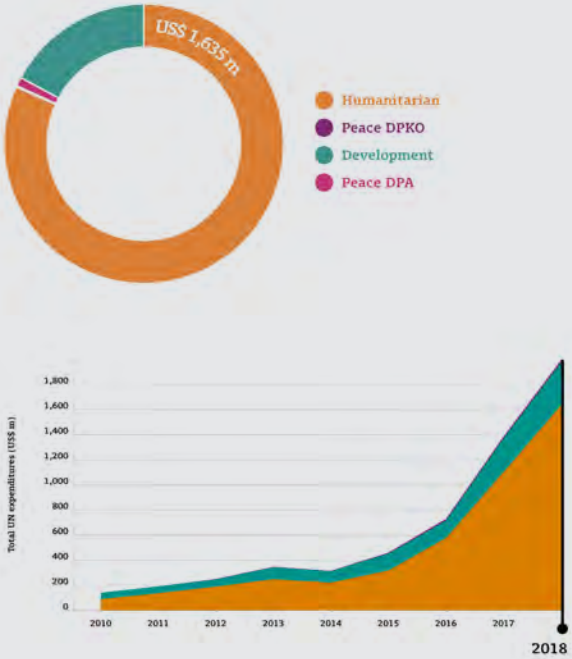
Haiti 2018



Lebanon 2018



Yemen 2018



Source: Report of the Secretary-General (A/75/79-E/2020/55 and earlier years); General Assembly Financial Report (various years); and Report of the Secretary-General (A/73/352 and earlier years).

For notes – see page 112

PART ONE
Chapter Three

Taking action on data quality

Introduction

Over the past few years, the UN has taken concerted action to improve its system-wide financial data. This has been propelled by several factors. Firstly, the UN has realised that its reporting has been hampered by data-quality issues arising from the absence of clear, harmonised definitions and classifications for its various funding flows. As a result, UN managers have lacked the quality system-wide financial data necessary for effective, evidence-based decision-making, as well as for communicating on the UN's activities and evaluating its results. Secondly, in 2016 Member States made a direct request to the Secretary-General that the UN continue strengthening the analytical quality of its system-wide reporting on funding. They also called for more timely, reliable, verifiable and comparable data, definitions and classifications, both system-wide and at entity-level.[8] This request was reinforced by the 2019 agreement on the Funding Compact, which contained UNDS commitments regarding transparency of financial data and reporting against the SDGs. Thirdly, increased external use of UN system-wide financial data in a variety of publications placed the spotlight on data-quality issues that had previously gone largely unnoticed. For example, data-quality issues were first raised in the 2016 edition of *Financing the UN Development System*, while the 2018 and 2019 editions included a separate chapter on data-quality issues affecting the report.

One of the major issues analysed in previous years has been the limitations of the two existing UN system-wide datasets used as our main data sources for Part One: the annual financial statistics produced by the CEB, which are based on submissions received from UN organisations (the CEB data)[9]; and the statistical annex produced by UN DESA for the annual Report of the Secretary-General on the Implementation of the Quadrennial Comprehensive Policy Review (the UN DESA data).[10] Until recently, these two parts of the UN system did not share an agreed set of definitions and classifications, and so the two datasets would display systematic differences in numbers, despite the CEB data being the main source for the UN DESA data.

In 2018, this changed with the adoption of the six data standards for UN system-wide financial reporting. These were the result of the Data Cube Initiative, jointly led by the CEB's High Level Committee on Management and the United Nations Sustainable Development Group, which set out to deliver a more encompassing and disaggregated 'system-wide data cube' compatible with the SDGs, alongside a roadmap for implementation of the agreed data standards.

How far have we come in using the data standards?

In 2019, the CEB used the new data standards to guide its system-wide collection of 2018 financial data. The results were promising, with the data submitted by UN entities displaying remarkable progress in terms of data quality, though some issues inevitably remained. At the same time, UN DESA, in developing its own dataset, committed to following the definitions used in the data standards and the revised CEB dataset.

Inspection of the 2018 data reveals both how far the UN has come and what remains to be done to fully implement the six data standards. Below we analyse how the data standards have affected the quality of data provided by the CEB and UN DESA:

1 *Who is part of the UN system?*

The UN Entity Standard defines the 44 entities that make up the UN system. The 2018 CEB data used in the tables in Part One covers almost the entirety of the UN system, with 42 UN entities having reported their financial data.[11] Though the 2018 UN DESA dataset largely uses the same definition regarding which organisations are part of the UN system, it continued its practice of not including the financial data of the International Atomic Energy Agency (IAEA) and IOM.[12] As a result, the overall expenditure figure for

the UN is US$ 52.8 billion according to the CEB data and US$ 50.3 billion according to the UN DESA data. Additionally, IOM's US$ 1.5 billion expenditure on humanitarian and development activities was not included in UN DESA's funding analysis of UN operational activities. Going forward, it is hoped that UN DESA will adjust its definition of which entities are part of the UN system (and so can therefore be considered part of the UNDS) to match that of the CEB.

2 *What does the UN spend its resources on?*

The UN Function Standard defines the four functions the UN is involved in, namely: development assistance; humanitarian assistance; peace operations; and global agenda and specialised assistance. Previous problems regarding the comparability and consistency of humanitarian and development assistance expenditures in the CEB and UN DESA datasets have largely been resolved through the introduction of common definitions against which UN entities report their 'development' or 'humanitarian' expenditures.[13] The 2018 UN DESA data presents UNDS development expenditure as being US$ 17.8 billion and humanitarian expenditure as being US$ 18.2 billion (see also Figure 11). This is fairly close to the CEB data, which puts total UN development expenditure at US$ 16.8 billion and humanitarian expenditure at US$ 19.2 billion. The explanation for the differences is twofold: firstly, the omission of IAEA and IOM data in the UN DESA dataset; and secondly, incorrect reporting by some UN entities was manually corrected in the UN DESA dataset in consultation with the CEB. As UN entities become more familiar with the new data standards over time, it is expected that such reporting errors will be eliminated.

3 *Where does the UN spend its resources?*

The Geographical Location Standard defines codes at the global, regional and country level, and provides guidance for the allocation of expenses. It is one of the two data standards with a transition period, only becoming mandatory from 1 January 2022. The standard requires that all UN entities disaggregate their expenditure figures to reflect the regions and countries where beneficiaries of spending are located, thereby reducing the percentage of overall expenditures allocated to the global and interregional levels. The 2018 CEB data show that 29% of overall UN expenditure was mapped as being spent at the global and interregional level, down from 34% in 2017. However, this number excludes the 16% reported as spent in non-programme countries, such as Italy and the Unites States – if the two percentages were combined, the total would be 45%. It is hoped that this number will drop in coming years, as UN entities further refine their reporting. This should also help reduce the relatively high expenditure figure of 22% recorded for UN operational activities, which – as per Figure 22 (see page 55), based on UN DESA data – was allocated to the global level in 2018. Additional guidance is currently under development to assist UN entities finesse this data standard.

4 *How is the UN financed?*

The UN Grant Financing Instruments Standard provides definitions for the various grant modalities through which funds are received by UN entities. This standard largely codifies existing definitions used by both the CEB and UN DESA. The main issue lies in how UN entities understand and report on this data standard, notably on certain sub-categories of earmarked contributions. For example, as per the CEB data, UN entities reported an increase in total revenue through single-agency thematic funds from US$ 0.5 billion in 2017 to US$ 1.4 billion in 2018. UN DESA's report notes that 'In 2018, an estimated $720 million was contributed to entity-specific thematic funds, representing an increase of 36% compared to 2017'. Given that the UN does not have a 'single-agency thematic funds' database for 2018, there is no way of verifying whether the growth in thematic funding reflects real growth, better reporting, or is due to some other reason.

5 *Which SDGs does the UN spend on?*

The SDG Standard introduced a common UN methodology for tracking the contribution of UN activities to the 2030 Agenda, and defines how UN financial information should be reported against the 17 SDGs and 169 SDG targets. It is the second data standard with a transition period, again only becoming mandatory from 1 January 2022. Given that 2018 was the first year for reporting, results were encouraging. As noted in Chapter Two, 11 entities reported the SDG profile of their 2018 expenditure to the CEB, with at least three further UN entities having SDG profiles of their expenditures despite not reporting these data to the CEB. In total, across the 14 UN entities for which numbers were available, US$ 20.4 billion of expenditure was linked to SDGs, or 39% of all 2018 UN expenditure. This percentage is expected to increase rapidly in the coming years, as the UN proceeds through the transitionary period for full implementation of this standard.

6 *Which contributors are funding the UN?*

The Contributor Standard provides codes and guidance on reporting revenue by contributor. While reporting against this new standard has generally been satisfactory, UN entities failed to indicate contributor types for 6% of revenue reported to the CEB. This absence of reporting against contributor type (and, when the revenue originated from a government, against country) was notably significant for those organisations that (almost) fully report their revenue under 'fees and other revenues'. It is hoped that the percentage of 'unidentified' contributions will ultimately fall to (close to) zero.

What is being done to address remaining challenges?

Currently, UN system-wide financial data do not yet fully meet the data-quality expectations of UN Member States and UN management. The process of change that began with the approval of the UN data standards for financial reporting in 2018 is ongoing, and fits neatly within the broader framework set out by the recently adopted UN Data Strategy (see Part Three). Though seeing the process through will require concerted efforts and tenacity across the UN system, it is clear the vision and momentum are there. Below, we provide a quick snapshot of some of the work currently taking place to improve UN system-wide data:

- UN entities are currently doing the hard work of integrating the UN data standards into their own enterprise resource-planning systems.

- The data collection templates used for the 2019 CEB financial statistics exercise have been refined to take into account lessons learned from 2018. Moreover, UN entities have again received training on how to report against the UN data standards. This should result in the 2019 data being of a higher quality than the previous year.

- The CEB is developing more detailed guidance to support their system-wide financial reporting and to complement what is already covered in the UN data standards. This includes guidance regarding eliminating (at the level of the CEB) double counting, allocating operating costs to UN functions, and allocating expenditures to beneficiary locations.

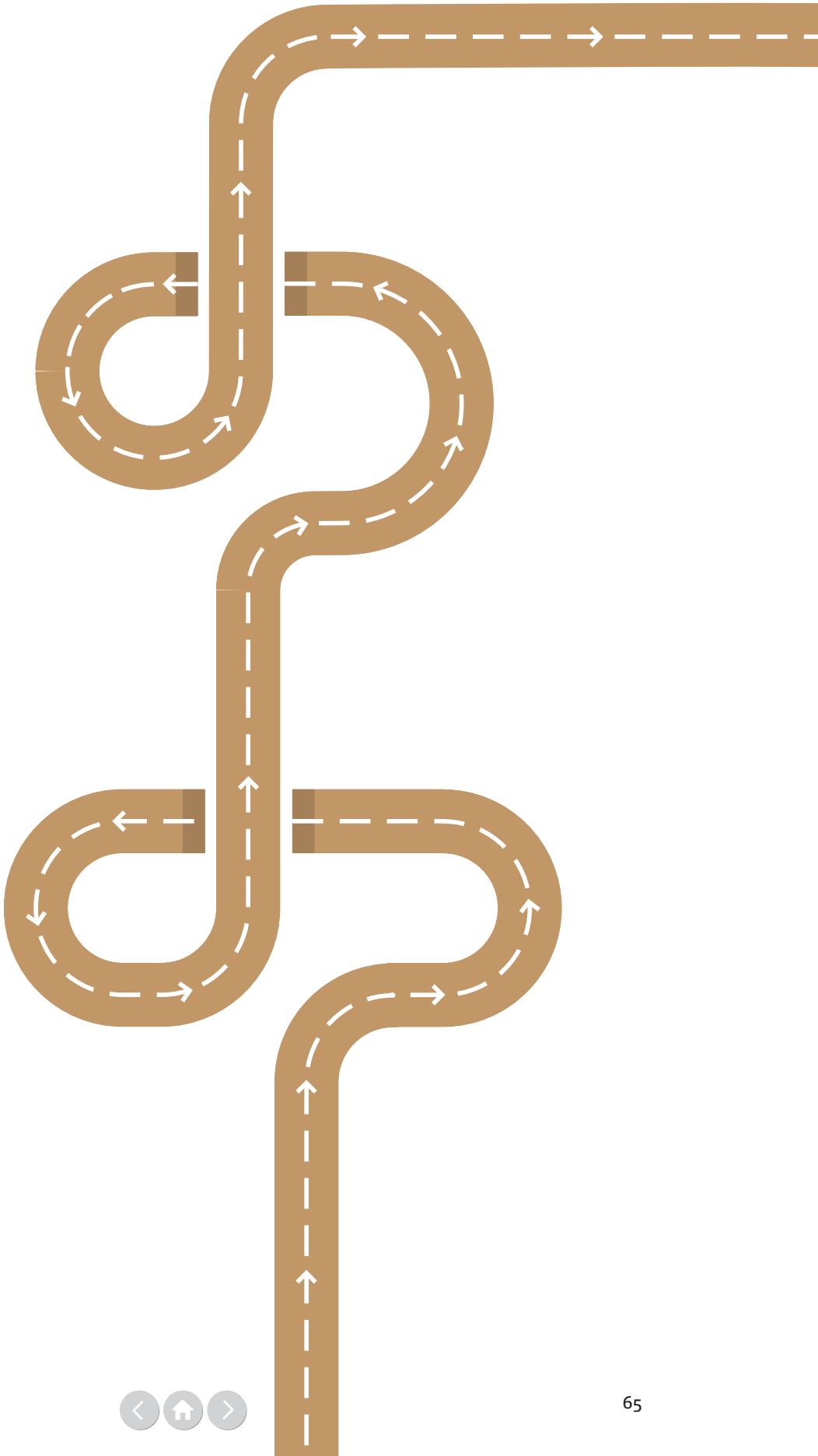
- Efforts are being made to further strengthen collaboration both within and outside the UN system. Thus, the CEB and the UN Sustainable Development Group (UNSDG) are considering how to better integrate the data in the UN pooled funds database with the CEB system-wide financial data. The CEB is also working on further harmonising UN code lists with those used by the OECD and the International Aid Transparency Initiative (IATI).

- Conversations are continuing on a common minimum financial dataset, to be used for disaggregated financial data below the level of the financial statements. Ideally, a minimum dataset with data disaggregated to activities/projects would be used for publishing to IATI and reporting to the OECD on Total Official Support for Sustainable Development (TOSSD).

- Over the coming year or two, reporting to the CEB should ideally move from reporting at the aggregated, financial-statement level to reporting at the disaggregated level. Only in this way will the UN be able to create a single 'data cube' with disaggregated data across multiple dimensions, which can be used for analysis, decision-making and for reporting by and to all UN stakeholders.

A final word

In the 2016 edition of *Financing the UN Development System*, the Multi-Partner Trust Fund Office and the Dag Hammarskjöld Foundation made a commitment to partner with others in supporting the generation of strategically important UNDS system-wide data.[14] In the spirit of that commitment, we expect to use future editions of this report to deepen our analysis of the UN's system-wide data, and to monitor progress in improving data quality. Furthermore, we will continue to advocate for any work that needs to be done 'to strengthen the analytical quality of system-wide reporting on funding, performance and programme results … aligned with the Sustainable Development Goals', and 'for the publication of timely, reliable, verifiable and comparable system-wide and entity-level data, definitions and classifications'.[15]



PART TWO

Financing the Sustainable Development Goals

International financing of the Sustainable Development Goals

by Homi Kharas

From crisis to recovery: Building back better from COVID-19 through integrated national financing frameworks and SDG financing strategies

By Emily Davis, Orria Goni and Thomas Beloe

Reinforcing forces? New technologies and investment in sustainable development

By Navid Hanif and Philipp Erfurth

PART TWO

Overview

In his report on the socio-economic impact of the coronavirus pandemic, the United Nations Secretary-General argues that developing countries require more support in order to avoid becoming a long-term brake on global economic recovery. The paper by **Homi Kharas**, which opens Part Two, puts this emerging debate on support for developing countries in context by looking at trends in the international financing of the SDGs prior to the pandemic. In doing so, four points are identified.

Firstly, private financing of public investment had already started to fall prior to the crisis – that fall is now accelerating. Secondly, the narrative of large Chinese investments is outdated, as they likely peaked around 2017. Thirdly, while official aid has not increased, nor has it fallen, as can be seen by recent replenishments in the international financial institutions (IFIs). Kharas discusses the current status of negotiations around Total Official Support for Sustainable Development, arguing in favour of making progress on a new framework incorporating an acceptable governance structure. Fourthly, there is a large gap between actual spending and what is needed for developing countries to achieve the SDGs, with the gap shrinking as per capita gross domestic product (GDP) rises. Kharas stresses that economic growth, and associated increases in domestic revenues, is far and away the largest driver of new financing for the SDGs, estimating that spending on the SDGs by developing countries could increase by US$ 7 trillion as a result.

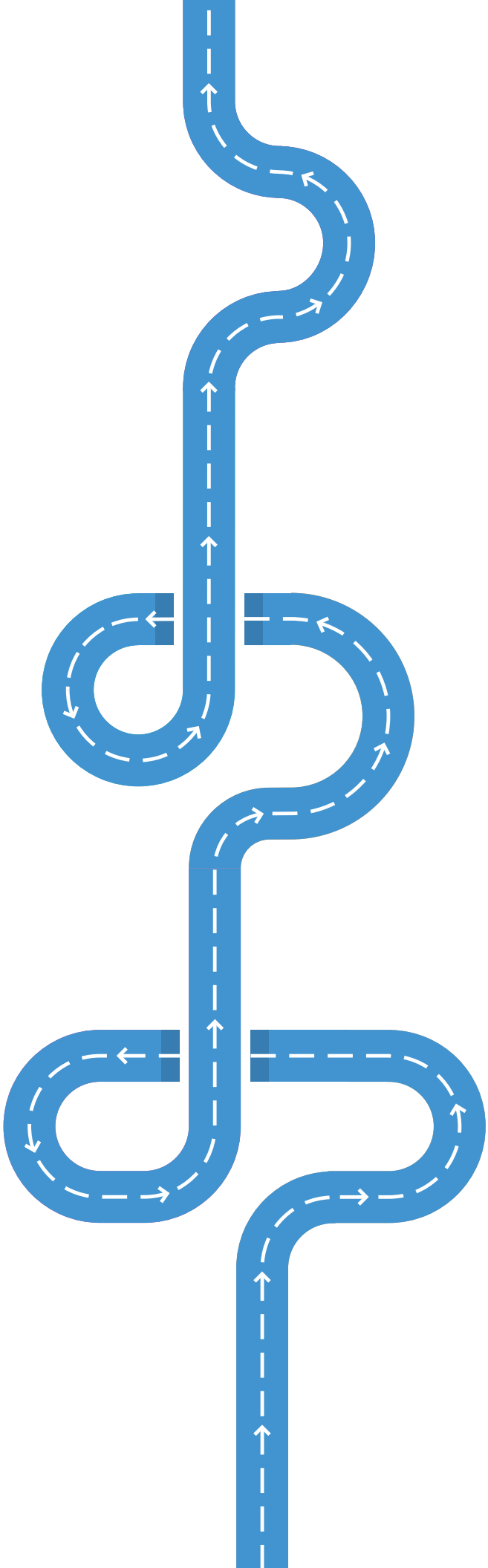
Emily Davis, Orria Goni and **Thomas Beloe** complement the above overview of international financing of the SDGs with a paper focused on the push for integrated national financing frameworks (INFFs) and national-level SDG financing strategies. As the authors argue, financing strategies that put the SDGs at the heart of recovery are crucial. The UN and its partners, including the International Monetary Fund (IMF) and the EU, have been supporting countries in building INFFs, the key building blocks of which comprise assessment and diagnostics; financing strategies; monitoring and review; and governance and coordination. INFFs can be designed and leveraged in this context to support countries in maximising their resources, but only if governments, partners, the private sector and civil society get behind a common, holistic and ambitious framework for achieving the SDGs.

Next, **Navid Hanif** and **Philipp Erfurth** focus on the nexus between technology and investment for sustainable development, arguing that to achieve Agenda 2030 a symbiotic relationship between the two forces is required: investment in emerging technologies can help accelerate achievement of the SDGs, while grasping the benefits of new technologies can help accelerate investment in sustainable development. Both forces face the overarching challenge that developing countries have, thus far, largely been left behind. Investment in technologies that advance sustainable development, including cleantech investments, is heavily concentrated in developed countries, as are environmental, social and governance (ESG) investments. If progress is to be made during the Decade of Action, the finance ecosystem must facilitate the efficient channelling of investment to developing countries. Also critical is reaching a clear definition of what constitutes investment in sustainable development, as well as achieving common standards for reporting.

This overview was written just as COVID-19 began dramatically changing our lives. The cumulative effect of the pandemic, its devastating impact on the global

economy, and the dramatic expansion of unemployment means we are entering uncharted waters. WFP has warned the Security Council that in addition to the threat posed by COVID-19, the world faces 'multiple famines of biblical proportions' – a hunger pandemic potentially taking 265 million people to the brink of starvation by the end of 2020.

On 28 May 2020, the Secretary-General convened the High-Level Event on Financing for Development in the Era of COVID-19 and Beyond. Here, areas of concrete action were discussed, including: expanding liquidity in the global economy and maintaining financial stability; saving lives and livelihoods by addressing developing countries' debt vulnerabilities; creating spaces in which private sector creditors can proactively engage in effective and timely solutions; ensuring inclusive growth and job creation by setting out prerequisites for enhancing external finance and remittances; preventing illicit financial flows through measures aimed at expanding fiscal space and fostering domestic resource mobilisation; and aligning recovery policies with the SDGs in order to ensure a sustainable and inclusive recovery.



International financing of the Sustainable Development Goals

By Homi Kharas

Homi Kharas is a Senior Fellow at the Brookings Institution, a nonprofit public policy organisation that brings together more than 300 leading experts in government and academia from all over the world. Homi studies policies and trends influencing developing countries, including aid to poor countries, the emergence of the middle class, global governance and the G20.

The author wishes to acknowledge the support of Meagan Dooley in putting together the data for this piece.

In the UN Secretary-General's report on the socio-economic impact of the coronavirus pandemic, he argued that more support for developing countries would be needed to avoid them becoming a long-term brake on global economic recovery.[1] He also noted that had more progress been made on the Sustainable Development Goals, the challenge posed by the pandemic would have been easier to manage. This article looks at trends in the international financing of the SDGs prior to the pandemic, thereby putting in context the emerging debate on support for developing countries.

Four points are made. First, private financing of public investment had already started to fall prior to the crisis. That fall is now accelerating. Second, the narrative of large Chinese investments is outdated, as they likely peaked around 2017. Today's debate is about whether China will provide enough new disbursements to offset high debt service and so register positive net transfers to developing countries. Third, worries over aid fatigue are overblown. Official aid has not increased, but nor has it fallen, as can be seen in the fact that major aid agencies were properly funded in 2019. Fourth, there is a large gap between actual spending and what is needed for developing countries to achieve the SDGs, with the gap shrinking as per capita GDP rises. The size of the gap depends heavily on domestic resource mobilisation which, in turn, depends on prospects for developing-country growth. A low growth global context will compound developing-country problems.

To put the issue in context, while the IMF has proposed that emerging markets may need US$ 2.5 trillion to deal with the crisis[2], international financing of the SDGs probably fell in nominal terms in 2018 to US$ 669 billion, compared to a revised estimate of US$ 748 billion in 2017. This is a fall of 11%, largely driven by a sharp reduction in private lending through banks and bond markets to sovereign developing-country governments.

Four large blocs of international financing for the SDGs are assessed below: 1) bilateral flows from members of the Development Assistance Committee (DAC) of the OECD; 2) multilateral flows channelled by Member States through international financial institutions and other agencies, including the United Nations; 3) bilateral flows from non-DAC member countries; and 4) private financing.[3]

Private finance is now falling

The most significant change in financing in 2018 was the fall in private bank lending and bond offerings to sovereign governments. Despite record low and risk-free interest rates in international capital markets, developing countries reduced their borrowings from private sources from US$ 434 billion in 2017 to US$ 342 billion in 2018.

Capital markets were volatile in 2018, with higher US interest rates in the second quarter and the start of a tariff war between the United States and China setting markets on edge. However, country risk premiums then stabilised and narrowed. In 2019, bond flows into emerging markets recovered strongly as investors chasing yield transferred funds out of the estimated US$ 17 trillion held in rich-country bonds, which were yielding negative real returns.

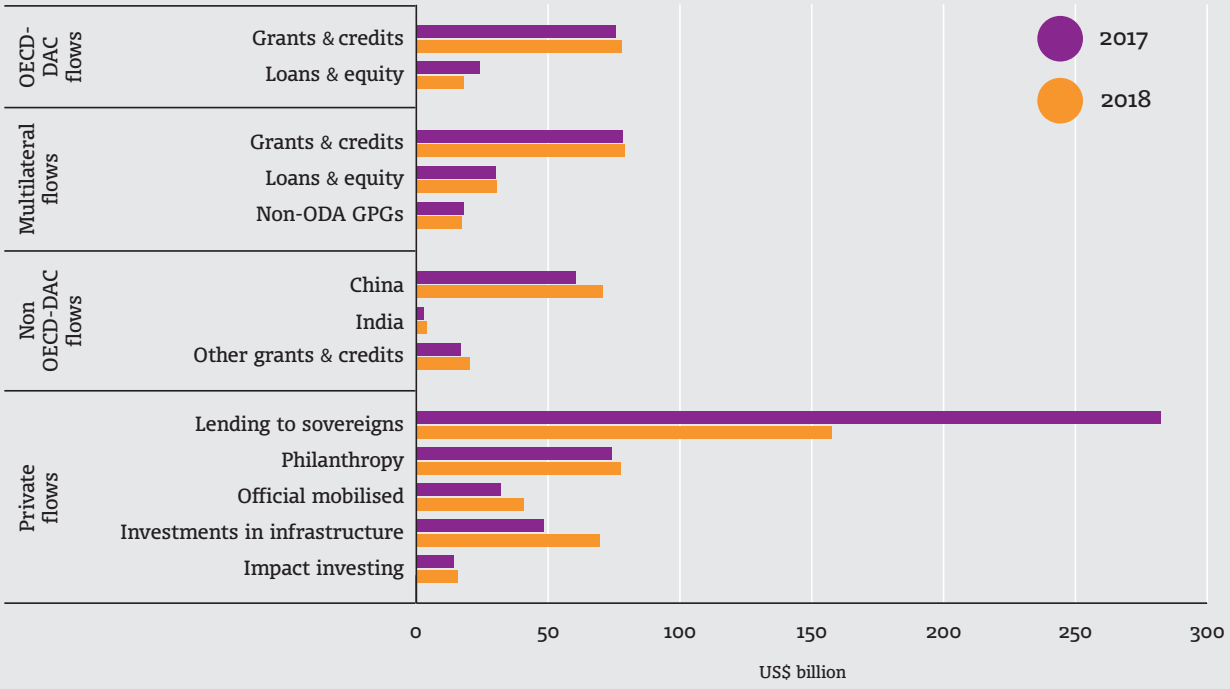
While other components of private finance have shown steady growth, the magnitudes are far smaller. Private investments in infrastructure – including energy, transport, information and communications technologies (ICTs) and water – rebounded from very low levels in 2017 to reach US$ 68.5 billion in 2018, but remain well below the 2012 peak of US$ 130 billion. Early indications are that in the first half of the 2019 fiscal year, these flows fell again to just US$ 20 billion.

In the immediate aftermath of the World Health Organization's announcement of a pandemic, there has been a massive flight to financial safety. Emerging markets saw an outflow of roughly US$ 100 billion in March and April 2020 alone. Spreads on their bonds tightened significantly. As of early May, over 100 countries have requested rapid access to resources from the World Bank and the IMF, with new proposals for debt standstills and other forbearance measures on the table.

All this reinforces the point that despite advances in some areas, private financing is highly volatile in its response to global market and country-specific conditions, and is not a stable source of long-term capital for financing the SDGs at affordable rates. Indeed, the strictures of such international regulatory structures as Basel III and Solvency 2 have re-oriented private finance away from developing countries. Academic research suggests that the net stable funding ratio and the liquidity coverage ratio of Basel III has led to a stalling of finance for developing-country infrastructure, while encouraging it in advanced countries.[4]

One bright spot, however, is that impact investing into developing countries continues to grow. Although the base is small compared to need, this may be starting to change. In April 2019, the International Finance Corporation launched its new operating principles for impact management, with the aim of establishing common disciplines and standards for the impact-investing industry. Eighty-seven companies from around the world have signed up to these principles, which will entail publishing an annual disclosure statement detailing their commitment to regular independent verification of how they use the principles in their investment processes. In parallel, the UN Secretary-General has convened 30 CEOs of major financial institutions and corporations in the Global Investors for Sustainable Development (GISD) alliance, with the objective of enhancing the impact of private investment on sustainable development. While these are positive developments in demonstrating the extent to which the SDG framework has penetrated corporate decision-making, it is too early to tell whether the pandemic will reinforce or attenuate this.

Figure 1: Broadly-defined international development contributions (current US$ billion)



Sources: Author's estimates based on publicly available sources. Details available upon request.

China lending (and other non-DAC flows) is yesterday's story

In recent years, one of the main stories in development financing has been the large volumes of credits extended to developing countries by the China Exim Bank, and to a lesser degree the China Development Bank. The size of these credits, in aggregate and on a country-by-country basis, remain unclear, with no official data to corroborate the many press reports and announcements made. This has generated a cottage industry around estimating Chinese aid and other forms of development cooperation.

The most credible sources suggest that Chinese foreign aid, meaning grants and concessional loans, has in fact been increasing, accounting for about US$ 5.7 billion in 2018.[5] This makes China the seventh-largest aid donor in the world, below the United Kingdom with US$ 8 billion. In March 2018, the National People's Congress approved the establishment of the China International Development Cooperation Agency to formulate strategic guidance and coordinate China's official foreign aid.

The controversy over China's development cooperation, however, is not about its aid but rather its non-concessional credits, largely through the China Exim Bank. Many of these credits have gone to supporting the Belt and Road Initiative (BRI), and were ramped up as the initiative gained momentum. Lending from the China Exim Bank seems to have peaked in 2017 and 2018, with data from 2018 showing a further expansion to US$ 64 billion in net new flows. However, more recent data reveals that Chinese lending has since been sharply curtailed. For example, detailed tracking by Boston University's Global Development Policy Center of China's global energy finance, one of the primary drivers of credits, suggests that flows in 2019 fell to just US$ 3.2 billion, compared to US$ 45.7 billion in 2016. The pattern seems to be one of large up-front credits to support the BRI and other countries as programmes are announced, followed by a period of consolidation and implementation.[6]

The story for India is similar. India's foreign aid and capacity-building programmes are stable, at around US$ 1.2 billion per year in 2018, but the main form of development cooperation is through the extension and use of credit lines provided by its Exim Bank. These have been volatile, falling from US$ 9.4 billion in 2016 to US$ 2 billion in 2017, but potentially rebounding to US$ 3.6 billion in 2018.

Development cooperation from China and India has largely taken the form of loans and credits, rather than grants. In the current environment, where many developing countries are seeing sharp reductions in foreign-exchange earnings, debt-service difficulties are growing. Argentina, Lebanon and Venezuela have already started negotiations with their creditors, while the World Bank and the IMF have called for debt forbearance from bilateral official creditors, a proposal endorsed by the G20. The narrative has now changed to how countries such as China and India will engage with developing-country debtors on their current debt service, rather than whether they will provide large additional loans.

Official aid has held steady

There was a considerable bunching of replenishments of major international development agency funds in 2019, with concern that aid levels would fall as a consequence. In the last quarter of 2019, pledges were made to five institutions: 1) the new International Finance Facility for Education; 2) the Global Fund; 3) the Green Climate Fund; 4) the African Development Fund; and 5) the International Development Association.

Official donors stepped up to the plate, with most agencies receiving what they had requested and, in all cases, pledges exceeding previous volumes. Developing countries also contributed to these funds in a growing show of solidarity and sense of global purpose. The African Development Fund got a boost of 32% compared to its previous level, although this fell short of the amount it sought for its ambitious plans to provide quality and sustainable infrastructure for transformation and regional integration, and to promote human capital and better governance for inclusive growth and job creation. A new International Finance Facility for Education was launched, with a financial structure that will allow donor contributions to be multiplied several times over through use of a guarantee instrument. The Green Climate Fund also raised more in pledges despite no contributions being forthcoming from the United States and Australia.[7] The largest replenishment, IDA19, which is focused on scaling up to achieve the global community's ambition of eradicating extreme poverty and sharing prosperity in the ten years to 2030, saw an increase of 3% in real terms. IDA's themes of growth, people and resilience translate into programmes that address jobs and economic transformation; fragility, conflict and violence (FCV); climate change; governance and institutions; and gender and development.

While individual agencies saw an increase in aid pledges, actual flows of concessional country programmable aid to developing countries barely changed in 2018, and preliminary data for 2019 suggest a small fall. The reality is that budgets for foreign development cooperation remain tight. Despite rising concerns about debt levels in developing countries (as of November 2019, the IMF lists nine countries in debt distress, 25 more at high risk and a further 23 countries at moderate risk; with only

16 countries at low risk of debt distress)[8], donors are unprepared to substitute concessional funds for market-based funds for development. In some instances, they are even using concessional funds to mobilise more private finance. This apparent incoherence in development approach is behind controversy provoked by new mobilisation instruments, such as the International Financing Facility for Education.

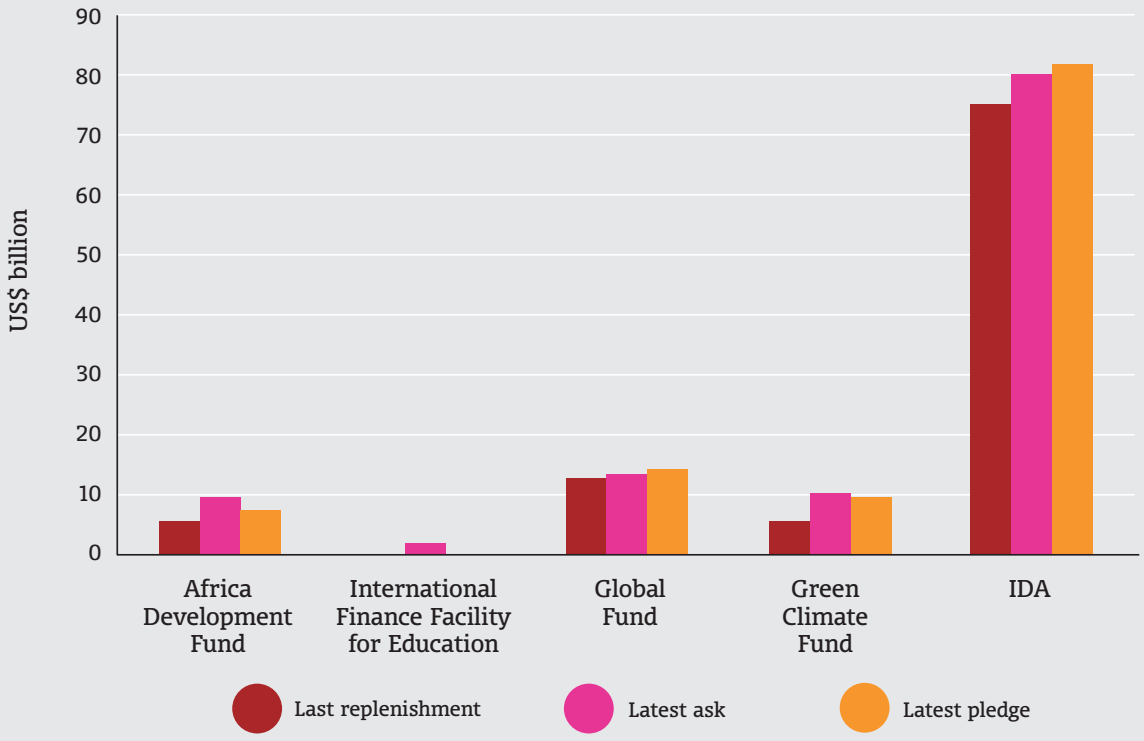
Financing needs for an SDG economy

An SDG economy is one that embraces the ambitions and goals outlined in Agenda 2030 and the Addis Ababa Action Agenda. Agenda 2030 seeks to end global poverty and hunger, as well as create the conditions for sustainable, inclusive and sustained economic growth. The Addis Ababa Agenda, meanwhile, gets into the modalities, calling for a new social compact that delivers essential public services and social protection for all, consistent with national sustainable development strategies.

Three important points are relevant here for understanding the financing needs of an SDG economy. The first relates to the link between public spending levels and development outcomes. As John McArthur and I have shown[9], there is a high degree of variance in this relationship across countries. For example, looking across countries that in 2015 had an under-five mortality rate of around 50 deaths per 1,000 live births, one finds Eritrea spending US$ 6 per capita per year on public health, and Gabon spending US$ 122 per capita. So even though there is on average a strong correlation across countries between under-five mortality rates and public health spending levels, the amounts individual countries need to spend to achieve given outcomes can vary significantly.

Second, the impact of spending on the SDGs depends on the timing, sequencing and interaction of interventions. For example, planning and building infrastructure in a sustainable way will likely cost less than if the wrong kind of infrastructure is built quickly and then later retrofitted to be consistent with the 2030 goals. Further, there are important elements of overlap between individual elements of the SDGs, sometimes captured in the concept of multi-dimensional anti-poverty programmes or in comprehensive development programmes for specific geographic areas.

Figure 2: Replenishment updates in 2019



Note: Initial replenishment for Green Climate Fund has been adjusted to a four-year period to make it comparable to the replenishment. African Development Fund ask taken from priorities for ADF14.
Sources: Author's estimates from publicly available documents. Details available upon request.

Third, it must be understood that spending more public funds is not necessarily the appropriate response for all SDG targets. Examples of needed public policy changes here include good governance and conflict reduction; regulatory changes making the allocation of capital more SDG-friendly; standardised corporate reporting standards that allow investors to consider alternative aspects of impact; and transparency-facilitating consumer preferences to be brought to bear on market conditions.

For all these reasons, country-by-country estimates of what is being spent on the SDGs – by sector and in total – and what might be needed to meet each target by 2030, as well as the gap between the two, must be treated with caution. Our estimates are reproduced in Figure 3, using 2025 as an average reference point.[10]

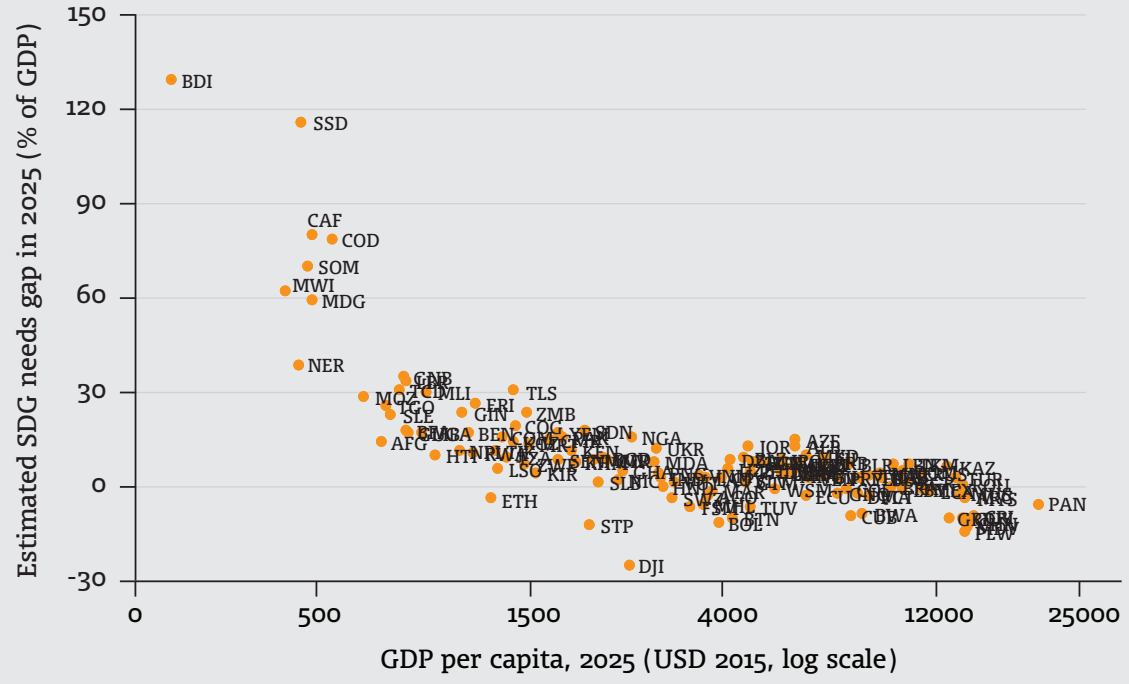
The numbers in Figure 3 incorporate trend projections for more domestic revenue mobilisation as countries get richer over time. Economic growth, and the associated increase in domestic revenues, is far and away the largest driver of new financing for the SDGs. By our estimates, developing countries as a group could spend US$ 7 trillion more on the SDGs as a result of economic growth. This is mostly in upper-middle-income countries, but even low-income and lower-middle-income countries could see domestic revenue increases of US$ 1.2 trillion by 2030.[11]

Nevertheless, many countries will still have a gap between domestic revenues and spending needs, although, as Figure 3 shows, not all currently developing countries have a positive gap. Some, such as Ethiopia, and and São Tomé and Príncipe, may have sufficient revenue to undertake the required levels of public spending. However, most low-income and lower-middle-income countries do have a financing gap, as do many, though not all, upper-middle-income countries. Looking at the lower-right section of Figure 3, some 34 developing countries do not show any sizable gap, suggesting that their challenge is not the overall level of financing for the SDGs but rather the overall effectiveness of their spending.

Estimated SDG needs gaps for developing countries (2025 projections)

Taking a country-by-country approach to SDG spending, needs and gaps yields a different perspective compared to traditional SDG costing exercises. The latter tend to take average unit costs and apply them across all countries. In our case, we adjust for country-specific costs, actual spending levels, and likely future domestic resource mobilization.

Figure 3: Estimated SDG needs gaps for developing countries in 2025



Source: Homi Kharas and John McArthur, 'Building the SDG Economy'
For notes – see footnote 9

Using this approach, the total financing gap for low-income countries in 2025 is US$ 150 billion per year over and above existing financing flows. While such a level of assistance is large, it is not impossible, representing less than 0.3 percent of projected advanced-economy GDP in 2025.

The price tags for lower-middle-income countries (US$ 550 billion per year) and upper-middle-income countries (US$ 220 billion) are higher, but these countries are more easily able to attract private capital to help fill these gaps.

TOSSD in or out?

International finance supporting the SDGs does not yet have statistical systems that can record and analyse resource cross-border flows along with global and regional expenditures. However, there are efforts to remedy this, with the international task force on Total Official Support for Sustainable Development (TOSSD) proposing a set of norms it hopes will become 'the pre-eminent measure of financing sustainable development of developing countries' within five years.[12] In initial pilots, TOSSD has shown its value added – its surveys are more comprehensive and have resulted in higher levels of country programmable aid being recorded (Pillar I). It also explicitly identifies global and regional expenditures (on public goods and regional challenges, as well as development enablers like peacekeeping) through Pillar II in a way that goes beyond ODA, with its more narrowly defined main objective of promoting the economic development and welfare of developing countries.

Even so, TOSSD has shortcomings. It does not include the bulk of private flows for sustainable development, including the public and publicly guaranteed bonds and bank credits that developing-country governments raise to finance their expenditures. Several official agencies, including those of China and India, are not yet providing data to the TOSSD framework. Issues such as how to value in-kind technical assistance and how to identify activities that support sustainability in a consistent way are still under debate, and before becoming operational the framework's norms and standards need to be widely accepted.

The task force has expressed a view that, given its focus on sustainable development, the UN would provide a natural home for TOSSD. However, an acceptable governance structure has yet to be articulated. Concerns have been raised that TOSSD will distract from the ambition to raise ODA, that it will impose fresh statistical burdens on agencies, and that it will create bureaucracies rather than results. There is not yet the strong political support needed for TOSSD to move forward.

This is unfortunate. My own experience of assembling numbers on cross-border resources in support of sustainable development is that order-of-magnitude estimates can be pieced together without excessive effort, and so an organised process would surely generate substantial improvements at fairly low cost. TOSSD focuses on official support for public investments. But the SDGs require private and public investment, financed by private and official sources of financing – a 2x2 matrix of financing sources and spending. It is important that the large pool of public and publicly guaranteed bonds and bank loans that also finance public investments are not ignored. The same holds true for the private investment in infrastructure, impact investing and private philanthropy supporting private investments in the SDGs. There is even some official support for private investments, through agencies like the International Finance Corporation, that should be clearly distinguished from official support for public investments. Ignoring flows in any of the four quadrants prevents a comprehensive understanding of cross-border financing in support of the SDGs.

Footnotes

[1] United Nations, 'Shared Responsibility, Global Solidarity: Responding to the Socio-economic Impacts of COVID-19' (report, UN, March 2020). www.un.org/sites/un2.un.org/files/sg_report_socio-economic_impact_of_covid19.pdf

[2] Eric Marton, 'IMF sees developing nations needing $2.5 trillion for virus' (online article, Bloomberg, 27 March 2020). www.bloomberg.com/news/articles/2020-03-27/imf-sees-developing-nations-needing-2-5-trillion-for-virus

[3] Before describing the data for 2018, it is worth highlighting revisions to the 2017 figures provided by the World Bank and the DAC, from which we draw much of this data. There is considerable uncertainty in the size of private and non-DAC official flows, as there is no formal international statistical system to record them. Yet we believe that as these two blocs account for about two-thirds of all financing to developing economies, it is better to estimate flows, however crudely, than to ignore them entirely. In the case of private lending to sovereigns, we use balance-of-payments data on flows of public and publicly guaranteed debt provided by the World Bank. This shows net flows to be US$ 50 billion higher in 2017 than previously announced. We also have sources suggesting a major upwards revision to lending by China, largely through its Exim Bank, and a sizable fall in the utilisation of export credits granted by India. Altogether, the 2017 figures have been revised up from US$ 675 billion to US$ 748 billion.

[4] CGD Task Force, 'Making Basel III Work for Emerging Markets and Developing Economies' (report, Center for Capital Development, 2019). www.cgdev.org/publication/making-basel-iii-work-emerging-markets-and-developing-economies

[5] Naohiro Kitano, 'Estimating China's Foreign Aid: 2017–2018 Preliminary Figures' (paper, JICA Research Institute, 27 September 2019). www.jica.go.jp/jica-ri/publication/other/l75nbg000018z3zd-att/20190926_01.pdf

[6] Boston University Global Development Policy Center, 'China's global energy finance' (webpage, Boston University). www.bu.edu/cgef/#/2016/Country

[7] Johannes F. Linn, 'Mobilizing funds to combat climate change: Lessons from the first replenishment of the Green Climate Fund' (online article, Brookings Institution, 18 February 2020). www.brookings.edu/blog/future-development/2020/02/18/mobilizing-funds-to-combat-climate-change-lessons-from-the-first-replenishment-of-the-green-climate-fund/

[8] International Monetary Fund, 'List of LIC DSAs for PRGT-Eligible Countries as of April 30, 2020' (list, IMF, 2020). www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf

[9] Homi Kharas and John McArthur, 'Building the SDG Economy: Needs, Spending, and Financing for Universal Achievement of the Sustainable Development Goals' (working paper, Global Economy and Development at Brookings, October 2019). www.brookings.edu/wp-content/uploads/2019/10/Building-the-SDG-economy.pdf

[10] Homi Kharas and John McArthur, 'Building the SDG Economy', see footnote 9.

[11] The calculations in the cited paper were made prior to the sharp downward revisions in growth caused by the COVID-19 response. Actual revenue increases will accordingly be substantially smaller than these figures.

[12] Laurent Sarazin and Risenga Maluleke, 'Draft TOSSD Strategy Paper by the Co-chairs of the International TOSSD Task Force', (draft paper, TOSSD Task Force, 12–13 February 2020). www.oecd.org/dac/financing-sustainable-development/development-finance-standards/2020-01-28%20TOSSD%20Strategy%20Paper_final.pdf

From crisis to recovery:
Building back better from COVID-19 through integrated national financing frameworks and SDG financing strategies

By Emily Davis, Orria Goni and Thomas Beloe

The authors all work with UNDP's Finance Sector Hub, which supports governments and the private sector in mobilising and aligning finance with the Sustainable Development Goals.

Emily Davis is the SDG Finance Policy Specialist for UNDP's Finance Sector Hub in the Asia-Pacific. She supports ministries of finance in the region on designing and implementing integrated approaches to financing policies and manages the country-led platform for public-private collaboration on integrated national financing frameworks: the Asia-Pacific SDG Financing Facility (APFIN).

Orria Goni is a lawyer and development cooperation expert with 20 years of experience, currently serving as the Team Leader of the SDG Financing and South-South Cooperation Team within UNDP's newly established Finance Sector Hub Africa, in Pretoria. Her work is to support sub-Saharan African countries to find innovative financing solutions for SDG implementation, putting the SDGs at the heart of the financing systems, and promoting south–south and triangular cooperation partnerships.

Thomas Beloe is an SDG Finance Advisor working in the UNDP Finance Sector Hub and advises across UNDP's portfolio globally. He leads UNDP's support to governments in developing integrated national financing frameworks for the achievement of their national development priorities and the SDGs. He has worked with UNDP in Africa and the Asia-Pacific, as well as in the UK Department for International Development.

The vast economic and social repercussions of the global COVID-19 pandemic are threatening to derail implementation of the Addis Ababa Action Agenda and achievement of the Sustainable Development which used it as well. As indicated in the Inter-agency Task Force on Financing for Development (IATF)'s 2020 Financing for Sustainable Development Report (FSDR), even prior to the pandemic there was backsliding in the environmental and social areas of sustainable development.[1] With global financial markets now suffering heavy losses and intense volatility due to the COVID-19 crisis, the prospect of a new debt crisis is particularly worrying.

Financing strategies focused on putting the SDGs at the heart of recovery are crucial, a conclusion that is in line with those of the Secretary-General's Strategy for Financing the 2030 Agenda for Sustainable Development, which underscores the United Nations' critical role in transforming the financial system.[2] In responding to the COVID-19 outbreak, Member States and the UN must work together to support public and private partners manage their finances. Without a more robust approach to financing the SDGs, there can be no sustained recovery.

The UN and its partners – including the International Monetary Fund and the European Union – have been assisting countries to build integrated national financing frameworks that aim towards achievement of the SDGs. These INFFs comprehensively articulate how tax revenues, improved spending efficiency, debt management, international development cooperation, and foreign and domestic private-sector investment, can be aligned with national development priorities. In the context of COVID-19, such comprehensive frameworks can play a major role in financing the response to the pandemic and its economic fallout. In order to help countries strengthen INFFs, the IATF set out four key building blocks in its 2019 FSDR, consisting of: 1) assessment and diagnostics; 2) financing strategies; 3) monitoring and review; and 4) governance and coordination.[3] Based on this framework and the many challenges presented by the COVID-19 response, governments and other actors involved in supporting country priorities will need to give serious thought to the financing considerations elaborated below.

Developing SDG financing strategies

The COVID-19 pandemic has provoked rapidly changing trends in financing flows. As a result, governments must be able to monitor such flows and their impacts, while also putting in place measures to scale up finance for recovery. Large-scale counter-cyclical spending is urgently required everywhere, and while most countries are currently in the response phase, governments will soon need to develop national recovery plans. This will involve exploring different models of financing support. These recovery plans – and the new generation of medium-term development plans and financing strategies that will accompany them – must respond both to the social and economic impacts of the pandemic and find ways to accelerate future progress toward the SDGs. Thus, delivering them will require financing strategies that outline how public and private financing policies should be adapted, sequenced and prioritised in order to mobilise required investments, while at the same time maintaining the longer-term objective of SDG achievement.

Delivery will also require accurate data – including on usage and impact – on the full range of finance flows across public, private, domestic and international sources. This can be managed through the establishment of integrated COVID-19 and SDG financing dashboards, which track the inflow and interaction of financing flows. Such flows may include, among others: tax and non-tax revenues; bilateral grants; vertical funds; remittances; IFIs and development finance institution loans; and foreign direct investment. Utilising this data, short-term forecasting can then be integrated into flexible SDG financing strategies. The dashboards will, in addition, help promote risk modelling and digital financing mechanisms within overall finance management system. Widespread societal action, cohesion and solidarity are crucial for COVID-19 recovery and resilience against compound shocks. In a situation where governments are overwhelmed and adjusting, the private sector in particular has a critical role to play in aligning financing – providing access to innovative technology through investment, know-how and the strengthening of human resources and institutional capacity. Central to these endeavours will be building trust in the institutions responsible for making far-reaching financial decisions that will impact the future of sustainable development.

Strengthening transparency and accountability

Sustainable recovery will not be possible without robust frameworks for transparency and accountability. In constructing a financing system for the future, sustainable development must be placed at its heart, with the public and private sectors accountable for meeting SDG objectives.

Country case study: Indonesia

The INFF adopted by the Government of Indonesia provides an instructive example of a more systematic, holistic approach to financing national sustainable development objectives. Many of the INFF building blocks are in place: financing strategies have been articulated to support Indonesia's medium-term development plan (RPJMN) and SDG roadmap; monitoring frameworks are in place to track progress towards the country's sustainable development vision; separate systems are also in place to track public finance investments and trends in wider resources; and institutional mechanisms have been established to coordinate delivery of the RPJMN and SDGs.

The planned development of an SDG financing hub within Indonesia's Ministry of National Development Planning (Bappenas – the lead ministry for SDG implementation) is a key vehicle for operationalising the INFF. The hub is to play a vital coordination and coherence-building role, bringing together various financing policy areas – as well as the ministries and actors responsible for them – in order to build a more holistic approach to financing sustainable development.

A major planned output of Indonesia's INFF is an integrated, gender-responsive strategy that will connect policy, governance approaches and financing instruments across public and private finance. In the process, a more comprehensive, coherent approach to using public policy tools in support of financing national sustainable development objectives will – it is hoped – be articulated. This also has the potential to help identify and test new models that may unlock greater financing or impact in specific areas, including: domestic revenue mobilisation; quality of public spending in areas such as performance budgeting and local government transfers; debt management; leveraging of remittances; and unlocking of commercial investment in more inclusive, sustainable business models. In addition, the strategy will ensure SDG-financing priorities are articulated and taken into consideration amid the unfolding socioeconomic impacts of the COVID-19 pandemic. Finally, risk management will be integrated to ensure that the future impacts of pandemics or other exogenous shocks are better mitigated.

National budgets are critical to financing sustainable recovery, both in terms of domestic and international public finance. In practical terms, any successful transition from COVID-19 response to COVID-19 recovery requires that a coherent approach to budgetary management be in place. The SDGs provide an ideal framework for this, enabling government to ensure efficiency and effectiveness at a time of great fiscal constraint, providing a clear structure for accessing international public finance (including debt), and ultimately laying out a roadmap to sustainable recovery.

Country case study: Cabo Verde

As a pioneering INFF country, Cabo Verde has ensured that the INFF agenda – implemented through the SDG Fund Joint Programme – is in alignment with the government's COVID-19 response plan for resilience building and crisis prevention. The plan focuses on the areas most affected by the outbreak and the corresponding response measures, most of which coincide with the SDG accelerators identified in the SDG roadmap. The focus on SDG accelerators – including tourism, maritime transportation, agribusiness and fisheries – has allowed for holistic planning and financing processes, simultaneously promoting resilience and persistence in terms of SDG achievement. This offers a model for both the wider region and the small island developing states community. The approach involves using a medium-term expenditure framework to identify the fiscal spaces needed to recalibrate public expenditure, with particular emphasis on the COVID-19 context and the need to build resilience to external shocks. Taken together, these measures have reinforced investment flow incentives to the SDG accelerators and complementary sectors, within a broader socioeconomic restructuration process that can withstand future crises.

Furthermore, ensuring systems are in place to track budgets as they relate to the SDGs will not only build trust with citizens, but also with providers of international public finance – potentially opening the door to debt relief.

With regards to private finance, a common framework is needed to provide investors and enterprises with the parameters to transparently measure, manage and communicate not only their COVID-19 response, but their SDG contributions more generally. The United Nations Development Programme has established SDG Impact to help direct private capital towards achievement of the SDGs in meaningful, measurable ways. Under this initiative, practice assurance standards are being developed for various asset classes – including SDG bonds, private equity funds and enterprises – in order to provide enterprises and investors with the tools they need to make more targeted investments and better-informed decisions. Standardisation, transparency and assurance are necessary preconditions for market development at scale – these standards meet these needs, providing a clear and rigorous framework for evaluating SDG-benefiting initiatives.

A new generation of SDG-aligned national plans and financing strategies

As the world looks to emerge from the COVID-19 crisis into recovery, we have the opportunity to fundamentally re-examine our approach to SDG achievement and in doing so create a better, more sustainable and inclusive future for all. This translates into a (potentially) once-in-a-generation chance to get national plans right for the future. Now more than ever, the benefits of integrating the SDGs – as well as incorporating risk and external shock mitigation – into plans is clear. This should be accompanied by robust financing strategies from both public and private sources.

We know that risk is not adequately considered in many existing plans. Furthermore, that plans all-too-often sit on shelves gathering dust, and are rarely seen as a common collaborative instrument bringing together the public and private sectors. Despite this, in the face of COVID-19 the public and private sectors have found ways to work together that would have been unimaginable just a few months ago. Such public–private collaboration must be maintained and extended, with the aim of building a new generation of transformative medium-term plans and comprehensive financing strategies.

At this crucial juncture, it is incumbent on the international community to ensure an alignment of support for these national endeavours. Only by working together will countries and communities be able to emerge stronger.

Conclusion

It is clear that countries must approach financing from a holistic perspective, not only in terms of their COVID-19 responses, but in how funds are allocated, spent and leveraged for the SDGs. It is also important that the broad international community, as well as public and private finance actors, align their efforts in support of emerging COVID-19 responses. The potential for SDG-driven, national development plans with integrated financing strategies offers a unifying framework in pursuit of a common goal: a more sustainable, resilient and inclusive future for all.

Footnotes

1 Inter-agency Task Force on Financing for Development, '2020 Financing for Sustainable Development Report' (report, United Nations, 2020). https://developmentfinance.un.org/fsdr2020

2 United Nations Secretary-General, 'Secretary-General's Strategy for Financing The 2030 Agenda for Sustainable Development (2018–2021)' (strategy document, United Nations, September 2018). www.un.org/sustainabledevelopment/wp-content/uploads/2018/09/SG-Financing-Strategy_Sep2018.pdf

3 Inter-agency Task Force on Financing for Development, '2019 Financing for Sustainable Development Report' (report, United Nations, 2019). https://developmentfinance.un.org/fsdr2019

Reinforcing forces? New technologies and investment in sustainable development

By Navid Hanif and Philipp Erfurth

Navid Hanif is the Director of the Financing for Sustainable Development Office (FSDO) within the United Nations Department of Economic and Social Affairs (UN DESA). He has held several senior positions at the UN. Most recently, he was Co-chair of the team on repositioning of the UN development system and Vice Chair of the High-level Committee on Programmes. He has also served as Principal Officer in the office of the Secretary-General and led the creation of the UN DESA Strategic Planning Unit.

Philipp Erfurth is an Associate Economic Affairs Officer in the FSDO.

The views expressed in this article are those of the authors and do not necessarily reflect positions of the FSDO or UN DESA.

In 1930, the Right Honourable Earl of Birkenhead, close friend to Winston Churchill, wrote a book entitled *The World in 2030* which contains a comprehensive set of predictions of how the world would look a century later. While not all the book's prophecies are of interest to today's reader, the Earl did predict several transformations that are closely aligned with the 2030 Agenda, including energy transitions and human wellbeing. By 2030, he posited, energy would come mostly from renewable sources and, driven by technological progress, all workers would have incomes sufficiently high to allow for a decent life. In short, you may argue he predicted that three of the Sustainable Development Goals (SDG7, SDG8 and SDG9) would be fulfilled by 2030.

While the Earl of Birkenhead could not have envisaged that in 2015 world leaders would agree to an ambitious framework of action for achieving sustainable development by 2030 - ie the 2030 Agenda - his predictions were likely based on the belief that human progress – particularly technological advancement and investment in the right sectors – would set the world on track.

That, of course, is easier said (and written) than done. Yet, the two objectives of grasping technological advancements and investing in sustainable development are not mutually exclusive. On the contrary, they can be mutually reinforcing.

The technology–investment nexus in sustainable development

The conclusion that both technology and investment are needed to achieve the 2030 Agenda is self-evident and our readers have clearly not picked up this report for this insight. What is of greater interest, however, is the nexus between technology and investment for sustainable development.

Ideally, investment in sustainable development and new technologies should have a symbiotic relationship. In the sciences, three types of symbiotic relationships are commonly distinguished, one of which is mutualism, where benefits to coexistence are mutual. To achieve the 2030 Agenda, we require such a mutually symbiotic relationship between two forces: investment in emerging technologies can help accelerate achievement of the SDGs, while grasping the benefits of new technologies can help accelerate investment in sustainable development.

Investing in technology for sustainable development: From cleantech to Tech4SD investment?

The first force – investing in technology to advance sustainable development – shares an important characteristic with the overall sustainable investing space (an issue highlighted in our article in last year's report)[1], namely, the lack of a common definition and standards. While a broad range of terms refer to the space, one widely used term is 'cleantech' (clean technology) investment. The term is narrow in scope, referring to investment in clean energy and related environmental technologies. It is not a new phenomenon, with a significant surge in investment activity seen between 2006 and 2011, when over US$ 25 billion flowed into cleantech. Since this initial peak, however,

investment in cleantech has experienced some setbacks, including late payoffs associated with investing in emerging technologies, a lack of scalability of projects and fluctuations in energy prices. By some estimates, investors lost around half the capital they invested in cleantech between 2006 and 2011.[2]

Nevertheless, following this first wave, a renaissance in investment has taken place, with, by some estimates, over US$ 40 billion invested in the cleantech space.[3] Once again, however, the principle focus of investment is the energy sector. As we enter the Decade of Action, we need to shift from this narrow conception of cleantech towards what might be termed 'Tech4SD' investment (the term 'SusTech' having, unfortunately, already been taken). In other words, the scope of such investments must be extended to encompass all dimensions of sustainable development and be fully aligned with the SDGs.

If broadened beyond the environmental dimension and aligned with the SDGs, the promise is significant. For instance, accelerating investments in health technologies, particularly those that can advance delivery, would be a timely endeavour and should be seen as an investment that advances the 2030 Agenda. As the global economy seeks to recover from the fallout of the COVID-19 pandemic, it is critical that funds are channelled into recovering better and investing for the future, including in technologies that can contribute to achieving the SDGs.

Technologies as a game changer for investment in sustainable development?

This leads us to the second force, namely, harnessing technological change to accelerate investment in sustainable development.

Technology already plays a significant role in the investing landscape, with, for instance, artificial intelligence (AI) and machine learning (ML) widely applied in asset management, algorithmic trading and risk-management applications. Such technologies are also increasingly being used to enhance investing in sustainable development. Coincidentally, both trends – environmental, social and governance investing and the use of ML in finance applications – originated in the 1980s. Yet, the two trends have thus far largely developed independently.[4]

There is ample scope to better leverage synergies between the two trends. Some have argued that increased demand from millennials for both Environmental, Social and Governance (ESG) investment and mobile-friendly and innovative investment platforms may drive the increased integration of the two. Beyond a more user-friendly interface, the use of innovative technologies in ESG investment has a range of other benefits. For example, AI and ML have the potential to significantly expand access to information, as well as to help develop targets and provide tools measuring the impact and performance of sustainable development investments.

Financial market actors are already using such information to assess the ESG components of their investments. Concrete applications include real-time monitoring, modelling of potential returns and assessment of investment risks. AI can also explore new sectors in which ESG considerations have not yet been applied, thereby benefitting investors and advancing sustainable development.[5]

The rapid adoption of 'fintech' (financial technology) in financial markets can accelerate the use of SDG-based performance metrics by making ESG information more easily accessible to investors. By some estimates, 85% of individual investors have shown interest in applying ESG standards to their investments.[6] By providing easier access to ESG information, fintech can enable individual investors to turn their ESG interest into ESG investment. Fintech can also help in bypassing traditional financing solutions and offer new avenues for investing, including, for example, innovative crowdfunding and peer-to-peer (P2P) platforms.

Despite such potential, the application of digital technologies in investing is not as widespread as one might think (or hope). One major impediment to the use of AI and ML applications in the sustainable investment space is the lack of standardised data needed to inform comparable performance indicators and measurements. This is in contrast to the generic application of AI in finance, which generally relies on standardised data, including accounting data. ESG data, on the other hand, is mostly reported voluntarily and in a non-standardised fashion.

Increasingly, AI and ML applications are able to overcome this challenge. However, in order to become transformative catalysts for investment into sustainable development, these new technologies must go hand in hand with greater standardisation as well as the development of a universally accepted definition of what constitutes investment in sustainable development. In addition to these well-documented challenges, regulatory and ethical questions must be addressed. One issue is the existence of biases in some technologies, which may undermine efforts to advance sustainable development. Other challenges involve ensuring adequate consumer protection and privacy.

These issues call for a strong and proactive role of the public sector, particularly of regulatory authorities. Policies and regulatory action need to strike a careful

balance. On one hand, any negative effects of technological advancements, including on equity and privacy, must be minimised. On the other hand, there is a need to foster innovation and incentivise the adoption of emerging technologies advancing sustainable development. Such a balance can be achieved though well-designed public policies that take account of these needs.

Unleashing the reinforcing forces: Challenges and solutions

Both forces face the overarching challenge that developing countries are, thus far, largely being left behind. Investment in technologies that advance sustainable development, including cleantech investments, are heavily concentrated in developed countries, as are ESG investments. For progress to be made during the Decade of Action, the finance ecosystem must facilitate the efficient channelling of investment to developing countries.

To unlock long-term finance for sustainable development, align business practices with the SDGs, and scale up resource mobilisation in developing countries, the Secretary-General last year launched the Global Investors for Sustainable Development (GISD) Alliance, a group of 30 leading CEOs from across the globe. Since then, through global advocacy and the efforts of its working groups, GISD has pursued its mandate of delivering actionable recommendations and concrete initiatives. In particular, Working Group 2 is focused on accelerating investment and realising SDG investment opportunities in developing countries.

In addition, a number of funds aligned with the SDGs have recently been launched to help scale up the flow of investment into developing countries. For instance, the SDG500 Fund, launched in early 2020, will mobilise US$ 500 million through dedicated investment funds to accelerate progress on the SDGs by investing in, among other areas, sustainable technologies. Its BLOC Smart Africa and the BLOC Smart Latin America funds are specifically geared towards regional investment in innovative technologies for the SDGs. Another initiative, launched by the United Nations Capital Development Fund (UNCDF) and focused on accelerating investment into least developed countries (LDCs), is the Sustainable Development Goals Global Equity Exchange-Traded Fund (SDGA), which is geared towards providing investors with a liquid instrument that aligns investment with the SDGs. These and other initiatives need to be scaled up, thereby acting as catalysts for additional private sector investment.

Progress is also being made in other areas, including addressing the lack of a common definition of what constitutes investment in sustainable development. Already, GISD has been working to advance a shared understanding of investment aligned with the SDGs. This includes finding common ground on definitions and standards, and aligning investment taxonomies with the SDGs. The 2020 *Financing for Sustainable Development Report* (FSDR) underlines the importance of work aimed at achieving common standards, and calls for (i) the establishment of standards for sustainability information; and (ii) the adoption of sustainability risk disclosures. Such common standards have the potential to further enhance the development and roll-out of technologies in the sustainable investment space, as well as the use of ESG criteria.

Lastly, in terms of emerging technologies – including those described in this article – it is critical that opportunities are harnessed and any challenges managed. In its thematic chapter, the 2020 FSDR provides an in-depth discussion of the promise and perils of technological advancements, and their impact on every action area of the Addis Ababa Action Agenda. One of the 2020 FSDR's recommendations that is of particular relevance is prioritising inclusion to ensure wider access to technologies. Ensuring a more equitable application of technologies will be critical when it comes to advancing sustainable development.

Conclusions

The title of this article raised the question of whether there are reinforcing forces. The answer proposed here is that they do indeed exist, but much needs to happen to achieve a truly symbiotic relationship. This includes further work towards a clear definition of what constitutes investment in sustainable development, as well as towards common standards for reporting. These should preferably be built around the SDGs and related targets and indicators, thereby helping to accelerate sustainable investment in developing countries. These goals represent major objectives of the Secretary-General's 'Roadmap for financing the 2030 Agenda', highlighted under Objective 1.3.

The SDGs have given us a common and unified language on sustainable development. When it comes to investment, we are still facing a Tower of Babel, characterised by a myriad of languages on investment in sustainable development. At this juncture – at the beginning of the Decade of Action – it is important to unify investment language as it relates to sustainable development, and in the process align finance standards and measurements with the SDGs. If this ambitious objective is achieved, it will contribute significantly to unlocking the potential of technology and investment for sustainable development.

We also need to continue to build a symbiotic relationship between the public and the private sectors. The public

sector is a key actor with multiple roles, including acting as a strong normative force, setting rules and regulations, and providing incentives to channel investments where they are needed most. However, the private sector also has a vital role to play, as an investor in both sustainable development and new technologies.

In conclusion, let us add a note of caution on trying to predict the future. In addition to foreseeing energy transitions and decent incomes for all, the Earl of Birkenhead predicted that by 2030 prosperity would be so great that all humans would engage in fox hunting.

Luckily for those of us less enamoured with hunting (and for foxes, too), his prophecy on how we will spend our leisure time in 2030 is unlikely to come to pass. No one can accurately predict the future or what it will bring us, whether foxes or black swans. The COVID-19 pandemic has served to drive this point home. However, what we can, and indeed must, do is invest in the technologies of the future, build momentum for collective action, and so jointly create the enabling environments that will set us on the path towards a more sustainable future.

Sources:

1. Inter-agency Task Force on Financing for Development, 'Financing for Sustainable Development Report 2020' (report, UN, 2020).
2. Morgan Stanley, 'Sustainable signals: Individual investor interest driven by impact, conviction and choice' (report, Morgan Stanley Institute for Sustainable Investing, 2019).
3. Alfred Lee, 'Fintech tools for sustainable business' (online article, Refinitiv, 27 November 2017). www.refinitiv.com/perspectives/ai-digitalization/fintech-tools-for-sustainable-business
4. S&P Global, 'How can AI help ESG investing?' (online article, S&P Global, 25 February 2020). www.spglobal.com/en/research-insights/articles/how-can-ai-help-esg-investing
5. S&P Global, 'Amid global push for sustainable investing, AI could be crucial catalyst' (online article, S&P Global, 24 September 2020). www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/54265151
6. United Nations, '30 business titans join UN push to scale up private sector investment for sustainable development' (press release, UN, 16 October 2019). www.un.org/sustainabledevelopment/blog/2019/10/gisd-alliance
7. United Nations Capital Development Fund, 'The SDG500 platform investment opportunity' (online article, UNCDF, 4 February 2020). www.uncdf.org/article/5311/the-sdg500-platform-investment-opportunity
8. United Nations Capital Development Fund, (2019) 'Impact Shares Sustainable Development Goals Global Equity Exchange-Traded Fund – SDGA' (communication material, UNCDF, 24 September 2018). www.uncdf.org/article/3934/impact-shares-sustainable-development-goals-global-equity-exchange-traded-fund-sdga
9. United Nations, 'United Nation's Secretary-General's roadmap for financing the 2030 Agenda for Sustainable Development' (report, UN, July 2019).
10. World Economic Forum, 'SDG500: The fund kickstarting sustainable investment' (online article, World Economic Forum, 19 January 2020). www.weforum.org/agenda/2020/01/sdg500-the-fund-kickstarting-sustainable-development-goals-investment

Footnotes

[1] Navid Hanif and Phillip Erfurth, 'Investment gapportunities: Changing the narrative on investment in sustainable development', in Report on *Financing the UN Development System: Time for Hard Choices*, (article in report, Dag Hammarskjöld Foundation, 2019).

[2] Benjamin Gaddy et al, 'Venture capital and cleantech: The wrong model for clean energy innovation', (working paper, MIT Energy Initiative, 2016).

[3] Pippa Stevens, 'Clean energy technology was thought to be uninvestable. One fund thinks otherwise', (news article, CNBC, 23 November 2019). www.cnbc.com/2019/11/23/clean-energy-technology-was-thought-to-be-uninvestable-one-fund-thinks-otherwise.html

[4] Erik Allen et al, 'The application of machine learning to sustainable finance', (academic article, Journal Of Environmental Investing 8/1, 2017), pp115–28.

[5] Billy Nauman, 'Artificial intelligence promises to enhance sustainable investing', (news article, Financial Times, 20 August 2019).

[6] Morgan Stanley, 'Interest and adoption of sustainable investing continue to grow', (online article, Morgan Stanley). www.morganstanley.com/ideas/sustainable-investing-growing-interest-and-adoption

PART THREE

Embracing United Nations reform

PART THREE

Overview

Part Three explores a number of key areas in which practical steps are being taken to make progress on the United Nations' reform agenda.

The article by **Ambassador Omar Hilale**, who co-chairs the UN Group of Friends on Climate, explores the challenges currently facing the climate agenda. Specifically, Hilale focuses on the interactions between the COVID-19 pandemic, the global financial crisis and climate change, arguing that the world must make the transition towards sustainable modes of production and consumption. In order to make this leap, financing for the necessary restructuring must be made available. Hilale emphasises the importance of the United Nations Climate Change Conference (COP26) – now postponed to 2021 – in pointing the way to sustainable renewable energy.

The two articles that follow relate to innovations in the area of finance: pooled funding is the focus of the contribution by the UN **Multi-Partner Trust Fund Office**, while the Joint Sustainable Development Goals Fund is explored by **John Hendra** and **Silke Weinlich**. The former article traces the evolution of the pooled funding concept from its 2004 inception to a mechanism that has a key role to play in making the current UN reforms a success. In many respects, pooled funding has come to be recognised as being to system-wide funding what core financing is to entities. With this in mind, the article analyses in detail the performance of pooled funds in relation to the benchmarks and goals set out in the Secretary-General's Funding Compact. While aggregate trends are positive, funding to pooled mechanisms is largely restricted to a handful of contributors. The article makes the case that, for a quantum leap in funding to take place, a corresponding leap in quality is needed. If properly designed, resourced and managed, pooled funds have the potential to bring UN entities together, strengthen coherence, reduce fragmentation, broaden the UN donor base, spread risk across partners, and provide comprehensive and innovative solutions to multi-dimensional challenges. The article concludes by stressing the importance of the mechanism in responding effectively to COVID-19 and meeting the challenges of the 2030 Agenda.

Hendra and **Weinlich**, meanwhile, examine the status of the newly established Joint SDG Fund, which provides newly empowered resident coordinators with a unique financial instrument. In particular, four key elements of the Joint SDG Fund promise to bring about positive change: 1) its focus on transformative impact; 2) its potential to facilitate a shift in the UN from funding to financing; 3) its crucial support to United Nations development system reforms; and 4) its competitive design and rigorous operational framework. The critical role played by this fund in the new architecture will need to be ramped up if it is to succeed in reaching the annual target of US$ 290 million projected in the Funding Compact.

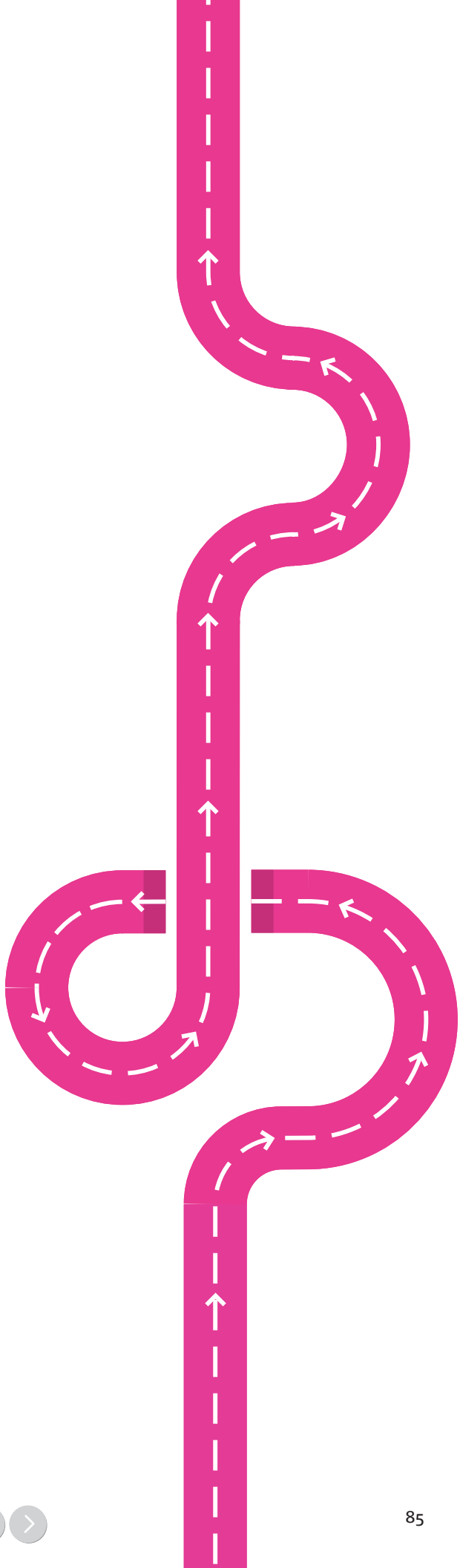
Pooled funding, including the flagship Joint SDG Fund, provide mechanisms for giving the Secretary-General UNDS reforms a new financial underpinning. In both cases, although progress has been made, thus far it has been insufficient. A reformed UNDS requires a reformed financial architecture, and in terms of empowering resident coordinators – who are the lynchpins of the reforms – these two mechanisms represent the strongest instruments available.

Next, in the fourth article, **Félix Fernández-Shaw** touches on the growing importance of the partnership between the European Union, its member states, and the UN. The financial significance of the EU's increasing

support to the UN is reflected in a number of graphs in Part One of this report, which for the first time focus attention on this trend. The EU's 'Team Europe' global response is anchored in the logic of support to multilateralism. The article details the various initiatives that form the core of the European response, with an emphasis on the EU's commitment to partnerships. Of particular relevance is the EU's partnership with multiple actors, including the UN, aimed at supporting integrated national financing frameworks (see Part Two). In conclusion, Fernández-Shaw stresses the need for multilateralism, singling out the necessity of an effective UN and reiterating the EU's strong support for the Secretary-General's UNDS reforms.

The fifth article, written by **Henriette Keijzers** of the UN Multi-Partner Trust Fund Office, touches on the important work to strengthen the timeliness and quality of UN data and its use in decision-making and providing improved support. Keijzers, while emphasising that the UN has taken a major leap forward by developing a system-wide data strategy, notes that realising this ambitious vision will depend on the grit and leadership of many across the UN family.

Finally, given the fact that this year's report is being produced at the height of the COVID-19 pandemic, a summary is included of a relevant recent report written by the **Dag Hammarskjöld Foundation**. The report, entitled 'Staying the Course', aims to assist UN country teams, as well as UN Member States and their partners, in effectively using their financial resources to respond to the immediate impact of the pandemic, while safeguarding progress already made towards the 2030 Agenda.



Financing climate action and energy transition during the COVID-19 crisis

By Omar Hilale

Omar Hilale was appointed Permanent Representative of the Kingdom of Morocco to the United Nations in New York in April 2014. Prior to that he was Permanent Representative to the UN in Geneva. He is currently Vice President of the Economic and Social Council (ECOSOC) in charge of the humanitarian segment, chair of the Central African Republic configuration of the Peacebuilding Commission and Co-Chair with France of the Group of Friends on Climate. Since he joined the Foreign Ministry in 1974, his diplomatic career has been marked by 30 years of direct experience with the UN. Ambassador Hilale previously served as Secretary-General in the Moroccan Ministry of Foreign Affairs in Rabat and was Ambassador to Indonesia, Singapore, Australia and New Zealand.

Since the beginning of the COVID-19 pandemic – which has led to factories closing, aircraft being grounded and reductions in road traffic – global demand for coal and fossil-based energy has fallen considerably. Satellite images of decreased atmospheric pollution in the world's most industrialised countries provide a stark illustration of the impact human activities have on air quality and ecosystems.

This is an unprecedented situation for the international community, which is now faced with a global health crisis that has immobilised human and industrial activity, plunging the world into complete paralysis. Like COVID-19, climate change is a reality that must be faced and dealt with as a matter of urgency – indeed, the two phenomena have much in common. We already know that our destructive actions towards the environment have played a role in the current health crisis. Occurrences such as the COVID-19 pandemic, the global financial crisis and climate change all point to the failure of our present system of development, and underline the importance of reconciling financial logic with the rationale of sustainability in meeting both current and future threats.

If carbon neutrality is to be achieved by 2050, preserving wildlife and reducing global energy consumption is a necessity. These objectives reflect commitments made by the international community in the 2015 Paris Agreement, ahead of the Summit on Biodiversity for heads of state and government in 2020. Thus, at a time of unprecedented global interdependence in terms of human activity, financial markets, economies and climate action, the need for a meaningful worldwide reformation is pressing.

The impact of climate disruption: one of the causes of the COVID-19 crisis?

In making the link between global climate disruption and the COVID-19 crisis, we need to look beyond public health. Epidemic outbreaks are linked – directly and indirectly – to climate disruption, as this disturbs the natural equilibrium. By way of example, scientists have emphasised that deforestation has led to animals having greater contact with human beings. When forced from their natural habitat, animals will approach cultivated areas to find food and refuge. Here, vulnerable and subject to great stress, with lower immunity as a consequence, such animals become more susceptible to infectious diseases. Thus, farm animals, in close contact with human beings, often become propagation vectors for virus outbreaks.

Given this, the monetary and financial system should not favour perceived short-term gain at the expense of the world's climate and biodiversity, as these factors are intimately connected to health crises. In short, such self-interested environmental disruption leads to negative impacts on both human beings and natural ecosystems worldwide.

In response to the COVID-19 pandemic, countries across the world have introduced programmes designed to support their economic fabric, and have requested assistance from international financial institutions. Such measures are not merely about relieving debt burdens,

but aim to benefit, through increasing liquidity, the economic operators most affected by the crisis. However, the less developed countries – including most African countries, as well as countries in post-conflict or fragile situations – will be particularly impacted by the socio-economic decline ensuing from the outbreak, ultimately leading them to becoming even more indebted than before.

In Africa, where the personal incomes of many are intrinsically linked to the informal economy, confinement will likely have a disproportionate impact, particularly in view of the reduced means available to African countries. Local banks have insufficient resources to deal with the pandemic's financial fallout, and reductions in direct foreign investment and cash transfers are already having an effect.

Accordingly, the ability of developing countries to recover will depend largely on making use – with the support of partner countries – of local human capital and finding long-term ways of drawing on local resources. In doing so, following the principles of resilience, sustainability and proximity will be crucial. Development assistance is and will continue to be crucial for many African countries. Thus, steering financial flows towards sectors vital to sustainable development at a very local level must be a priority. This applies particularly to landlocked countries, which are going to have to adapt their supply chains to a context of social distancing and paralysed international trade.

Given this landscape, an unprecedented opportunity has presented itself for adapting support to affected countries, enterprises and sectors. This means assisting actors to restructure their value chains towards a logic of proximity and more sustainable practices, thereby reducing long-term ecological impacts. In other words, amid this period of crisis, the world must seize the chance to make the transition towards sustainable modes of production and consumption, making financing available for the restructuring necessary to make this leap.

In the medium- to long-term, any economic recovery in the wake of the COVID-19 crisis will benefit from alignment with ecological transition. This means nurturing sectors that both create employment and engage in activities compatible with measures to counter global warming. All this should be done while supporting local production and consumption, and would undoubtedly have a positive impact on the carbon footprint made by human and industrial activities across the world.

Indeed, thinking locally and producing locally are two major lessons that countries throughout the world have been forced to learn when confronted by the necessities of the current crisis.

COVID-19: What if the post-crisis era was one of climate action and sustainable reform of the economic system?

The year 2020 marks the commencement of the Decade of Action launched by United Nations Secretary-General António Guterres, aimed at realising a common vision of implementing sustainable solutions to the major challenge faced by the world. Within the Group of Friends on Climate, which Morocco co-chairs with France, we will continue to promote awareness and mobilise state and non-state actors to make 2020–30 a decade of climate action. It is vital that all international actors come together at the political and economic level in order for this work to come to fruition.

Furthermore, the 2019 Summit for Action on the Climate, which took place at the initiative of the Secretary-General, provided a global platform for raising the level of ambition on climate action. In doing so, it has succeeded in focusing the attention of international financial agencies and institutions on climate finance. The launching of multi-stakeholder climate initiatives during the summit serves to illustrate the multilateralism and cooperation between state and non-state actors that will be needed to present tangible and pragmatic solutions to the climate problem.

Only ten years remain before the deadline of 2030. However, with the COVID-19 crisis now occupying virtually the entire political arena, climate change and climate financing are at risk of slipping down the list of governments' current priorities. If we are to be better equipped to deal with present and future health and climate crises, public discussion on global climate action must resurface without delay.

In this respect, the agenda of the 2020 United Nations Climate Change Conference (COP26) – now postponed to 2021 – is of profound importance. The conference will have to indicate how governments will reconcile the economic downturns caused by the COVID-19 crisis with the objective of reducing fossil fuel and carbon consumption in favour of sustainable renewable energy use. This necessarily implies the adaptation of modes of financing, from public and private sources, with a view to honouring the US$ 100 billion a year commitment made in the Paris Agreement. If the world wishes to maintain assistance to developing countries' climate adaptation and mitigation efforts, the climate financing equation must be adapted to the current state of the economy, whatever the medium- and long-term consequences of the current crisis.

On a more positive note, sustainable financing has grown in recent years, reaching US$ 30.7 billion on the five main developed markets at the beginning of 2018. This

indicates that the financial industry has recognised the long-term value of sustainable investment, as well as the importance of taking into account climate-related risks when making investment decisions.

Investment opportunities in renewable energy post COVID-19

The COVID-19 crisis has led to an unparalleled fall in the price of petrol, with petroleum and gas companies potentially seeing a 68% decline in their revenue compared to 2019. This collapse will reduce the future production ability of the petroleum industry, and underlines the importance of ending our current dependence on fossil energy in favour of investing in renewable energy. Morocco presents a relevant example in this respect. In order to ensure the country's energy security while fulfilling its commitments in the struggle against global warming, Morocco has decided to raise its share of clean energy in the electricity mix to 42% by 2021. The aim is to further increase this share to 52% by 2030.

While many governments are in the process of launching large-scale investments to stimulate the development of renewable energy (sun, wind, carbon capture), there has also been a drop in the production of solar panels, wind turbines and batteries for electric cars. This is mainly due to the impact of the COVID-19 outbreak on China, which is the foremost global producer of these items. Given the current economic situation, governments and financial institutions would be well advised to capitalise on low interest rates to stimulate technological innovation in the production of hydrogen and the capture and storage of carbon dioxide. Additionally, the sharp fall in the price of petrol offers a unique opportunity to reduce subsidies on the consumption of combustible fossil fuel (this represents US$ 400 billion worth of subsidies worldwide, of which 40% is used to lower the price of petroleum products). Governments and financial institutions are therefore requested to put the transition to clean energy at the heart of their plans for economic recovery.

Conclusion

I would like to conclude by referring to the following statement by UN Secretary-General António Guterres, which provides an apt summary of the arguments made above:

> *'Recovery from the COVID-19 crisis must lead to a better world, we already know what we need to do. It is laid out in the global road map for the future – the 2030 Agenda for Sustainable Development Goals and the Paris Agreement on Climate Change. We need to be steadfast in moving forward with these common commitments.'*

It is evident that the world of tomorrow will be different in many ways from the one we knew before the COVID-19 pandemic. While the crisis is undoubtedly harrowing, the international community should not pass up the opportunity to learn lessons from it. This means further promoting green finance; investing in an industrial transition and sustainable modes of production/consumption; and rebuilding the economy through the creation of jobs that are resilient to the climate crisis – which, ultimately, is the greatest threat to the planet in the twenty-first century.

A coming-of-age story: UN pooled funds

By the United Nations Multi-Partner Trust Fund Office

The **Multi-Partner Trust Fund Office** is the UN centre of expertise on pooled financing mechanisms. Hosted by UNDP, it provides fund design and fund administration services to the UN system, national governments and non-governmental partners. The MPTF Office operates in over 100 countries and manages a total portfolio of US$ 12 billion in pooled funds, involving more than 150 contributors and over 85 participating organisations.

Compared to other United Nations financing instruments, inter-agency pooled funds are a relatively new modality for financing UN joint action. The first was the UN Development Group Iraq Trust Fund, established in 2004, followed almost two years later by the Central Emergency Response Fund (CERF). Since then, pooled funds have underpinned action at the global, regional and local levels on humanitarian, development, peacebuilding, transition and climate issues. Table 1 presents the top ten pooled funds managed by the UN Multi-Partner Trust Fund (MPTF) Office. Lessons learned have facilitated a variety of improvements along the way.

With the UN celebrating its 75th anniversary in the midst of the most severe global pandemic and development crisis in decades, and with urgent action required to safeguard progress towards the Sustainable Development Goals (SDGs) in the Decade of Action, now is a good time to evaluate how best to fully exploit the potential of pooled funding. Inter-agency pooled funds are in fact at the core of making current UN reform a success. However, as recognised by the 2019 Funding Compact, to do so they need to be well designed, sufficiently resourced and effectively managed. This article describes what this 'coming-of-age' story in pooled funding may entail.

'Corelike': flexible and predictable funding

In the perennial UN discussion regarding core and non-core funding, pooled funds sit in the middle, drawing on the attributes of both. The UN Secretary-General himself, in his 2019 annual report on quadrennial comprehensive policy review (QCPR) implementation, underscored 'the need to enhance "corelike" resources, such as contributions to inter-agency pooled funds', as inter-agency pooled funds 'help strengthen coordination and collaboration across entities of the United Nations development system'.[1]

Table 1: Top ten funds managed by the MPTF Office (2004–2020)

Fund	Deposits (US$)
UNDG Iraq Trust Fund	1,358,392,474
Sudan Humanitarian Fund	1,331,995,182
DRC Humanitarian Fund	1,202,525,344
Peacebuilding Fund	1,085,788,140
South Sudan Humanitarian Fund	764,031,320
Millennium Development Goals (MDG) Achievement Fund	705,794,972
Somalia Humanitarian Fund	531,364,553
Somalia Multi-Window Trust Fund	344,828,652
Afghanistan Humanitarian Fund	324,752,074
UN REDD Programme Fund	317,323,126

The UN General Assembly's endorsement of the 2019 UN development system (UNDS) Funding Compact represents explicit recognition by both Member States and the UN of the importance of pooled funds, including the specific targets to be achieved (see Table 2). Member States have committed to doubling their share of contributions to pooled funds by 2023, and to channelling 10% of non-core resources through this joint financing instrument. There are also specific targets regarding increasing the number of pooled fund contributors to 100 by 2021 (from 59 in 2017), and fully resourcing two key flagship funds: the UN Joint SDG Fund and the Peacebuilding Fund.

Furthermore, UNDS entities have pledged to increase the efficiency and effectiveness with which they use development-related inter-agency pooled funds. This involves a series of common management features, fully spelled out under Commitment 14 in the Compact, covering such aspects as clear theories of change, solid results-based management systems, and transparency standards.

Getting closer, but not yet there

The most recent official figures on UN pooled funding – which date from 2018, prior to the endorsement of the Funding Compact – reveal the green shoots of sustainable growth: 'There are signs that the shift required to double the share of non-core/earmarked contributions to pooled funds, as called for in the Funding Compact, is beginning to take hold'.[2] Contributions to inter-agency pooled funds totalled US$ 2.46 billion in 2018, an increase of 19% compared to 2017, with about 38% of these contributions going towards funds with a development focus. Funding to development-related inter-agency pooled funds has increased by 72% since 2016, and now represents 7.1% of all non-core funding to UN development-related activities.

More recent figures from the MPTF Office – which acts as the administrative agent for approximately 75% of UN development, transition and climate change inter-agency pooled funds – show strengthening capitalisation for global funds such as the Peacebuilding Fund, the Spotlight Initiative Fund and the Joint SDG Fund, albeit still falling far short of Funding Compact targets. Furthermore, development country-level pooled funds aligned with the 2030 Agenda in support of the UN Country Cooperation Frameworks for Sustainable Development saw their capitalisation increase by close to 80% between 2018 and 2019, from US$ 47 million to US$ 84 million.[3]

Pooled funding across the board

While aggregate trends are positive, a detailed analysis reveals the following trends:

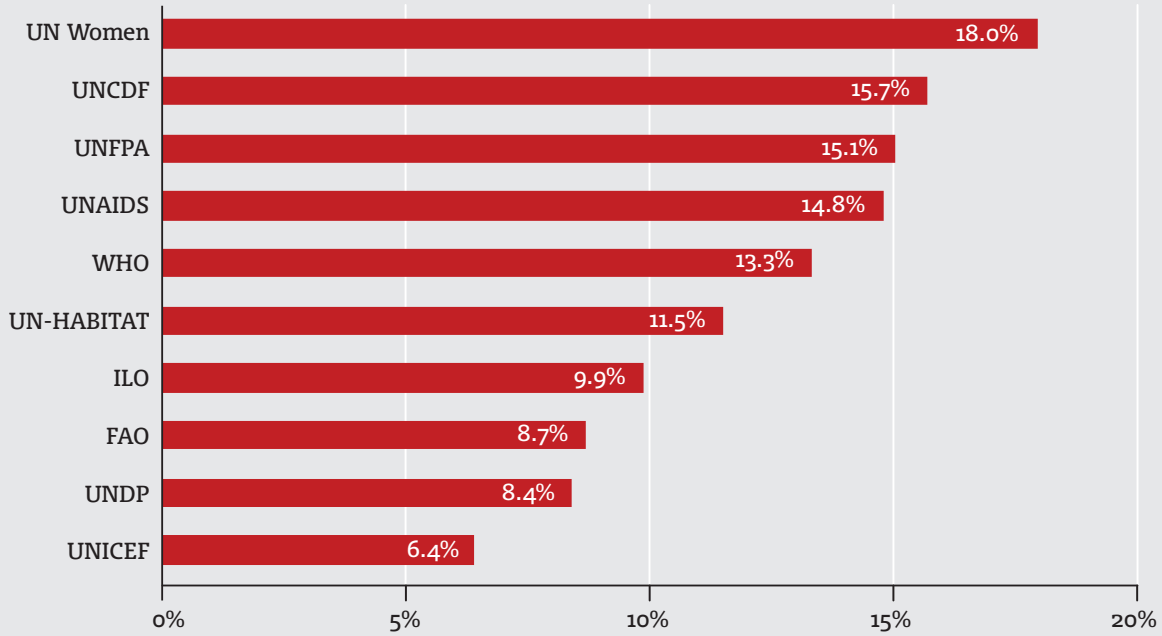
- *Funding to pooled mechanisms it is still excessively concentrated in a few contributors.* Several of the largest contributors to the UN are already channelling over 10% of their total earmarked contributions to pooled funds (see Figure 21 in Part One of this report).
- *Most UN entities are increasing their participation in pooled funding.* However, only a few receive 10% or more of their earmarked contributions through UN inter-agency pooled funds, as showcased in Figure 1.
- *Of the countries with a UN presence, the number that receive a 10% or more share of earmarked development-related expenditure from inter-agency pooled funds is just 28, down from 30 in 2017.* As can be seen in Figure 2, for 13 of these 28 countries this share is 20% or more.

Table 2: Selected Funding Compact indicators on pooled funding

Indicator	Baseline	Target	Latest value	Trend
Percentage of non-core resources for development-related activities channelled through inter-agency pooled funds	5% (2017)	10% (2023)	7.1% (2018)	↑
Annual capitalisation of the Joint Fund for the 2030 Agenda	US$ 43 million (2018)	US$ 290 million (2020)	US$ 55 million (2019)	↑
Annual contributions to the Peacebuilding Fund	US$ 129 million (2018)	US$ 500 million (2020)	US$ 135 million (2019)	↑
Number of Member State contributors to development-related inter-agency pooled funds	59 (2017)	100 (2021)	46 (2018)	↓

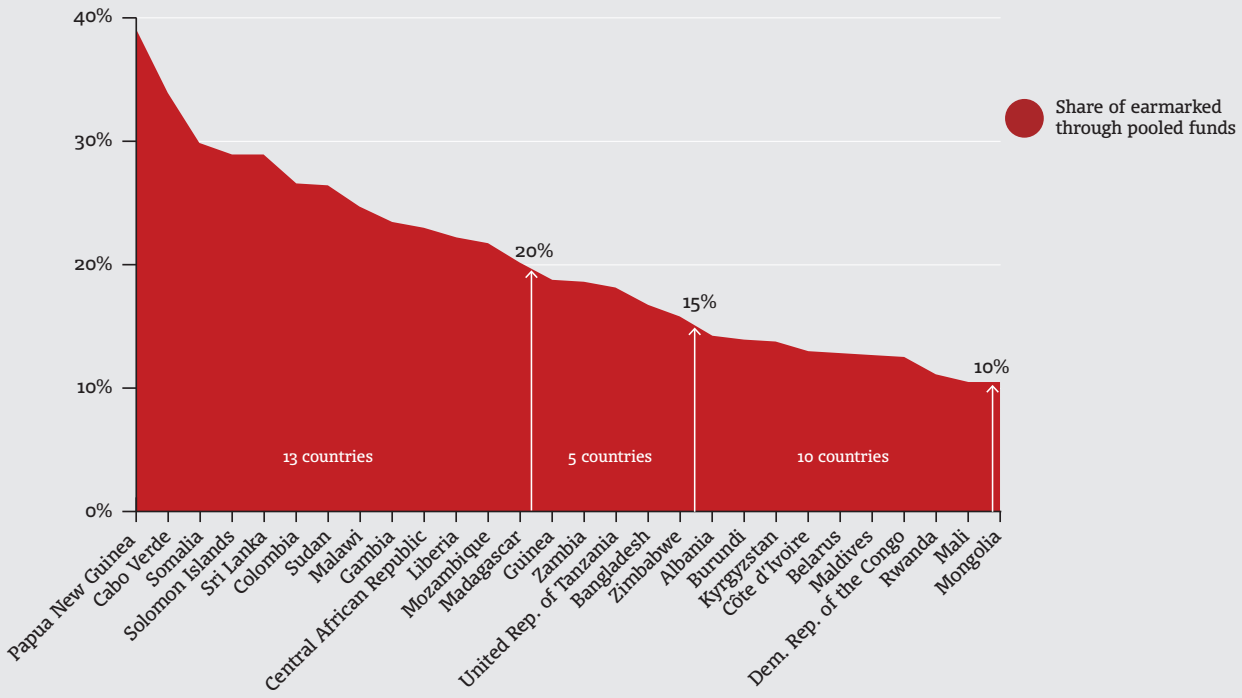
Source: United Nations Secretary-General, 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR)', (Report of the Secretary-General, 2020).

Figure 1: UN entities that receive a highest share of their earmarked revenue through inter-agency pooled funds (2018)



Source: Report of the Secretary-General (A/75/79-E/2020/55) and UN Pooled Funds Database

Figure 2: Countries with 10% or more of earmarked development related expenditure comes from UN inter-agency pooled funds (28 countries, 21 in 2015)



Source: Report of the Secretary-General (A/75/79-E/2020/55) and UN Pooled Funds Database

A 'leap in quality' needed for a 'quantum leap'

The experience of the past few years has shown the UN system and its partners are coming of age in terms of pooled funding. When properly designed, resourced and managed, pooled funds have the potential to bring UN entities together, strengthen coherence, reduce fragmentation, broaden the UN donor base, spread risk across partners, and tackle multi-dimensional challenges with comprehensive and innovative solutions.

However, in order to achieve the 'quantum leap' needed in terms of fund capitalisation, it is necessary first to ensure a 'leap in quality' of all pooled funds. The best articulation of this new gold standard in pooled funding quality is spelled out in Commitment 14 of the Funding Compact, on common management features (Table 3). The 12 elements constituting this commitment can be grouped into three blocks: design, efficiency and effectiveness.

- *Innovative and solid design*. Central to the future effectiveness of a pooled fund is that its design phase be a collaborative effort among key stakeholders. Also key is that innovation features are incorporated from the outset, whether this be implementation opportunities for non-UN entities or such innovative financing modalities as performance-based payments and blended capital. All pooled funds should be underpinned by a clear theory of change, the achievement of which should be tracked via a solid results-based system.

- *Efficient management*. Well-functioning governance bodies provide oversight and decision-making capability, and must be supported by an effective secretariat or fund-management unit. This role should be firewalled from the administrative agent and participating organisations, ensuring a clear delimitation of responsibilities and a high level of accountability. UN pooled fund legal agreements should ensure programmatic safeguards in line with UN norms and values, and should be implemented alongside constant monitoring and due diligence processes.

- *Effectiveness*. Pooled funds are about effectively achieving results, with improved reporting processes and better aggregation of results, specifically regarding SDG achievement. Throughout, the highest standards of transparency regarding the availability of and access to information should apply. Due to the multi-partner nature of pooled funds, managers need to adopt a comprehensive approach to visibility, ensuring all partners involved are proper recognised. Strong monitoring and evaluation systems mean results can be effectively attributed and lessons gathered.

These 12 elements have been incorporated into the design of recent inter-agency pooled funds, including those established around SDGs aimed at tackling vulnerabilities and leaving no one behind. In recent years, the UN has attached increased importance to attracting private capital and to blended finance, for instance through bond options. For example, a landmark results-based payment system will contribute to protecting Gabon's forests as part of the Central African Forest Initiative, while a pay-per-performance scheme will increase women's meaningful participation and engagement in peace operations as part of the Elsie Initiative Fund for Uniformed Women in Peace Operations.

Increased leverage and partnerships with private capital showcases an interesting and growing trend. For example, the new Global Fund for Coral Reefs will use a mix of grants and investment resources to protect coral reefs worldwide. Similarly, in attempting to expand education, training and employment opportunities for two billion young people, the Generation Unlimited catalytic fund will consolidate a portfolio of investable ideas and strong proposals to access other sources of – mostly private – financing. In 2020, in order to support UN Country Teams catalyse strategic programming and investments, the Joint SDG Fund launched a new call for UN joint programme proposals.

Coming-of-age in the age of COVID-19

Coming-of-age stories are often triggered by unique circumstances that accelerate transitions a long time in the making. Regarding UN inter-agency pooled funding, this can be seen in the development emergency created by the outbreak of COVID-19, with the UN Secretary-General calling the pandemic the 'biggest test since World War II'.[4] The social and economic impact of COVID-19 has required the UNDS to adapt to a rapidly changing global landscape, the repercussions of which in terms of development are still being understood. In such circumstances, it is crucial to safeguard (and hopefully accelerate) progress towards SDGs.

Existing pooled funds – such as the Peacebuilding Fund, the Joint SDG Fund, the Spotlight Initiative, the UN Fund for the Rights of Persons with Disabilities, and the Migration Multi-Partner Trust Fund – have made use of their flexibility to adapt quickly to the new context; repurposing, adjusting and expanding their activities towards COVID-19-related needs. Meanwhile, the Secretary-General's UN Response and Recovery Trust Fund, a new global development emergency instrument set up in just a few days, is already supporting UN country teams in over 45 countries.

Table 3: MPTF Office implementation of inter-agency pooled fund common management features, as set out in the Funding Compact

	Ongoing	Further work planned by MPTF Office			
	Covered in current MPTFO manuals and Gateway	Update 2015 design manual (2020)	Complete update of 2014 operations manual (2020)	Launch new Gateway (2020)	Secretariat support services
Innovation features	●	●		●	●
Clear theory of change	●	●		●	●
RBM system	●	●		●	●
Well-functioning governance bodies	●	●	●	●	●
Supporting by effective secretariat	●	●	●	●	●
United Nations norms and values	●	●	●	●	●
Risk management	●	●	●	●	●
Operational effectiveness	●	●	●	●	●
Reporting	●	●	●	●	●
Visibility	●			●	
Transparency	●			●	
Joint and system-wide evaluations	●	●		●	●

At the same time, this is not an individual coming-of-age story. Pooled funds are joint endeavours and collective narratives that require cooperation among partners, as well as enlarging and engaging contributor networks. Furthermore, they involve increasing the share of pooled funding among UN entities, and deepening the use of pooled funds by countries across regions and income ranges. The growth, maturing and evolution of pooled funds over recent years means that now is the moment to make use of this financing instrument in response to the UN Secretary-General's global call to deliver the SDGs by 2030. Thus, as envisaged in Agenda 2030, UN pooled funding can (and should) play a transformative role.

Footnotes

1 United Nations Secretary-General, 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations System, 2019: monitoring and reporting framework' (Report of the Secretary-General, A/74/73/Add.3–E/2019/14/Add.3, United Nations General Assembly Economic and Social Council, 22 April 2019). https://undocs.org/A/74/73/Add.3

2 United Nations Secretary-General, 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR)' (Report of the Secretary-General, 2020).

3 United Nations Multi-Partner Trust Fund Office, '2019 Annual Report' (report, UN MPTF Office, 2020).

4 António Guterres, 'A time to save the sick and rescue the planet' (op-ed, New York Times, 28 April 2020).

The UN Joint SDG Fund: Turning transformational potential into reality

By John Hendra and Silke Weinlich

John Hendra recently established his own consulting practice after retiring from a 32-year United Nations career. His most recent position was as UN Assistant Secretary-General (ASG), helping the UN become more 'fit for purpose' in implementing the Sustainable Development Goals (SDGs). Prior to this, he served as UN ASG and Deputy Executive Director at UN Women, and as UN Resident Coordinator and UN Development Programme Resident Representative in Viet Nam, Tanzania and Latvia. In his consulting capacity he serves as a part-time Senior Advisor to the Joint SDG Fund, and is also an Associate Researcher with the German Development Institute.

Silke Weinlich is a Senior Researcher at the German Development Institute (Deutsches Institut fur Entwicklungspolitik, DIE). She is a member of the Inter- and Transnational Cooperation with the Global South research programme, where she leads a project on the UN development system and its reform needs. Her current research interests include reform of the UNDS and broader questions of multilateral development cooperation, South–South cooperation and the UN, and global governance.

The United Nations Joint Sustainable Development Goals (SDG) Fund began operations in 2019 and enables policy advice and programmatic support under the leadership of the UN Resident Coordinator (RC) to accelerate SDG implementation. To date, it has funded joint programmes by 19 UN entities in 35 countries, covering all major regions and country typologies.

The Joint SDG Fund is a multi-partner trust fund: so far, 11 European states and the European Union have pledged a total of US$ 276 million over a four-year period. Contributions are not entity-specific but aim to support system-level functions. This type of pooled funding is widely considered 'multilateralism-friendly': along with thematic entity-specific funds, it allows flexibility akin to core funds to be used at the discretion of UN entities in line with the decisions of their governing bodies. Flexibility in reallocating funds has proven critical for the UN development system's ability to rapidly respond to the COVID-19 pandemic.

Inter-agency trust funds are key among the few options available to contributors wishing to fund collaboration among UN entities, and thereby help the UN development system transition towards more integrated support.[1] The Joint SDG Fund thus differs markedly from project funding, which to date has constituted the bulk of earmarked funding across the UNDS. Together with other reform measures, the fund may help counter the fragmentation arising from restrictive single-UN-entity funding that targets a particular activity within a specified country or region. The Joint SDG Fund therefore has the potential not only to catalyse UN reform by fostering collaboration, it can also help enable the UNDS to provide better support at scale, including through partnering with external actors.

Earmarked funding grows but pooled funding falls short

Restrictively earmarked funding has allowed the UNDS to grow and expand over time. In recent years, UNDS funding has continued to rise – from US$ 29.5 billion in 2016 to US$ 36.4 billion in 2018 – with a substantial share of this coming with bilateral demands attached. Since 2003, earmarked funding has increased over three times faster than core funding, and now makes up almost 80% of all funding for operational activities (for development-related activities, the figure is slightly less at 72%). Yet restrictively earmarked funds are known to have negative side effects. Not only do they fuel competition and hamper cooperation among UN entities – thereby undermining the integrated and high-quality support at scale essential for achieving Agenda 2030 – they also negatively impact UN development organisations' effectiveness, efficiency and legitimacy.[2]

According to recent financial figures, development-related interagency-pooled funds currently account

for 7.1% of all earmarked funding, while the Funding Compact has set a target of 10% by 2030. Although development-related pooled funds saw a significant 78% increase in contributions in the two years following 2016, the annual contribution to perhaps the two most critically important pooled-funding instruments failed to meet Funding Compact targets in 2018: the Peacebuilding Fund received US$ 135 million in contributions, far short of the envisaged US$ 500 million; and the Joint SDG Fund received US$ 55 million, again far short of the US$ 290 million target.[3]

If substantively capitalised, the Joint SDG Fund can become a transformational instrument for the UNDS as it attempts to help achieve the SDGs in COVID-19 times. Four of its features in particular promise to bring about positive change: 1) its focus on transformative impact; 2) its potential to facilitate a shift in the UN from funding to financing; 3) its crucial support to UNDS reforms; and 4) its competitive design and rigorous operational framework.

Integrated policy support needed to achieve the SDGs

The strategy for the Joint SDG Fund's portfolio represents a key instrument for UNDS reform, and is rooted in the 2030 Agenda's integrated nature and imperative towards unlocking systemic policy shifts. By focusing on 'leverage points' – utilising data and analysis carried out by national and international partners – policy or institutional changes can catalyse rapid progress across goals and targets.

As such, the fund operates through a series of calls for concept notes, which in turn lead to the preparation and implementation of transformative joint programmes under the leadership of UN Resident Coordinators. Given the centrality of the *leaving no one behind* (LNOB) promise, the first call in mid-2019 placed particular emphasis on the most vulnerable and marginalised, and channelled US$ 70 million to 35 transformative national social-protection programmes. Similarly, given the critical importance of the Secretary-General's Strategy and Road Map for Financing the 2030 Agenda, the second call – launched at the end of 2019 – aims to direct US$ 100 million towards supporting RCs and UN Country Teams in two component areas: 1) reinforcing the country-level SDG financing architecture through development of national financing strategies and enabling frameworks for SDG investment; and 2) catalysing strategic investments in key initiatives that would in turn leverage public and private financing to advance the SDGs. Such initiatives are to provide demonstrations of concept, and be scalable both in-country and elsewhere.

While the full results of the first call will not be available until the end of 2022, early analysis shows over a hundred integrated policy solutions are being tested through 'whole-of-society' approaches mindful of the multiplicity of factors causing vulnerability and poverty. This integrated policy approach highlights that solid design, financing and implementation foundations are required in order to build dynamic national social-protection systems capable of accelerating progress across multiple SDGs. It also reflects both the transformative potential of the SDGs, and the risk that this will not be realised unless interactions between them – whether synergies or trade-offs – are better grasped and acted upon.[4]

This focus on LNOB, and the importance of flexibility, agility and responsiveness, has acquired even greater relevance since the COVID-19 outbreak began. Importantly, the LNOB social-protection programmes supported by the Joint SDG Fund have been repurposed, with up to 20% of budgets reallocated and approaches modified. While some development programming has stalled as a result of the pandemic, the situation has highlighted a number of potential areas of immediate impact, as well as SDG acceleration – such as better healthcare data analytics and low-cost, informal social-protection interventions – which Joint SDG Fund-supported programmes will address in concert with other COVID-19 recovery funds.[5]

From 'funding to financing': A practical mechanism to make this happen

The Joint SDG Fund is the only fund of its kind on SDG financing that operates *across* the UN system (rather than through single agencies), and so has the capability to use limited UN resources as a catalyst to influence much larger financing flows. As such, it is fast becoming a practical mechanism for helping programme countries, as well as the UNDS, move from 'funding to financing' – a key concept raised in previous editions of this report.

If country-level demand is any indication, then there is indeed huge potential. At the time of writing, the response to the first component of the second call (SDG financing architecture) had seen 103 joint programmes proposed, representing a total funding request of US$ 98 million – significantly more than the US$ 30 million available. Meanwhile, the response to the second component (catalysing strategic investments), had seen 108 UNCTs/countries submitting proposals, representing a total request in excess of US$ 1 billion (average funding request of US$ 7.1 million), with early estimates of the potential financial leverage many multiples of that. While these proposals are still under review by a mixed panel of external and UN experts, as well as by the independently contracted Convergence (the global network for blended finance), the funding they require dwarfs the US$ 70 million currently available through the Joint SDG Fund.

The Joint Fund is important not only for mapping out the financing required for SDG acceleration, but may also prove highly relevant for the COVID-19 response. In particular, the SDG financing proposals can potentially shape a new generation of SDG-related response strategies, thereby addressing gaps in the design and delivery of relief plans, adding COVID-19-related recovery components, and integrating future preparedness and risk mitigation measures into financing frameworks. Similarly, the financing solutions proposed to governments, the private sector and partners will directly support social/economic recovery.

Further, the Joint Fund is committed to forging paths and partnerships that unlock public and private capital for the SDGs at scale. Hence, a key part of its mandate is that international financial institutes– the World Bank and regional development banks – must be consulted when concept notes are developed at the country level. The drafting of the SDG financing call was itself very participatory, incorporating an inception workshop where strategic financing experts from the private sector, IFIs, academia, member states and UN agencies shared experiences in order to identify the highest value opportunities for the Joint SDG Fund.

Lever for UNDS reforms

In addition to incentivising transformative policy shifts that leverage the UN's comparative advantage in such key areas as social protection, the Joint SDG Fund provides a vehicle for RCs to leverage significant amounts of SDG financing beyond that provided for the UN's own in-country work. As such, it reinforces the key role of the RC in both designing joint initiatives and determining how they are implemented on the ground.

Further, in supporting funding that injects synergy into the UNDS rather than pulling it apart, the Joint SDG Fund builds on the underlying logic of the Funding Compact. Lessons learned from the past show that effective pooled funding can help drive greater coherence not only within the UN but across government. It can also help bring the normative and operational roles, and distinct capacities, of the UN together. Through focusing on the central, distinct role of the UN – *leaving no one behind* – and leveraging all of the organisation's unique assets, the Joint SDG Fund has the potential to be a game changer.[6]

Competitive design and rigorous operational framework

The Joint SDG Fund has been designed with the following elements – key to the success of any joint programme – in mind: 1) a strategy that balances 'quick wins' and transformative results; 2) a clear theory of change for multi-sectoral SDG acceleration; 3) a clear focus on policy levers that produce catalytic, systemic change; 4) prioritising those left behind and mainstreaming human rights mechanisms; and 5) co-delivery of results through effective partnerships. Further, all concept notes/proposals undergo professional independent scrutiny based on rigorous technical assessment criteria, by both UN and external experts. Additionally, the fund contains an element of challenge and competition seen in few other UN pooled-funding instruments, with only 28% of the first call's submissions approved to become full joint programmes.

While the COVID-19 pandemic has undoubtedly changed the world – including development financing – we do not as yet know to what extent. That said, as the UN Secretary-General has highlighted, the world's roadmap remains the 2030 Agenda and the 17 SDGs, even if the journey towards them has potentially become longer and rockier. Given this, a robustly financed Joint SDG Fund focused on innovative social-protection approaches and building back better seems even more important today than when it was originally conceptualised in the UN Secretary-General's reform proposals of 2017. What is more, the pandemic has again highlighted the need for a reformed UNDS that can bring its collective strengths to the fore. Turning the SDG Fund's potential into reality means honouring the Funding Compact's commitments – member states, as well as private foundations and the private sector, need to contribute a minimum of US$ 290 million per year.

Footnotes

[1] Silke Weinlich and Bruce Jenks, 'Current and future pathways for UN system-wide finance', *Financing the UN Development System 2019: Time for Hard Choices*, (article in report, Dag Hammarskjöld Foundation/UN Multi-Partner Trust Fund Office, September 2019), p123.

[2] Silke Weinlich, Max-Otto Baumann, Erik Lundsgaarde and Peter Wolff, 'Earmarking in the Multilateral Development System: Many Shades of Grey', (report, Deutsches Institut für Entwicklungspolitik, 2020). https://www.die-gdi.de/uploads/media/Study_101.pdf

[3] United Nations Secretary-General, 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations System', (Report of the Secretary-General, A/75/79–E/2020/55, United Nations General Assembly Economic and Social Council, 30 April 2020). https://undocs.org/a/75/79

[4] Jeffrey Sachs, J. Schmidt-Traub, G. Kroll, C. Lafortune and G. Fuller, 'Sustainable Development Report', (report, Bertelsmann Stiftung and Sustainable Development Solutions Network, 2019);
Anita Breuer, Hannah Janetschek and Daniele Malerba. 'Translating Sustainable Development Goal (SDG) Interdependencies into Policy Advice.' Sustainability 11, 2019, no. 7: 2092. www.mdpi.com/2071-1050/11/7/2092/htm

[5] Amy Lieberman, 'A look at how UN development funds are recalibrating SDG funding', (online article, Devex, 28 April 2020). www.devex.com/news/a-look-at-how-un-development-funds-are-recalibrating-sdg-funding-97108

[6] John Hendra, 'Making the UN "Fit for Purpose": Lessons from the "Delivering as One" Experience', (development dialogue paper, Dag Hammarskjöld Foundation, 2014);
John Hendra and Ingrid FitzGerald, 'Who wants (to) change? A "theory of change" for the UN development system to function as a system for relevance, strategic positioning and results', (online article, United Nations University Centre for Policy Research, 2 August, 2016). https://cpr.unu.edu/who-wants-to-change-making-the-un-development-system-fit-to-support-the-2030-agenda.html

A European perspective on the global recovery and the way forward

By Félix Fernández-Shaw

Félix Fernández-Shaw is Director of International Cooperation and Development Policy at the European Commission (DG DEVCO). Previously, he served as an Expert in the Cabinet of the High Representative/Vice-President Federica Mogherini. He first joined the European Institutions in 2011 as Head of Development Cooperation Coordination Division in the European External Action Service. As a Spanish diplomat, he worked in the Spanish Permanent Representation to the EU and he has served the Spanish Ministry of Foreign Affairs in Madrid as Deputy Director General for Justice and Home Affairs in the EU.

COVID-19 is a health, economic and social crisis unlike any seen in our lifetimes. As a result, despite the immense burdens currently being placed on nations, it offers a potentially crucial moment of learning for policy-makers. The crisis has highlighted the stark weaknesses and inequalities present in our societies, leading to the clear conclusion that the 2030 Agenda must serve as the roadmap for global recovery. Policies focused on sustainability and greening, linked to innovative financing, will be imperative in building a resilient global recovery. Thus, our overarching objective is to fight inequalities through building inclusive and sustainable societies.

'Team Europe' global response

In the context of the COVID-19 response, the European Union and its Member States have opted for a collective approach in addressing the pandemic's humanitarian, health, social and economic consequences. This unified framework ensures both better coordination and more targeted and effective outcomes. Through the 'Team Europe' approach, we have managed to channel €36 billion towards crisis response, drawing on contributions from all EU institutions and combining the resources mobilised by EU Member States and financial institutions, in particular the European Investment Bank and the European Bank for Reconstruction and Development. Furthermore, the pandemic response has prompted increased EU coordination with – amongst others – the United Nations, the International Monetary Fund and the World Bank, as well as within the G20 and G7. Against this backdrop, the EU intends to take the lead in promoting a green and digital global recovery through supporting partner countries on their paths to sustainable development.

The logic underpinning 'Team Europe' is anchored in multilateralism. For example, as part of its package of support for partner countries facing the pandemic, the EU approved a €60 million programme providing coordinated, coherent and comprehensive action across the Horn of Africa, to be implemented by the Intergovernmental Authority on Development (IGAD), UN agencies and development agencies of EU Member States. Similar approaches bringing together expertise and resources for effective and long-term impact will be at the core of future EU external action programming.

Additionally, the European Commission has drafted a European strategy[1] to accelerate the development, manufacture and deployment of vaccines against COVID-19, while on 4 May 2020, the EU co-hosted the Coronavirus Global Response pledging marathon aimed at making vaccines and cures affordable worldwide. Thanks to this event, €9.8 billion will be made available to fund the various means of support required (vaccination, treatment, testing, and strengthening of health systems).

A global recovery initiative

The COVID-19 crisis is putting enormous stress on the public finances and debt sustainability of many developing countries, thereby seriously impeding their ability to implement the Sustainable Development Goals. Negative effects will be felt across the board, particularly in the health sector but also in terms of inequality, gender and employment. As a result, much of the progress made on the SDGs and in delivering on climate commitments is at risk.

To accompany the UN Secretary-General's call to 'build back better' together, Ursula van der Leyen, President of the European Commission, has called for a global recovery initiative linking investment and debt relief to the SDGs. With governments currently in the midst of responding to the crisis, now is the time to look to 2030 and take the strategic decisions needed regarding which policies and technologies to invest in. To achieve this, efforts must be focused on defining these policies and making available the financial resources they require. While this is a global agenda, every country will have to chart its own course in delivering on these aims.

The European Commission has proposed that recovery is best achieved by investing heavily in policies that will bring about the sustainable future we are all striving for. Building back better together is at the centre of this. Its objectives including decarbonisation through greener technologies; securing sustainable growth and jobs to ensure an equitable transition; and enabling an inclusive digitalisation that leaves no one behind.

In addition to fighting the traditional sources of inequality impacting education, health and social protection, there are a number of 21st century sources of inequality – as described in the UNDP 2019 report – that must be tackled[2]. Climate change and digitalisation risk increasing the gap between those who have access to technology and those who do not, whether in terms of health, voting, saving/spending, jobs, or life-long learning. Furthermore, half the planet's human population – namely, women – are at higher risk of falling into the have-nots. Addressing this requires the participation of society as a whole, including government and citizens, public and private sectors, civil society, and the media. In order to build a fairer and more resilient world, we must together accelerate solutions to the challenges posed by the green and digital transitions.

Such policies require financial resources, which in turn require financial strategies. For a long time, the financing for development (FfD) agenda has been superseded by policy debates. Now, though, the COVID-19 crisis puts FfD at the centre of the discussion. Though short-terms solutions will understandably take immediate precedence, long-term financing strategies – based on a full overview of government financing sources – will become increasingly important over time.

The EU's engagement with the multilateral initiative on integrated national financing frameworks highlights our efforts to assist partner countries leverage finance in pursuit of their development needs. INFFs facilitate nationally owned, government-led SDG implementation through helping governments map their national financial landscape, develop a financing strategy, and coordinate efforts aimed at mobilising and aligning financing with national sustainable development priorities.

The INFF initiative offers a strong example of effective multilateralism, with the EU, the UN and the IMF – as well as other multilateral organisations – working together to support partner countries. In doing so, each multilateral partner can contribute its specific expertise and comparative advantages. EU delegations and UN Resident Coordinators on the ground are currently working closely together to ensure this happens.

Faced with the consequences of COVID-19, the EU has presented a large internal financial proposal that adapts its proposed EU Multiannual Financial Framework 2021–2027 to reflect 'building back better' and the need for a European Recovery Instrument. It also emphasises the Neighbourhood, Development and International Cooperation Instrument (NDICI) – the main instrument for EU cooperation and development with partner countries. With a reinforced focus on the role of countries and regions in achieving the 2030 Agenda and greening the recovery, this EU external action will combine various financial instruments to mobilise public and private investment and expertise. The new proposal for NDICI increases the overall amount allocated to it to €96.4 billion, in addition to which the ceiling of the External Action Guarantee has been increased from €60 billion to €130 billion.

Supporting effective multilateralism

At a time of growing scepticism, demonstrating the relevance and added value of the UN and multilateral institutions is a necessity. As such, the EU represents a major force behind effective multilateralism and driving efforts towards a truly global recovery. However, the world also needs a strong, effective UN and multilateral system that delivers for all and is fit for purpose. This is fully recognised by the EU, which has overseen steady growth in the financial support it has channelled through UN agencies, funds and programmes over the past 10 years, reaching a total of over €20 billion. Beyond this, the EU will continue to be at the forefront of advocating for a more effective UN, providing full support for the UN development system reform agenda. The ongoing pandemic is serving as a test for the reinvigorated RC system, while highlighting the importance and growing relevance of a reformed UNDS. A strong and effective UN presence is needed to help countries navigate the challenges currently being faced, and to provide integrated support.

The EU is supporting the reforms in a variety of ways: politically; via financial means, through EU delegations in the field working closely with the UN system; and through our public messaging. As the largest contributors to the functioning and activities of the UN, Team Europe and its members have a strong interest in the UN system receiving the sustainable financing it needs to deliver effectively.

Footnotes

[1] European Commission, 'Coronavirus: Commission unveils EU vaccines strategy' (press release, European Commission, 17 June 2020). https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1103

[2] UNDP, 'Beyond income, beyond averages, beyond today: Inequalities in human development in the 21st century', 2019. http://hdr.undp.org/sites/default/files/hdr2019.pdf

Bringing data to the centre of decision-making: The UN Data Strategy

By Henriette Keijzers

Henriette Keijzers is the Deputy Executive Coordinator of the United Nations Multi-Partner Trust Fund Office. In 2017–19 she co-chaired, on behalf of the UN Sustainable Development Group, the ad-hoc team created to lead on the UN's future data cube. Prior to this, she worked as Deputy Executive Secretary at the UN Capital Development Fund in New York, and for the UN Development Programme in field offices in Ghana, Malawi, Nigeria, Guinea-Bissau and Burkina Faso. Henriette Keijzers holds a Master's degree in International and Development Economics from Tilburg University in the Netherlands.

Introduction

Alongside such cross-cutting topics as 'digital' and 'innovation', 'data' are increasingly moving centre stage in discussions on United Nations system-wide reform. While the UN family is known for producing a wealth of data, much of this information cannot be easily accessed, let alone be used for decision-making. Currently, even relatively straightforward questions such as 'How much did we as the UN family spend globally in a given year in support of a specific Sustainable Development Goal (SDG) target, and what results did this produce?' cannot be satisfactorily answered with the data available. Furthermore, if someone wishes to quickly access UN statistics on a broad range of topics, it is often easier to use the World Bank's data website rather than combing through the websites of individual UN entities.

This status quo stands in contrast to the increasingly vocal requests of both Member States and those within the UN for more timely, better-quality UN data. The COVID-19 pandemic has driven home the importance of quickly accessible and reliable data, both in terms of tracking the spread of the disease and driving decision-making that requires the use of scarce donor and UN resources. Another example can be seen in the 2019 UN development system Funding Compact, which relies heavily on data to monitor both Member States and UN commitments.[1]

Against this background, the UN's development of a system-wide data strategy represents a major leap forward. This article provides a short summary of the data strategy, as well as examining how it links to the UN reforms and the financial data the *Financing the UN Development System* report makes use of in its analyses.

The UN's data strategy

In April 2020, the UN adopted its first ever data strategy: the 'Data Strategy of the Secretary-General for Action by Everyone, Everywhere: with Insight, Impact and Integrity'. The basis of the three-year strategy (2020–22) is that data represent a UN shared strategic asset integral to the organisation's success. The strategy outlines a vision of the UN transformed into a data-driven organisation, in which its leaders, managers and staff use data to take better decisions and provide improved support: 'In building a whole-of-UN data ecosystem – that maximises the value of our data responsibly – we unlock our full potential: We make better decisions and deliver stronger support to those we serve'.[2]

This vision is elaborated through seven specific outcomes covering a variety of results areas: 1) stronger cross-pillar decision-making; 2) greater data accessibility; 3) improved data governance and collaboration; 4) robust data protection and privacy; 5) greater efficiency; 6) improved transparency; and 7) enhanced data-driven services for clients and stakeholders. A set of 12 principles underpin the strategy, ranging from treating data as an asset to excellence and security.

The strategy's practicality is ingrained in how it intends translating this broad vision into concrete action. Rather than 'boiling the ocean' and attempting to do everything at the same time, the strategy emphasises the importance of facilitating change through 'use cases'. As Figure 1 on the following page shows, these lie at the heart of the strategy, with each use case representing a manageable, concrete data initiative reflective of the overall strategy's vision, outcomes and principles. It is this portfolio

of priority use cases that will drive the momentum for change, enabling the UN to build the necessary capabilities, strengthen the enablers and chart a roadmap for the work that lies ahead. Ultimately, it will allow the UN to progress to a different capability level in terms of analytics and data management, ensuring progress becomes widespread and sustainable.

The strategy envisages a portfolio of priority use cases that the UN – both system-wide and at the entity level – can work on in the short, medium and long term. These use cases will straddle the three pillars of the UN's work (sustainable development and humanitarian action; peace and security; and human rights) – including cross-pillar action – and will focus on policy and programmes, operations and/or management issues. The strategy contains many concrete examples, including:

- **Decade of Action:** How can we get more relevant, disaggregated and timely data to track, predict and accelerate SDG progress?
- **COVID-19 response:** How can we use data – with a human face – to help suppress the virus, save lives and build back better?
- **Hate speech:** How can we use data to monitor global hate speech and help design prevention strategies?

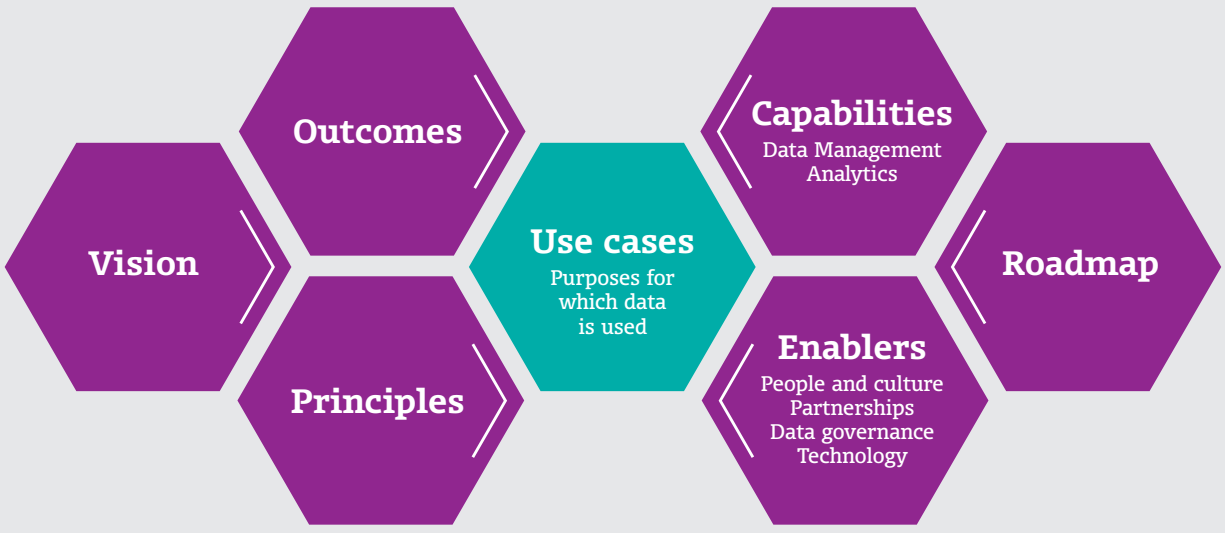
The strategy also identifies three early starters – existing system-wide use cases that have already reached a certain level of maturity: 1) the data privacy and protection programme; 2) data and UN statistics; and 3) the UN data cube. The following section examines this last use case and asks what can be learned from the experience thus far.

UN data cube initiative: A piece of the larger puzzle

The UN data cube initiative, though a precursor to the strategy outlined above, represents a key part of the UN's forging ahead on the data front. As mentioned in Chapter Three of Part One, the UN data cube is a joint initiative between the Chief Executives Board's High-Level Committee on Management and the UN Sustainable Development Group. The initiative sets out to deliver data standards for a disaggregated 'system-wide data cube' compatible with the SDGs, alongside a roadmap for their implementation. The six data standards resulting from the initiative were adopted in 2018, and underpin the financial data on UN revenue and expenditures used in Part One of this report.[3] There are a number of similarities and linkages between the data cube initiative and the UN's data strategy that are useful to explore.

First, both the initiative and the strategy emerged in the context of the current reform process led by the UN's Executive Office. The demand for qualitative data comes from the very top, with such data considered a strategic asset central to reform success in the UN development system, peace and security, and management. The link between data and UN reform is clear in the individual reform streams, with the Funding Compact, for example, including explicitly quantified commitments on both the Member States side and UNDS side relating to financing of the UNDS. The monitoring of Member State

Figure 1: Use cases in the UN data strategy



commitments on, for instance, increased core funding and the doubling of pooled funds is facilitated by a data standard on UN financing instruments, which precisely defines what is meant by 'core' and 'pooled' funding. Similarly, as part of a commitment to strengthening transparency and reporting, UNDS entities have pledged to report – by 2021 – on their expenditures by country and SDG target, in line with data standards on geographical location and SDGs.

Second, the UN is reclaiming the visibility of its own data by exploring how information can be made available in a timely and reliable manner through the UN's online presence. The data strategy includes references to new webpages that should make access easier, such as data.un.org for SDG-related statistics. The strategy also outlines easier access to the UN's financial data, broken down by recipient country, donor, contributor and SDG. While a portion of these data will also be made available on the Organisation for Economic Co-operation and Development's Development Assistance Committee and International Aid Transparency Initiative websites, it is in the CEB database – published by the UN itself – that the full disaggregated picture of the over US$ 50 billion of UN revenue and expenditures data will be accessible.

Third, the UN financial data standards have highlighted the importance of active users of data, who – faced with challenges in their data analysis – ask questions, demand more timely data, and thus give impetus to improving its quality. As such, active data users form an essential ingredient of any successful data use case. That said, the same example demonstrates the need to strike a balance between the demands of data users and the demands placed on data producers.

Fourth, as the example of the data cube shows, change takes time and effort. Even if the need for change has been documented, and a shared vision agreed upon, many factors (people, process, policy, technology) must be aligned to produce the sought-after outcomes. Thus, in mid-2020, almost two years after the adoption of the UN data standards, some UN entities are still deciding how to incorporate the SDG standard into their existing systems. While the three-year transition period between the 2018 adoption of the SDG standard and the standard becoming mandatory at the end of 2021 initially seemed ample, it may yet prove too much of a challenge for some UN entities to be fully compliant in 2022. Even so, momentum for change has been built, and the roadmap for implementation of the data standards has already moved through two rounds of follow-up actions, with a third one in the pipeline.

Conclusion

The ultimate ambition of the UN's data strategy is to ensure the organisation fully values one of its most important assets: its data. As the strategy enters its implementation phase, the focus will be on using a strategic portfolio of priority data use cases to gain momentum and produce initial results. In this regard, the strategy can build on lessons learned from existing data use cases, such as the data cube initiative.

In all likelihood, the UN's success in realising its ambitious vision on data will depend on the grit and leadership of those in the UN family. Real change can only be achieved through the concerted efforts of UN staff both at the top and in the middle of the organisation, within UN entities and across many inter-agency fora. Together, they can build the coalitions and cultural change needed to ensure the success of the priority data use cases and, in turn, the overall data strategy.

Footnotes

[1] United Nations Secretary-General, 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, 2019: funding compact', (Report of the Secretary-General, A/74/73/Add. 1-E/2019/14/Add. 1, United Nations General Assembly Economic and Social Council, 2 April 2019). https://undocs.org/A/74/73/Add.1

[2] United Nations, 'Data Strategy of the Secretary-General for Action by Everyone, Everywhere: With Insight, Impact and Integrity: 2020–22'. (external strategy document, UN, May 2020). www.un.org/en/content/datastrategy/images/pdf/UN_SG_Data-Strategy.pdf

[3] United Nations Sustainable Development Group and High-level Committee on Management, 'Data Standards for United Nations: System-wide Reporting of Financial Data', (document, UNSDG/HLCM, January 2020). www.unsystem.org/content/data-standards-united-nations-system-wide-reporting-financial-data

Staying the Course: Funding effective UN responses to COVID-19 while protecting Agenda 2030

By the Dag Hammarskjöld Foundation

This article is based on a report produced by the **Dag Hammarskjöld Foundation** (www.daghammarskjold.se/publication/staying-the-course) at the height of the COVID-19 pandemic in 2020. The aim of the report is to provide guidance to United Nations country teams, Member States and their partners on how best to utilise their financial resources in response to the pandemic's immediate impact, while simultaneously safeguarding progress already made towards Agenda 2030. The report builds on dialogue with UN resident coordinator offices in Guatemala, Indonesia, Jordan, Kenya, Malawi, Papua New Guinea and Vietnam.

The COVID-19 pandemic has significantly impacted multilateralism both operationally and financially. Member States are struggling to address the immediate public health crises taking place within their borders while also having to mediate the economic fallout resulting from pandemic response measures. It is therefore inevitable that continued financial support to the multilateral system will be severely affected.

The UN development system, which to a large extent is dependent on voluntary contributions, will need to adjust to a harsh new reality. Forecasts for multilateral funding commitments must now be reassessed, with the global targets laid out in the Financing for Development process potentially in jeopardy. Traditional systems for multilateral support – such as official development assistance, which is at the core of the approach taken by the Organisation for Economic Co-operation and Development's Development Assistance Committee – will likely come under considerable strain due to declining gross national income among contributing states. While the gravity of current domestic needs should not be understated, dramatically scaling back multilateral investments and downsizing international cooperation risks rolling back decades of development results. Short-sighted planning must not obscure the long-term costs that may arise in terms of sustainable development, peace and security.

Responses to the pandemic need to be flexible, with country- and location-specific solutions essential. As such, the UN resident coordinator system provides a unique country-level platform for development cooperation between a Member State and its partners. This role is highly relevant to the current health emergency response, with the local knowledge participating UN agencies are able to provide acting as a potential source of strength when tackling the pandemic. The UN must therefore build on its prior experiences dealing with global health emergencies – anchored in the knowledge held by local actors and UN staff – in order to formulate effective responses to the current situation.

Funding in the face of a global pandemic

Funding is a central issue when it comes to tackling the pandemic. Given this, the Funding Compact – welcomed by UN entities and UN Member States in 2019 – offers a solid foundation for how to respond to the pandemic in an effective and transparent manner. Even so, the question remains: is the level and form of current funding such that UN country teams can rapidly repurpose funds in response to the present crisis? Core funding and voluntary contributions – which are non-earmarked – represent the most flexible of financial resources, allowing country teams to swiftly reassess where funding is most needed and reallocate according to new priorities. The gap between intentions/commitments and actual funding is striking, posing a challenge for local responses to the pandemic and the longer-term task of building back better. Such challenges notwithstanding, exemplary responses to the pandemic by UN country teams have already begun to emerge.

How is the 2019 Funding Compact impacting funding behaviour, given the desired shift from tightly earmarked funding to funding that supports joint programming and integrated, strategic decision-making?

Flexible multi-partner trust funds are helping countries to repurpose pooled funding arrangements and real-time data could help country teams improve repurpose of funds, in response to emergencies such as COVID-19, without losing coordination, visibility or

risk undermining long-term strategy. The UN Special Purpose Trust Fund, the primary funding mechanism for the UN Resident Coordinator system, is also key here, to maintain and advance the UN coordinating capacity required for cohesive and effective responses.

Lessons learned in times of crisis

What lessons can be taken from previous global health crises that may be useful in dealing with the COVID-19 pandemic? In this regard, it is worthwhile highlighting seven key observations:

1) The 2014 West Africa Ebola outbreak led to the establishment of the World Health Organization (WHO) Contingency Fund for Emergencies (CFE). In terms of results and utilisation of funding, this fund – used both for the immediate response and for longer-term measures – had strong, visible reporting methods.
2) Generalising out from the above point, it can be seen that joint reporting mechanisms are key to tracking funding streams.
3) Another key lesson arising from the Ebola response is the importance of context specificity.
4) Drawing more widely on international reviews of past experiences, it can be seen that there is a need to identify the broader impact of an emergency, including how it affects diverse socio-economic realities.
5) Furthermore, there is a critical need to invest in local capacities.
6) Drawing on the experience of the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund), it can be seen that responses must be coordinated, must not undermine existing funding to other areas, and must do no harm.
7) Finally, common funding arrangements at the country level are crucial.

Building on the above, the 12 May 2020 statement on the COVID-19 pandemic made by the co-chairs of the Global Partnership for Effective Development Cooperation emphasises country ownership, inclusive partnerships, a focus on results, and transparency and accountability.

The UN response to the COVID-19 pandemic

The UN's global response to COVID-19 has resulted in three major funding mechanisms being launched: 1) the WHO's COVID-19 Solidarity Response Fund; 2) the UN Office for the Coordination of Humanitarian Affairs (OCHA)'s Global Humanitarian Response Plan (GHRP); and 3) the UN COVID-19 Response and Recovery Fund. As of May 2020, Member State funding must be accelerated to meet the level of funding needed to implement response plans. Priority areas requiring additional funding include: 49% for the WHO fund; 83% for the GHRP; and 98% for the UN COVID-19 Response and Recovery Plan, which is the fund with the most pronounced long-term perspective. The funding already committed to the first two of these funds has come from a wide variety of sources, including governments, the private sector, and money made available from other multilateral and regional organisations. In addition, other global pooled funds – such as the Peacebuilding Fund, the Joint SDG Fund and the Spotlight Initiative – provide examples of funds that have been repurposing, adjusting and expanding their activities in order to meet COVID-19-related needs.

How are UN country teams, under the leadership of their resident coordinators, responding to the crisis? The responses currently taking shape demonstrate how UN country teams can move rapidly in times of crises, taking the lead with governments in undertaking wide consultations, and making strategic choices in reallocating funds in response to local needs identified together with governments and their partners. The country teams can also draw on resources from global funds, both those specific to the COVID-19 emergency and others – in Indonesia, for example, the UN Office on Drugs and Crime (UNODC), the UN Development Programme and UN Women are partners in the Human Security Trust Fund. Here, multi-partner trust funds provide a strategic funding modality for coordinating funding streams towards long-term strategy objectives, capable of providing fast-track procedures in times of crisis.

Conclusion

Looking to the future, the long-term strategic choices that need to be made in response to COVID-19 start with an effective funding response, joint monitoring, clear reporting mechanisms, and knowledge sharing regarding good practice. The Funding Compact can be seen as the foundation for such responses and for scaling up Member States' investments in an effective and transparent manner.

At a country level, predictable funding is crucial for meeting the expectations of UN coordination, specifically in terms of the UN resident coordinator system's role in leading strategic dialogue between UN country teams, UN Member States and partners. While there have been positive reports from the country level of coordinated funding dialogues resulting in unified action, concerns have also been raised over instances of hard earmarking, as well as unilateral and uncoordinated funding behaviour, which risks wasting resources and undermining collective response capacity.

Member States' expectations of UN coordination and leadership remain high, with the Funding Compact commitments of strategic and predictable funding achievable only through mutually reinforcing leadership between UN Member States and UN entities. Here, the objectives of scaling up funding and optimising available resources must remain in focus. Aligning global financial systems with the Sustainable Development Goals is essential if countries emerging from the COVID-19 pandemic are to rebuild with resilience, and in doing so advance the global plan for sustainable development.

Acronyms & Abbreviations

AI	artificial intelligence
ACABQ	Advisory Committee on Administrative and Budgetary Questions
ASG	Assistant Secretary-General
CEB	Chief Executives Board for Coordination
CEO	chief executive officer
CERF	Central Emergency Response Fund
CFE	Contingency Fund for Emergencies
COVID-19	Novel Coronavirus (2019-nCoV)
CTBTO	Comprehensive Nuclear-Test-Ban Treaty Organization
DAC	Development Assistance Committee
DCO	Development Coordination Office
DG DEVCO	European Commission's Directorate-General for International Cooperation and Development
DPA	Department for Political Affairs
DPKO	Department for Peacekeeping Operations
DPPA	Department of Political and Peacebuilding Affairs (formerly DPA)
DPO	Department of Peace Operations (formerly DPKO)
DRC	Democratic Republic of Congo
ECOSOC	Economic and Social Council
ESG	environmental, social and governance
EC	European Commission
EU	European Union
FAO	Food and Agriculture Organization
FCV	fragility, conflict and violence
FfD	Financing for Development
FSDR	Financing for Sustainable Development Report
GDP	gross domestic product
GEF	Global Environment Facility
GFATM	Global Fund to Fight Aids, Tuberculosis and Malaria
GHRP	Global Humanitarian Response Plan
GISD	Global Investors for Sustainable Development
GNI	gross national income
IAEA	International Atomic Energy Agency
IARC	International Agency for Research on Cancer
IATF	Inter-Agency Task Force
IATI	International Aid Transparency Initiative
ICAO	International Civil Aviation Organization
ICC	International Criminal Court
ICT	information and communication technology
IDA	International Development Association of the World Bank
IFAD	International Fund for Agricultural Development
IFI	international financial institutions
IGAD	Intergovernmental Authority on Development
ILO	International Labour Organization
IMF	International Monetary Fund
IMO	International Maritime Organization

INFF	integrated national financing frameworks
IOM	International Organization for Migration
ISA	International Seabed Authority
ITC	International Trade Centre
ITLOS	International Tribunal for the Law of the Sea
ITU	International Telecommunication Union
LDC	least developed countries
LNOB	leaving no one behind
MDG	Millennium Development Goal
ML	machine learning
MPTFO	Multi-Partner Trust Fund Office
NDICI	Neighbourhood, Development and International Cooperation Instrument
NGO	non-governmental organisation
OAD	Operational Activities for Development
OCHA	Office for the Coordination of Humanitarian Affairs
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OECD-DAC	Organisation for Economic Co-operation and Development's Development Assistance Committee
OHCHR	Office of the United Nations High Commissioner for Human Rights
OPCW	Organisation for the Prohibition of Chemical Weapons
PAHO	Pan American Health Organization
RC	resident coordinator
SDG	Sustainable Development Goal
SDGA	Sustainable Development Goals Global Equity Exchange-Traded Fund
TOSSD	Total Official Support for Sustainable Development
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCDF	United Nations Capital Development Fund
UNCT	United Nations Country Team
UNCTAD	United Nations Conference on Trade and Development
UN DESA	United Nations Department of Economic and Social Affairs
UN DOCO	United Nations Development Operations Coordination Office
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNDS	United Nations development system
UNEP	United Nations Environmental Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nation Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UN-HABITAT	United Nations Human Settlements Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNDRR	United Nations Office for Disaster Risk Reduction (formerly UNISDR)
UNITAR	United Nations Institute for Training and Research
UN-OAD	United Nations Operational Activities for Development
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNRISD	United Nations Research Institute for Social Development
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNSDG	United Nations Sustainable Development Group
UNSSC	United Nations System Staff College
UNU	United Nations University
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNWTO	United Nations World Tourism Organization
UPU	Universal Postal Union of the United Nations
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Trade Organization

Endnotes for Part One

[1] While there is no agreed definition for tightly earmarked funding in the UN development system, there is currently a 1% levy for tightly earmarked contributions. The levy application was operationalized in 2019 and is intended to steer financial contributions towards more flexible funding modalities. The income from the levy is used to finance the UN Resident Coordinator system.

[2] For further details, see: www.unsceb.org/content/data-standards-united-nations-system-wide-reporting-financial-data

[3] The International Seabed Authority (ISA) and the International Tribunal for the Law of the Sea (ITLOS) were the only two UN entities for which the numbers were not included in the 2018 UN system-wide financial data reporting exercise.

[4] The overall increase in total contributions in 2010-2018 was due, to a limited extent, to increased coverage in financial reporting, with the combined revenue of the nine UN entities that started reporting in 2017 and 2018 amounting to US$ 0.8 billion. The other new entity that started reporting over the period is UN Women, which was created in 2011.

[5] For definitions of what is included in each of these functions, see page 11 of the Data Standards for United Nations System-wide Reporting of Financial Data, www.unsystem.org/CEBPublicFiles/UN_DataStandards_Digital_20200324_0.pdf

[6] When preparing these figures, the 2018 information on overall development-related funding for single agency thematic funds was not available.

[7] The definitions of the geographical regions as included in Figure 22 do not yet correspond to the regions as outlined in the UN data standards.

[8] United Nations General Assembly, 'Resolution adopted by the General Assembly on 21 December 2016, Quadrennial comprehensive policy review of operational activities for development of the United Nations system', (General Assembly Resolution, A/RES/71/243, 21 December 2016). https://undocs.org/A/RES/71/243

[9] The CEB data are reported to the General Assembly and available on the CEB website.

[10] The UN DESA data are reported to the Operational Activities Segment of ECOSOC and available on the ECOSOC website.

[11] The only UN entities that did not report in 2018 were the ISA and the ITLOS. In the CEB statistics, DPKO is shown separately despite being part of the UN Secretariat.

[12] As explained by UN DESA, many quadrennial comprehensive policy review (QCPR) mandates would not be applicable to IOM and IAEA by virtue of the fact they are related UN organizations, meaning they are not bound by corporate policies and decisions, nor various lines of accountability.

[13] UN DESA even adjusted its aggregate data for previous years in alignment with the new definitions, which can be seen in Figure 11.

[14] Financing the United Nations Development System: Current Trends and New Directions (report, UN MPTFO/Dag Hammarskjöld Foundation, 2016), see page 44.

[15] General Assembly Resolution, A/RES/71/243, 21 December 2016.

Notes to figures and tables in Part One

General Notes

i) For Figures 1–8, 20–21, 23, 26, 28; Tables 2–5; and Visualisation 1 (of which a still image is presented in Figure 8), 'Chief Executives Board for Coordination (CEB)' refers to data retrieved from the CEB Financial Statistics database. Data downloaded in December 2019 and available from www.unsceb.org/content/un-system-financial-statistics.

ii) For Figures 9–11, 14–19, 22, 29; and Visualisation 3 (of which still images are presented in Figures 30–34), 'Report of the Secretary-General (A/75/79-E/2020/55)' refers to data retrieved from the Report of the Secretary-General, 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, 2020', (A/75/79-E/2020/55, 30 April 2020), statistical annex on 2018 funding data. Data downloaded in April 2020 and available from www.un.org/ecosoc/en/content/2020-operational-activities-development-segment.

iii) For Figures 12, 13; and Visualisation 2, 'Organisation for Economic Co-operation and Development (OECD)' refers to data retrieved from the 'Creditor Reporting System (CRS)' and 'Members' total use of the multilateral system' segments of the OECD statistics database. Data downloaded in May 2020 and available from https://stats.oecd.org.

iv) For Figures 6a, 6b, 14–21, 'UN pooled funds database' refers to the database compiled by the UN Development Coordination Office (UNDCO) and published on the website of the International Aid Transparency Initiative (IATI). It incorporates all contributions to and transfers by UN inter-agency pooled funds involving a UN administrative agent. Data available from www.iatistandard.org.

v) 'UN Data Standards' refers to the data standards developed through a joint initiative of the UN Sustainable Development Group (UNSDG) and the CEB's High-Level Committee on Management (HLCM), documented in 'Data Standards for United Nations System-wide Reporting of Financial Data' (January 2020), available at www.unsystem.org/CEBPublicFiles/UN_DataStandards_Digital_20200324_0.pdf.

vi) Contributions and expenditures are expressed in current United States dollars, unless otherwise stated.

Figures

Figure 1

i) Data from CEB Financial Statistics database, series 'Total revenue by revenue type' (FS-K00-01), 2018, www.unsceb.org/content/FS-K00-01?gyear=2018.

ii) CEB figures reflect revenue and expenses as reported to the CEB by UN organisations, based on their audited financial statements. They have not been adjusted for revenue and/or expenses associated with transfers of funding between UN organisations.

Figure 2

i) Data from CEB Financial Statistics database, series 'Total revenue by revenue type' (FS-K00-01), 2010–18, www.unsceb.org/content/FS-K00-01.

ii) All UN entities reporting to the CEB for the 2018 data collection are indicated in Table 2. The International Agency for Research on Cancer (IARC); the Organisation for the Prohibition of Chemical Weapons (OPCW); and UNITAID: Innovation in Global Health reported their data to the CEB for the first time as part of the 2018 data collection exercise.

iii) The Comprehensive Nuclear Test-Ban Treaty Organization (CTBTO); the International Criminal Court (ICC); the UN Capital Development Fund (UNCDF); the United Nations Framework Convention on Climate Change (UNFCCC); the United Nations Research Institute for Social Development (UNRISD); and the United Nations System Staff College (UNSSC) reported their data to the CEB for the first time as part of the 2017 data collection exercise.

iv) The UN Entity for Gender Equality and the Empowerment of Women (UN Women) reported its data to the CEB for the first time as part of the 2011 data collection exercise.

Figure 3

i) The UN system is defined as all the UN entities included in UN Data Standard I 'UN entity'.

ii) Data from the following CEB Financial Statistics database series (and additional data received from the CEB secretariat):

- 'Agency revenue by government donor (assessed contributions)' (FS-D01-01), www.unsceb.org/content/FS-D01-01.
- 'Agency revenue by government donor (voluntary contributions non-specified)' (FS-D02-01), www.unsceb.org/content/FS-D02-01.

- 'Agency revenue by government donor (voluntary contributions-specified)' (FS-D03-01), www.unsceb.org/content/FS-D03-01.
- 'Top 10 non-government donors' (FS-L00-02), www.unsceb.org/content/FS-L00-02.

iii) List of OECD-DAC members available from www.oecd.org/dac/development-assistance-committee/

iv) European Union institutions are listed separately, based on UN Data Standard VI 'Reporting on revenue by contributor'.

v) The category 'other' includes contributions from: 'academic, training and research'; 'public private partnerships'; 'international financial institutions'; 'UN organizations excluding pooled funds'; and 'other multilateral institutions'.

Figures 4 and 5

i) Data from the following CEB Financial Statistics database series: FS-D01-01; FS-D02-01; FS-D03-01; FS-L00-02 (see note ii for Figure 3).

ii) DPKO assessed contributions by Member States for 2010–12 were calculated based on assessment rates presented in Report to the Secretary-General, 'Implementation of General Assembly resolution 55/235 and 55/236', (A/64/220/Add.1., 31 December 2019), https://undocs.org/en/A/64/220/Add.1. The DPKO assessed contributions required an adjustment in the decimal differences that could not be observed in the printed report. This remainder was allocated to all countries according to assessment rates.

Figures 6a and 6b

i) Data from CEB Financial Statistics database, series 'Top 10 non-government donors' (FS-L00-02), www.unsceb.org/content/FS-L00-02.

ii) European Union institutions contributions to UN inter-agency pooled funds are based on the UN pooled funds database.

Figure 7

i) Data for total revenue received by UN entities from contributors classified as 'private sector', 'foundations' and 'NGOs' were provided by the CEB secretariat. Additional data was provided by the United Nations High Commissioner for Refugees (UNHCR) and United Nations Children's Fund (UNICEF).

Figure 8

i) Data from the following CEB Financial Statistics database series: FS-D01-01; FS-D02-01; FS-D03-01; FS-L00-02 (see note ii for Figure 3).

ii) DPKO assessed contributions by Member States for 2010–12 were calculated based on assessment rates presented in Report to the Secretary-General, (A/64/220/Add.1.) (see note ii for Figures 4 and 5).

Figure 9

i) Data from Report of the Secretary-General (A/75/79-E/2020/55), Table A-2, 'Contributions for operational activities of United Nations system, by UNDS entity, core and other resources: 2003–2018'.

ii) The 'Supplementary note to Addendum 1 on funding: Technical note on definitions, sources and coverage' considers 'the "United Nations development system" (UNDS) to constitute entities that carry out operational activities for development to support countries in their efforts to implement the 2030 Agenda for Sustainable Development … Operational activities for development (OAD) are considered to consist of those activities that fall under either "development assistance" or "humanitarian assistance".'

iii) 'Core contributions' refer to un-earmarked funding used at the sole discretion of the relevant UNDS entity and its governing board. This includes both assessed contributions and voluntary core (un-earmarked) contributions. 'Earmarked' contributions refer to earmarked funding directed by donors towards specific locations, themes, activities and/or operations. Details on the distinction between the different types of funding is available under UN Data Standard IV 'UN grant financing instruments'.

iv) The series depicted in Figure 9 differs from the one presented in the 2019 edition of Financing the UN Development System due to aggregate data from past years being adjusted to align with the UN Data Standards.

Figure 10

i) Data from Report of the Secretary-General (A/75/79-E/2020/55), Table B-2, 'Expenditures on operational activities for development by recipient, type of activity (development- and humanitarian assistance-related) and type of funding (core and non-core): 2018'. Expense data is used as a proxy for revenue figures given that the latter are not reported by type of activity. Therefore, the percentages reflect shares in overall UN 2018 expenditures.

ii) The 2018 data was classified according to the newly agreed UN Data Standard II 'UN system function'. They are:

- Development assistance: Activities specifically aimed at promoting sustainable development of programming countries with the focus on long term impacts.
- Humanitarian assistance: Material or logistical assistance provided for humanitarian purposes, typically in response to humanitarian crises including natural disasters and manmade disaster. The primary objective of humanitarian aid is to save lives, alleviate suffering, and maintain human dignity.
- Peace operations: Activities involving the deployment of civilian, police and military personnel meant to help countries torn by conflict create conditions for lasting peace.
- Global agenda and specialised assistance: Activities that (a) address global and regional challenges without a direct link to development and humanitarian assistance, and peace operations, or (b) support sustainable development with the focus on long term impact in non-UN programming countries.

Figure 11

i) 2018 data from Report of the Secretary-General (A/75/79-E/2020/55), Table B-2 (see note i for Figure 10).

ii) Historical data was received from UN DESA and is presented in the Report of the Secretary-General, 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR): Funding analysis', www.un.org/ecosoc/sites/www.un.org.ecosoc/files/files/en/qcpr/SGR2020-Addendum-Funding-Unedited-5May2020.pdf

Figure 12

i) 2011–18 data retrieved from the OECD statistics database in May 2020. 2010 data received from the OECD.

ii) Values are in constant 2018 prices.

iii) The data presents DAC members' contributions to the regular budgets of the multilateral institutions (Multilateral Official Development Assistance).

iv) The CRS database presents the IMF and the World Bank Group as separate categories. For Figure 12, their data has been combined into a single category.

v) In the CRS database, the World Trade Organization is presented as a channel of multilateral assistance separate from the 'UN development system'. For Figure 12, both are combined under the latter category.

Figure 13

i) Data retrieved from the OECD statistics database in May 2020.

ii) CRS Aid Activity database comprises all contributions from OECD-DAC members to developing countries or territories eligible for official development assistance (ODA). Data based on individual project and programme disbursements measured on a calendar year basis.

iii) Categories of agencies making ODA disbursements have been regrouped as indicated in the key. As the grouping of ministries/agencies may be open to misinterpretation due to donors' internal governance structures, OECD staff provided guidance regarding the aggregation of agencies.

Figures 14 and 15

i) Data from Report of the Secretary-General (A/75/79-E/2020/55), Table A-3, 'Contributions for operational activities for development by contributor, type of activity (development- and humanitarian assistance-related) and type of funding (core and non-core): 2018', and UN pooled funds database.

ii) List of OECD-DAC members available from www.oecd.org/dac/development-assistance-committee/

iii) 'Core contributions' include both assessed contributions and voluntary core (non-earmarked) contributions.

iv) As the UN Secretariat includes contributions to OCHA-administered pooled funds in its reporting of earmarked contributions to the CEB, the data for the 'earmarked excluding pooled funds' category uses the UN pooled funds database to discount contributions to pooled funds administered by OCHA from the value of earmarked contributions.

Figure 16

i) Data from Report of the Secretary-General (A/75/79-E/2020/55), Table A-3 (see note i for Figures 14 and 15), and the UN pooled funds database.

ii) 'Core contributions' include both assessed contributions and voluntary core (un-earmarked) contributions.

iii) The 12 largest non-OECD-DAC countries contributing to UN operational activities for development are ranked according to their contributions excluding local resources. However, local resources have been added as a separate column for each top non-OECD-DAC contributor.

iv) As the UN Secretariat includes contributions to OCHA-administered pooled funds in its reporting of earmarked contributions to the CEB, the data for the 'earmarked excluding pooled funds' category uses the UN pooled funds database to discount contributions to pooled funds administered by OCHA from the value of earmarked contributions.

Figures 17a–18b

i) Data from Report of the Secretary-General (A/75/79-E/2020/55), Table A-3 (see note i for Figures 14 and 15), and UN pooled funds database.

ii) 'Core contributions' include both assessed contributions and voluntary core (un-earmarked) contributions.

Figure 19

i) Data from Report of the Secretary-General (A/75/79-E/2020/55), Table A-3 (see note i for Figures 14 and 15), and UN pooled funds database.

ii) The 'development assistance' category aggregates the 'development', 'climate', and 'transition' categories used in the UN pooled funds database.

Figures 20 and 21

i) Data from CEB Financial Statistics database (FS-D03-01) (see note ii for Figure 3), and UN pooled funds database, 2015–18.

ii) Since the UN Secretariat includes contributions to OCHA-administered pooled funds in the reporting of their earmarked contributions to the CEB, the data for the category 'earmarked excluding pooled funds' uses the UN pooled funds database to discount contributions to pooled funds administered by OCHA from the value of earmarked contributions.

Figure 22

i) 2018 data from the Report of the Secretary-General (A/75/79-E/2020/55), Table B-2 (see note i for Figure 10).

ii) Historical data extracted from previous statistical annexes of the Report of the Secretary-General, 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR): Funding analysis', (A/74/73-E/2019/4), (A/73/63-E/2018/8), (A/72/61-E/2017/4), (A/68/97-E/2013/87).

iii) 2015–18 data can be accessed at www.un.org/ecosoc/en/oas-qcpr. 2011 data from UN DESA.

iv) Only expenditure on development and humanitarian operational activities is included in the data. Expenditure on peace operations and global agenda and other specialised assistance is excluded as such activities do not fall within the scope of the QCPR.

v) For 2018, countries were aggregated to a regional level following Appendix 1 of UN Data Standard III 'Geographic location'. To align these regions to those used in Report of the Secretary-General, Table B-2 (for years prior to 2018), the 2018 expenditures of countries listed under Western Asia in the UN Data Standards were combined in order to calculate the total 2018 expenditure for Western Asia. The 2018 expenditures for the remaining countries in the Asia region and all countries in the Oceania region, as listed in the UN Data Standards, were combined to calculate the total 2018 expenditure for Asia and the Pacific.

Figures 23 to 28

i) Data from the International Labor Organization (ILO), the UN Entity for Gender Equality and the Empowerment of Women (UN Women), and the World Food Programme (WFP) was obtained from the CEB secretariat. Additional data was received from the United Nations Population Fund (UNFPA), the United Nations Development Programme (UNDP) and United Nations Children's Fund (UNICEF).

ii) Not all entities mapped 100% of their expenditure to the SDGs.

Figure 29

i) Data from Report of the Secretary-General, (A/75/79-E/2020/55), Table B-2 (see note i for Figure 10), and World Bank Analytical Classifications (presented in World Development Indicators). Historical classification by income available at https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lendinggroups#:~:text=For%20the%20current%202020%20fiscal,those%20with%20a%20GNI%20per

ii) The figure only includes UN programming countries, ie countries covered by a Resident Coordinator (including those covered by a Resident Coordinator in another country, such as for multi-country offices). The list of programming countries is available in Appendix 3 of UN Data Standard II 'UN system function'.

iii) For analytical purposes, the World Bank classifies economies into four income groups: low, lower-middle, upper-middle, and high. It uses gross national income (GNI) per capita data in US dollars, converted from local currency using the World Bank Atlas method, which is applied to smooth exchange-rate fluctuations. For the calendar year 2018, low-income economies were defined as those with a GNI per capita of US$ 1,025 or less; lower-middle-income economies were those with a GNI per capita of US$ 1,026–3,995; upper-middle-income economies were those with a GNI per capita of US$ 3,996–12,375; and high-income economies were those with a GNI per capita of US$ 12,375 or more.

iv) Crisis-affected countries are those that fulfil one or more of the following criteria: 1) report expenditure for an ongoing or recently discontinued peacekeeping mission (DPKO); 2) report expenditure for an ongoing or recently discontinued political mission, group of experts, panel, office of special envoy or special adviser (DPPA); 3) report expenditure from the Peacebuilding Fund (UN pooled funds database); and 4) have had a humanitarian response plan for the past two years, ie 2017 and 2018 (OCHA).

v) Western Sahara was not included despite being on the list of crisis-affected countries as it is not a UN programming country.

Figures 30 to 34

i) The data for these figures has diverse sources:

- Report of the Secretary-General, (A/75/79-E/2020/55), (A/74/73-E/2019/4), (A/73/63 - E/2018/8), (A/72/61 - E/2017/4), (A/71/63–E/2016/8), (A/70/62–E/2015/4), (A/69/63–E/2014/10), (A/68/97–E/2013/87), (A/67/93-E/2012/79). Available under 'UN Secretary-General's reports on the QCPR' at www.un.org/ecosoc/en/content/qcpr-2020.
- United Nations Peacekeeping Operations financial reports and audited financial statements, Board of Auditors Reports General Assembly, (A/74/5 (Vol. II)), (A/73/5 (Vol. II)), (A/72/5 (Vol. II)), (A/71/5 (Vol. II)), (A/70/5 (Vol. II)), (A/69/5 (Vol. II)), (A/68/5 (Vol. II)), (A/67/5 (Vol. II)), (A/66/5 (Vol. II)). Available at www.un.org/en/auditors/board/auditors-reports.shtml.
- Report of the Secretary-General, 'Estimates in respect of special political missions, good offices and other political initiatives authorized by the General Assembly and/or the Security Council', (A/73/352), (A/72/371), (A/71/365), (A/70/348), (A/69/363), (A/68/327), (A/67/346), (A/66/354), (A/65/328). Available from UN Official Document System at https://documents.un.org/prod/ods.nsf/home.xsp.

ii) The visualisation presents UN programming countries with more than US$ 100 million in expenditure for a given calendar year. The 2018 crisis-affected countries not depicted are: Bosnia Herzegovina, Congo, Democratic People's Republic of Korea, El Salvador, Eritrea, Gambia, Guinea, Guinea-Bissau, Kosovo, Kyrgyzstan, Liberia, Mauritania, Papua New Guinea, Solomon Islands and Sri Lanka.

iii) Expenditure data for humanitarian and development assistance in a given calendar year excludes expenditure from: 1) UNDS entities that did not report disaggregated country expenditures to the CEB for that calendar year; and 2) those UN-related organisations that are not included in UN DESA's definition of UNDS for that calendar year.

iv) African Union–United Nations Hybrid Operation in Darfur (UNAMID) expenditure was allocated to Sudan. United Nations Disengagement Observer Force (UNDOF) expenditure was allocated equally to Syria and Israel (Israel is not a UN programming country). United Nations Organization Interim Security Force for Abyei (UNISFA) expenditure was allocated equally to South Sudan and Sudan.

Tables

Table 2a

i) Data from CEB Financial Statistics database, series 'Revenue type by agency' (FS-A00-02), 2018, www.unsceb.org/content/FS-A00-02.

ii) Amounts have been rounded up. Data below $US 1 million dollars is shown as 0 in the table (ie voluntary core contributions for IARC and UNWTO). However, total amounts at the bottom of the table reflects the sum of all individual UN entities' revenues.

Table 2b

i) Preliminary data from CEB 2019 data collection.

ii) Data for previous years from CEB Financial Statistics database, series 'Total revenue by agency' (FS-A00-03), 2015 and 2018, www.unsceb.org/content/FS-A00-03

Table 3

i) Data for 2010–18 from CEB Financial Statistics database, (FS-A00-02) (see note i for Table 2a). Additional data received from CEB Secretariat for 2005.

ii) DPKO data for 2005 are expenditure figures, used as a proxy for revenue data, and are taken from Report of the General Assembly, 'Financial report and audit financial statement for the 12-month period from 1 July 2004 to 30 June 2005', (A/60/5 Vol. II, 10 March 2006), http://undocs.org/en/A/60/5(VOL.II)(SUPP)

iii) Additional data for 2005 assessed contributions to UN specialised agencies from Global Policy Forum, 'Assessed contributions to UN specialized agencies, 1971–2013', www.globalpolicy.org/component/content/article/133-tables-and-charts/27480-assessed-contributions-to-un-specialized-agencies.html

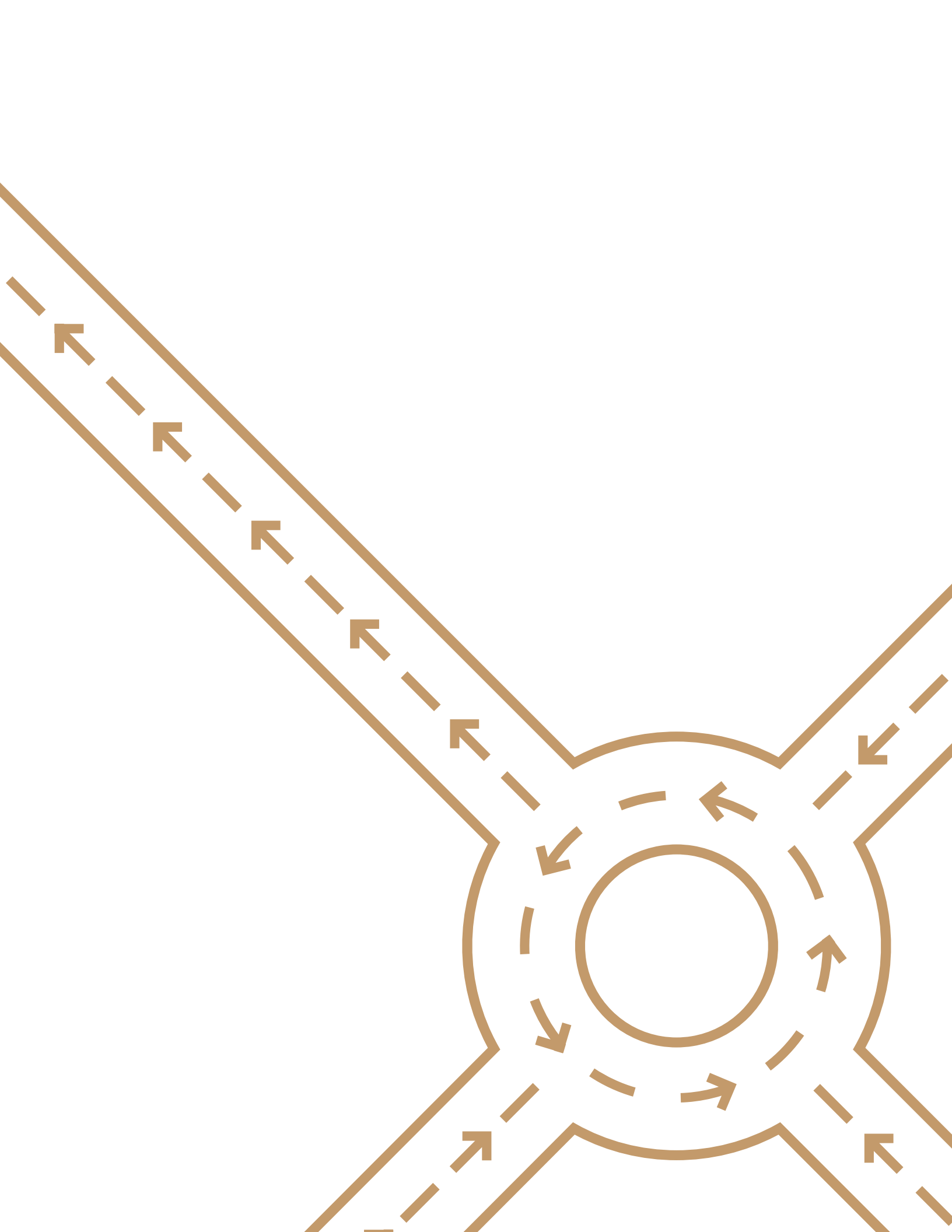
Table 4

i) Data for 2010–18 from CEB Financial Statistics database, (FS-A00-02) (See first note for table 2a).

Table 5

i) Data for 2010–8 from CEB Financial Statistics database, series 'Total Expenditure by Agency' (FS-F00-03), www.unsceb.org/content/FS-F00-03.

ii) DPKO data for 2005 from Report of the General Assembly (A/60/5) (see note ii for Table 3).



The sixth edition of the ***Financing the United Nations Development System*** report presents comprehensive data on UN revenues and expenditures. The subtitle of this year's report, ***Time to Walk the Talk***, reflects the need for concerted action to reform the UN development system (UNDS) in the context of the unfolding COVID-19 pandemic.

The financial data explored in this report provide an important benchmark for understanding the level at which UN financing stood – in terms of both quantity and quality – when the pandemic struck. The intention is to put the numbers up front and, where possible, let the figures, tables and graphs speak for themselves.

As in previous years, this edition aims to capture the various developments and trends taking place in UN funding and financing. It is a task embarked on in full recognition that the effects of the COVID-19 pandemic demand humility, and an acceptance of the need to prepare for significant trend shifts.

Dag Hammarskjöld Foundation

Dag Hammarskjöld Foundation

The Dag Hammarskjöld Foundation is a non-governmental organisation established in memory of the second Secretary-General of the United Nations. The Foundation aims to advance dialogue and policy for sustainable development, multilateralism and peace.

www.daghammarskjold.se

United Nations
MPTF Office

Multi-Partner Trust Fund Office

The Multi-Partner Trust Fund Office is the UN centre of expertise on pooled financing mechanisms. Hosted by UNDP, it provides fund design and fund administration services to the UN system, national governments and non-governmental partners. The MPTF Office operates in over 120 countries and manages a total portfolio of US$ 13 billion in pooled funds, involving more than 160 contributors and over 100 participating organisations.

mptf.undp.org