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MPTF Office



Dag Hammarskjöld
Foundation



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Financing the UN Development System
Time for Hard Choices

Executive Summary

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The spectrum of UN financing instruments

	Assessed contributions	Voluntary core contributions	Negotiated pledges	Earmarked contributions	Fees
Definition	Fixed amounts, calculated based on 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

Executive summary

An important challenge is embedded in the title of this year's report: *Time for Hard Choices*. In a financing world which is both simple and complex, the choices are numerous and what follows are hard decisions about the allocation of resources. A multilateral approach to today's global challenges will need to use evidence to show its competitive advantage. From here on, the financing questions flow.

The intention of this report is to wake us up to the reality that the financing of the United Nations development system (UNDS) is currently in the spotlight of a complex reform agenda.¹ At the same time, financing is a crucial dimension of a multilateral approach to addressing the world's urgent development challenges. The report showcases the complexities and innovations within Sustainable Development Goal (SDG) financing and the need for a firm multilateral approach *when* it is best for SDG achievement.

Scope of the report

This, the fifth edition of Financing the UN Development System report, is, as in previous years, divided into two parts.

Part One provides accessible UN funding data on revenue and expenditures, which we believe is important for understanding current and future financing reform discussions. This year's report includes references to two new initiatives in the UNDS funding landscape, the Funding Compact and the 1% levy on tightly earmarked contributions. It also discusses the quality issues of financial data, the adoption of new UN data standards and why it matters.

In Part Two of the report, 25 prominent guest authors from outside and inside the UN system present their ideas and initiatives in concise essays on the financing trends impacting the SDGs. These are organised into

four different chapters. Emerging issues this year are how financing can more effectively support a 'leave no one behind' agenda and how the 'big picture' of financial flows to developing countries influences the role of the UNDS in different country contexts.

This part of the report also dives deeply into the challenges and opportunities for financing related to conflict prevention and peacebuilding. In addition, it looks at the role of financing as it relates to technology, digitalisation, science and for the first time at the purposeful investment choices of young millennial investors. Together these essays provide analysis and insights that we believe make an important contribution to the debate and to the choices that lie ahead.

Key findings Part One: Overview of United Nations' resource flows

Chapter One: Revenue

The total revenue received by the UN in 2017 was US\$ 53.2 billion and represented an increase of US\$ 3.9 billion compared to 2016 (Table 1 on the next page). The increase can be partly attributed to three factors: First, six new UN entities are reporting to the Chief Executives Board for Coordination (CEB) for the first time in this year's report adding a total of US\$ 0.5 billion to the overall revenue. Second, 'double counting' in the UN financial system makes the UN total revenue seem larger than it is; specific instances of where the same financial flows are reported by two UN entities to the CEB are analysed in more detail in the third chapter on data quality. And lastly, the overall revenue of many UN entities has grown between 2016 and 2017, with the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO) having the highest growth rate among six large UN entities (35% and 17% respectively).

Table 1: Total revenue of the UN system by entity and by financing instrument, 2017 (US\$ million)

Entity	Assessed	Voluntary core	Earmarked	Fees and other revenues	Total revenue 2017
UN Secretariat	2,578		2,279	623	5,480
CTBTO	119		7	2	128
DPKO	7,853		343	79	8,276
FAO	474		751	39	1,264
IAEA	434		260	8	702
ICAO	80		114	22	216
ICC	167		2	0	170
IFAD		306	104	9	419
ILO	370		293	21	683
IMO	41		7	19	67
IOM	49	15	1,450	100	1,615
ITC	35	29	62	1	127
ITU	125	1	10	47	183
PAHO	102		614	716	1,433
UNAIDS		173	52	8	233
UNCDF		10	47	3	60
UNDP		647	4,245	344	5,236
UNEP	199		443	25	668
UNESCO	316		261	71	648
UNFCCC	31	2	38	15	86
UNFPA		350	718	93	1,160
UN-HABITAT	14	3	142	11	169
UNHCR	48	703	3,445	31	4,227
UNICEF		1,278	5,153	146	6,577
UNIDO	80		256	3	339
UNITAR		0	32	0	33
UNODC	31	4	342	15	391
UNOPS				834	834
UNRISD		2	0		2
UNRWA		625	559	55	1,239
UNSSC		4	7	0	11
UNU			49	58	107
UN Women	8	146	214	10	379
UNWTO	16		3	5	24
UPU	37		17	16	69
WFP		391	5,609	431	6,431
WHO	457	81	2,058	179	2,775
WIPO	18	1	11	392	423
WMO	70	5	17	2	94
WTO	200		21	2	224
Total	13,953	4,776	30,035	4,435	53,200

Source: Chief Executives Board for Coordination (CEB)
For notes - see page 19.

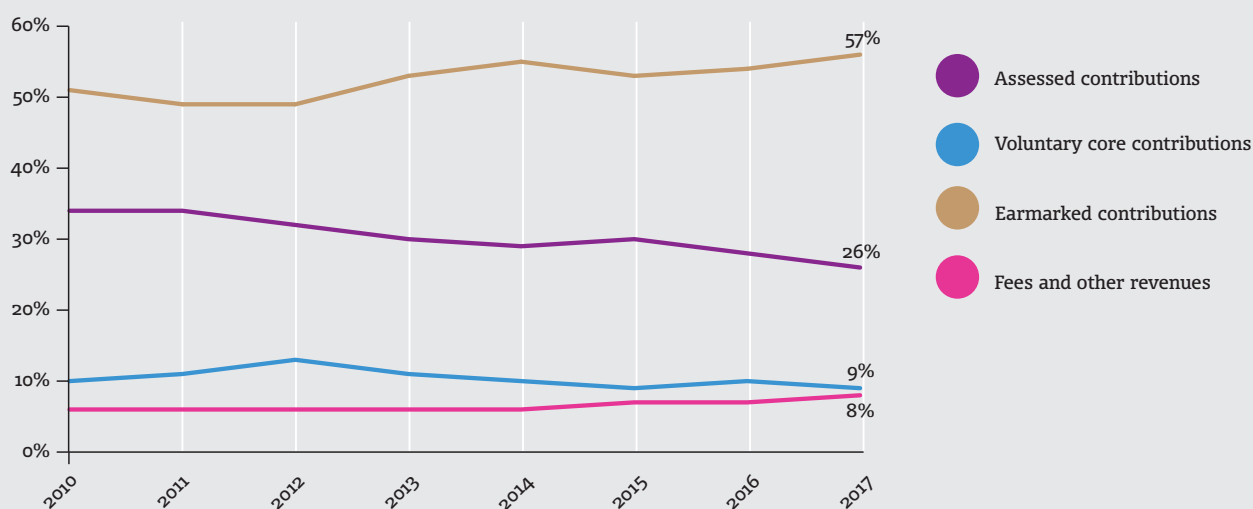
How these UN entities are financed influences how they operate, and in 2017 more than half of all UN revenue was earmarked to a certain degree (57%). This is a three percentage point increase since the previous year and is part of a long-term trend in UN financing, which has seen a relative decline of the more flexible contributions (assessed and voluntary core) and a relative shift towards the more constrained earmarked contributions. In 2017, voluntary core contributions decreased by one percentage point to 9%, which almost equalled the 8% that came from 'fees and other revenues' (Figure 1 below). Meanwhile, assessed contributions amounted to 26%.

The next question is what part and which revenue streams of the UN are growing? The UN's overall revenue growth has been concentrated in UN Operational Activities for Development (UN-OAD), which grew from US\$ 29.5 billion in 2016 to US\$ 33.6 billion in 2017 (UN non-OAD activities decreased slightly from US\$ 19.8 to 19.6 billion). It is, however, specifically the earmarked resources for UN-OAD that have increased (from US\$ 23.1 to 26.7 billion). A closer look at the levels of earmarked contributions to each UN entity (as well as assessed contributions) is detailed in the full report, and it shows, for example, that in 2017 for seven UN entities, over 80% of their funding was earmarked.

Having looked at the revenue streams into the different UN funding instruments, the report also examines what is being funded in the UN. Figure 2 on the next page shows 32% of the funding in 2017 went to humanitarian assistance, which is a growth of four percentage points compared to the previous year. The relative share of funding for development and peacekeeping has remained stable, while the category of global norms, standards, policy and advocacy has decreased by four percentage points compared to 2016. A note of caution before drawing too many conclusions: the decrease in the category of global norms is more linked to definitional and methodological issues than with the UN investing fewer resources in its normative mandates.

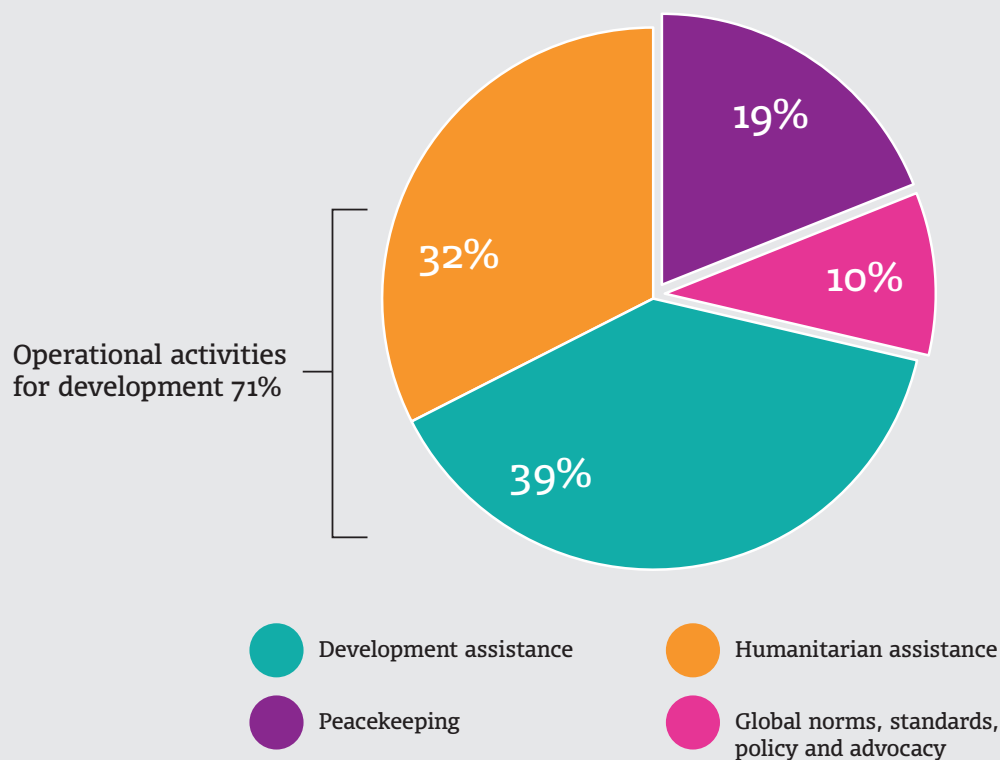
If we now turn to how the UN fits into the funding picture of the broader multilateral system we see in Figure 3 how important the UN is as a multilateral channel. Indeed, the UN remains the largest channel of multilateral assistance from countries part of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) with US\$ 20.9 billion in contributions in 2017, which represents 33% of the total (see Figure 9 on page 39 in the full report).

Figure 1: Distribution of total UN system revenue, by financing instrument, 2010–2017



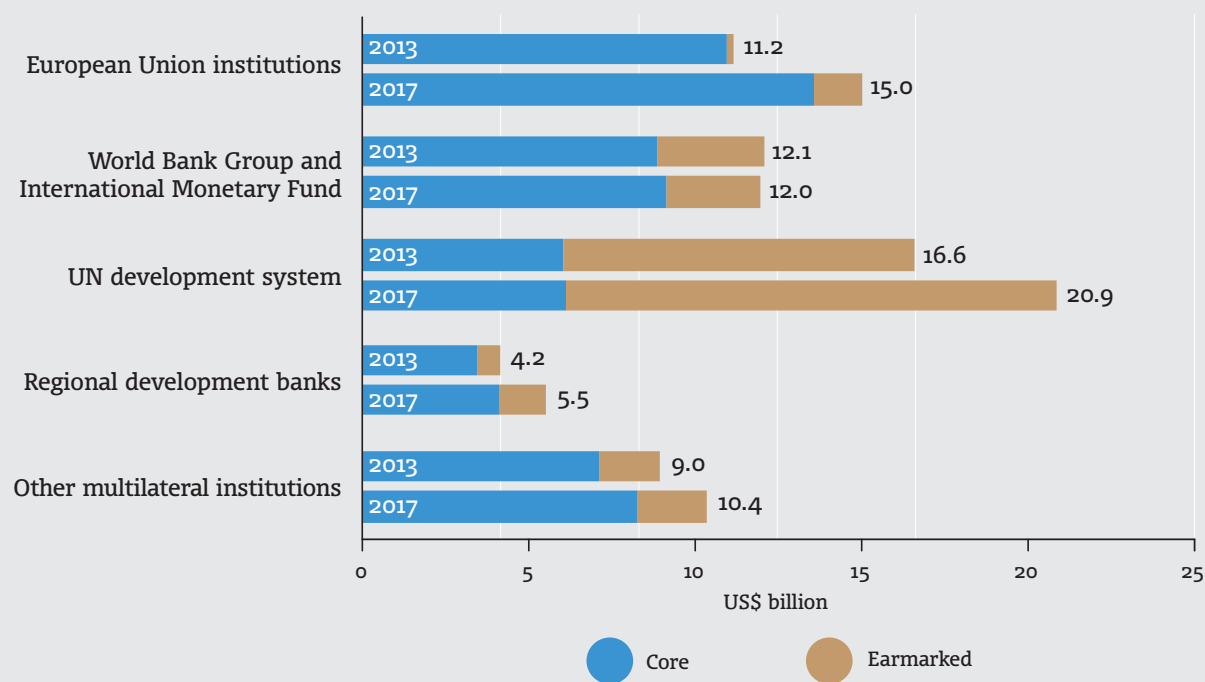
Source: Chief Executives Board for Coordination (CEB)
For notes – see page 18.

Figure 2: Funding of UN system-wide activities, 2017



Source: Report of the Secretary-General (A/74/73-E/2019/4)
 For notes – see page 18.

Figure 3: Channels of total multilateral assistance from OECD-DAC countries, core and earmarked, 2013 and 2017



Source: Organisation for Economic Co-operation and Development (OECD)
 For notes – see page 18.

In Figure 3 we also see major funding differences and trends between the multilateral institutions. Higher levels of earmarking compared to core funding distinguish the UN system from other multilateral institutions. Moreover, the share of earmarking has increased substantially in the UN in recent years. In 2017, of the US\$ 20.9 billion of multilateral aid channelled through the UN development system, 71% was earmarked, against 64% of the US\$ 16.6 billion in 2013.

A more detailed five-year multilateral funding trend can be seen in Table 5 in Chapter One of the full report. This data does, however, not capture the whole picture with regards to trends in Official Development Assistance (ODA) funding, since contributions from OECD-DAC members to multilateral organisations represented only around 41% of total ODA in 2016.²

So, knowing that OECD-DAC countries channel a significant part of their ODA funding into the UN, how much of the overall UN funding pie is that? Who are the other funders of the UN? As we can see in Figure 4, governments constituted 74% of the direct funding to the UNDS with 57% coming from OECD-DAC countries and 11% from non OECD-DAC countries. Indirectly governments also funded the UNDS via eg the European Union (EU) institutions and in-part via

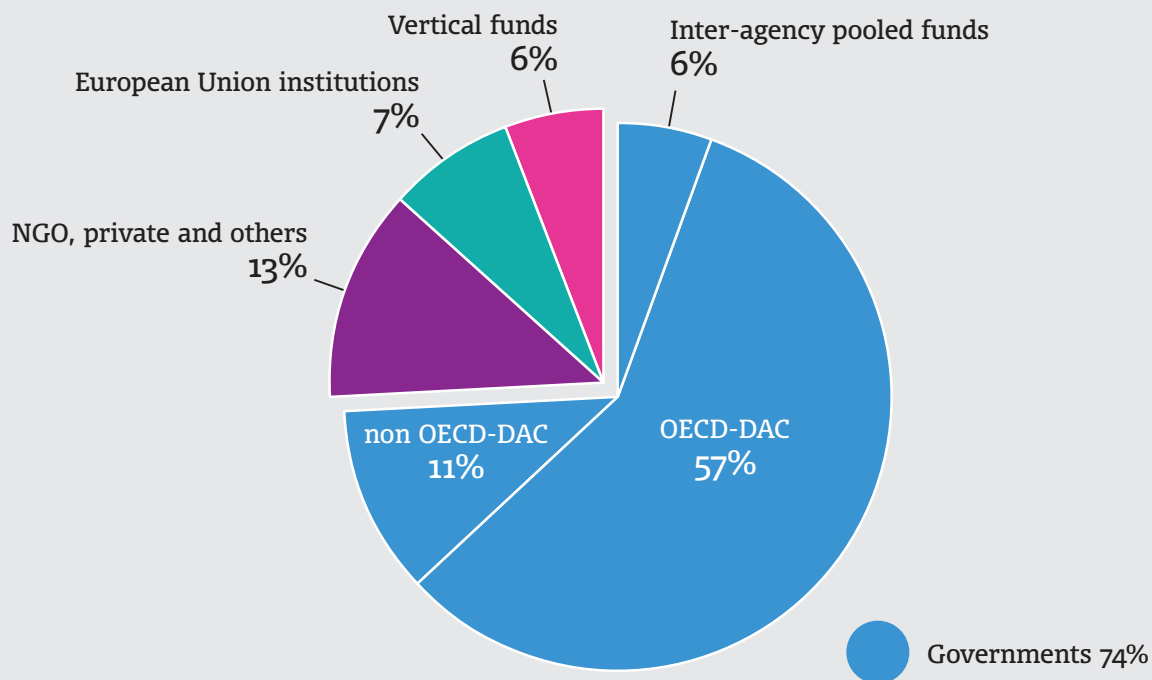
UN pooled and vertical funds. An equal share of 6% of total funding to the UNDS was channelled through UN inter-agency pooled funds and vertical funds.

While non-state contributions are growing significantly as sources of revenue for the UN (from 9% in 2016 to 13% in 2017), they remain a relatively small source of revenue for most UN entities (a visual breakdown of the non-state funding for six UN entities is provided in Figures 5-10).

In fact, the majority of contributions to UN operational activities come from a small group of Member States. Figure 11 on page 9 shows the funding mix of the top 12 OECD-DAC contributors, with contributions broken down into core, inter-agency pooled funds, single-agency thematic funds, and other earmarked funds. In 2017, these top OECD-DAC members provided 65% of the total contributions for UN operational activities and in the past five years this share has grown four percentage points (from 61% in 2013).

This analysis is complemented by an investigation into the funding mix of non OECD-DAC countries, (Figure 12, also on page 9). It shows that the top five countries: China, Russian Federation, Colombia, Saudi Arabia and Qatar, contributed 51% of the total funding (excluding local resources) from this group of countries, which was 7%

Figure 4: Funding sources for UN operational activities, 2017



Source: Report of the Secretary-General (A/74/73-E/2019/4)
For notes – see page 19.

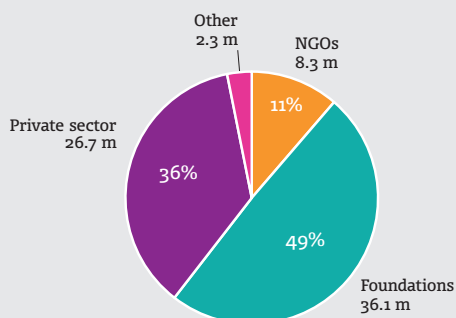
of the total of contributions to UN operational activities. Compared to 2016, China has increased its funding the most in nominal terms and of the same group, Qatar increased its funding most in relative terms. Local resources, which are contributions from programme countries in support of their own development framework, are depicted separately. They have only been added after the top 12 non OECD-DAC contributors were identified.

In this year's report we bring back our 2017 analysis of levels of funding that individual UN Member States are contributing to six UN entities, United Nations Development

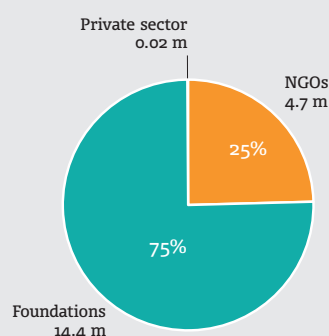
Programme (UNDP), United Nations High Commissioner for Refugees (UNHCR), UNICEF, United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), World Food Programme (WFP) and WHO. It specifically shows how much the top ten OECD-DAC and top ten non OECD-DAC countries contribute to each of the entities above in core and earmarked funding. A visual comparison can be found in the full report (Figures 29-32). While all ten of the OECD-DAC countries contribute core resources to all six entities, the total portfolio of core contributions is not dominated by one single entity.

Figures 5-10: Non-state revenue of six selected UN entities, 2017

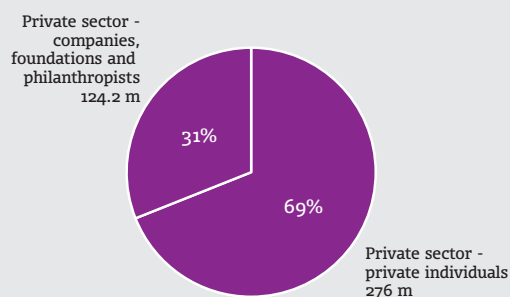
UNDP non-state revenue, 2017
US\$ 73.4 million (1% of total revenue)



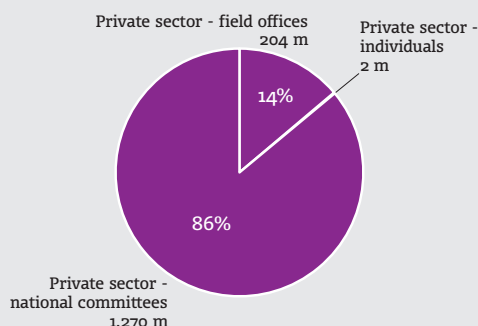
UNFPA non-state revenue, 2017
US\$ 19.1 million (2% of total revenue)



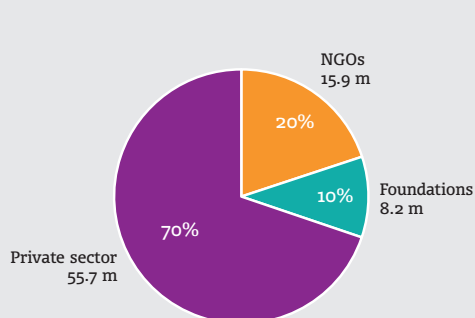
UNHCR non-state revenue, 2017
US\$ 400.2 million (9% of total revenue)



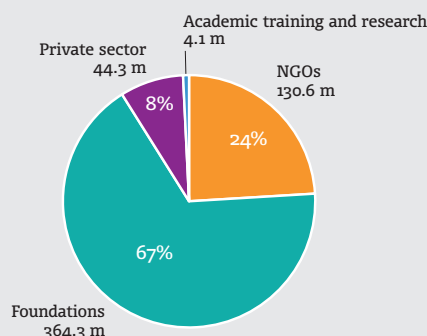
UNICEF non-state revenue, 2017
US\$ 1.476 million (22% of total revenue)



WFP non-state revenue, 2017
US\$ 79.8 million (1% of total revenue)

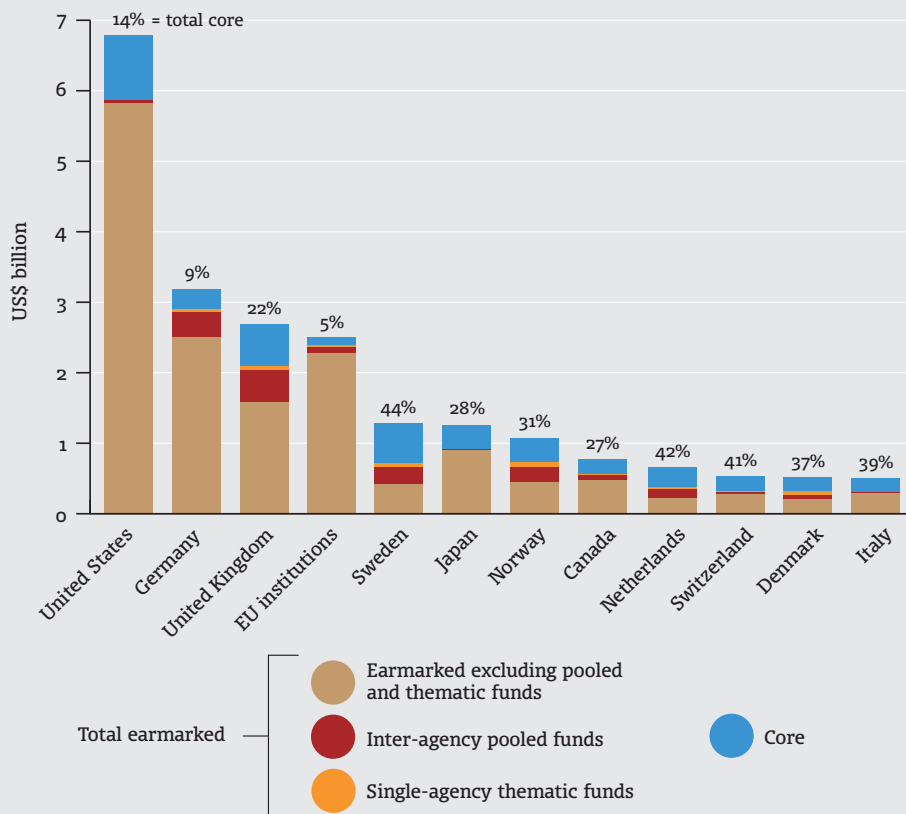


WHO non-state revenue, 2017
US\$ 543.3 million (20% of total revenue)



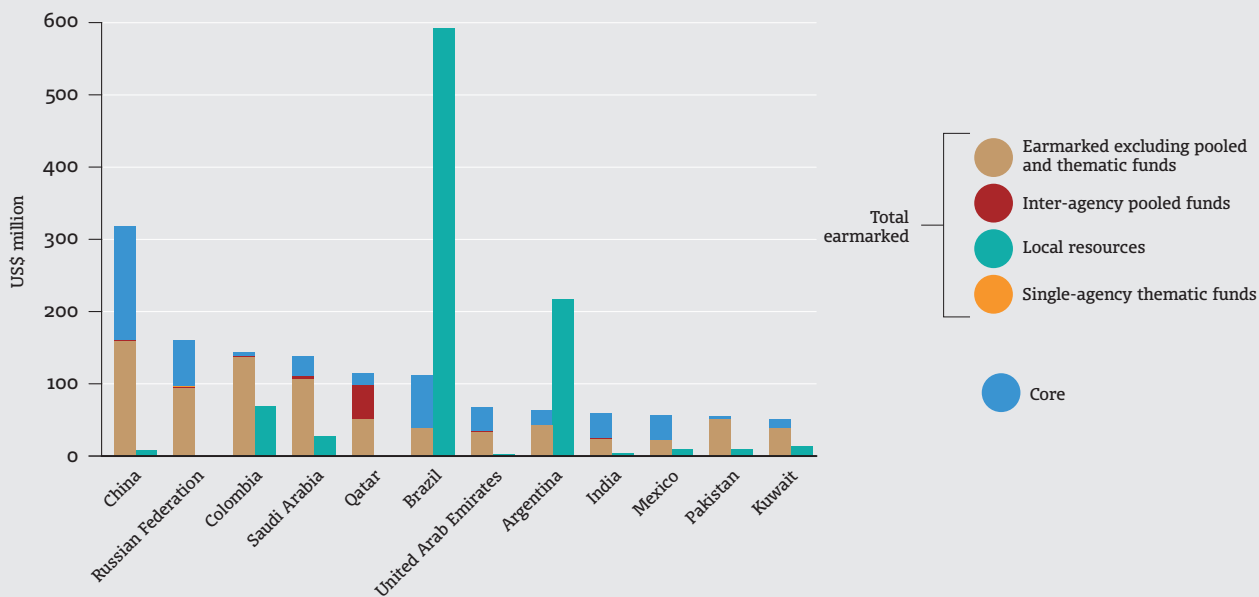
Source: UNDP, UNFPA, UNHCR, UNICEF, WFP, and WHO.
For notes – see page 19.

Figure 11: Funding mix of the top 12 OECD-DAC members to UN operational activities, 2017



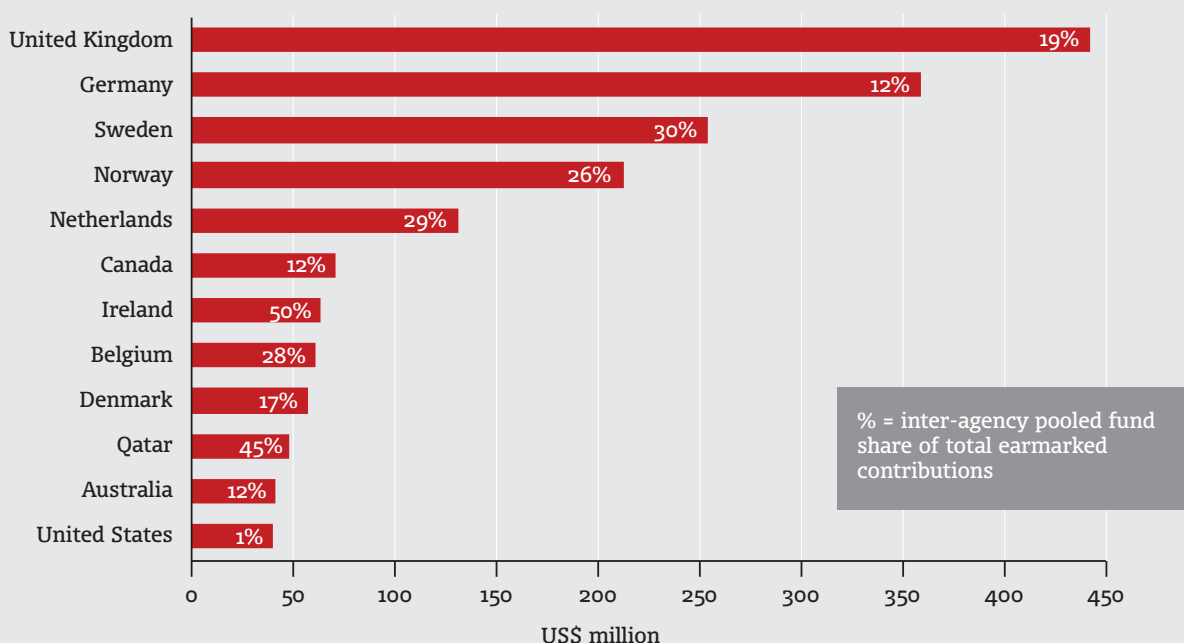
Source: Report of the Secretary General (A/74/73 – E/2019/4) and UN Pooled Funds Database
 For notes – see page 19.

Figure 12: Funding mix of the top 12 non OECD-DAC countries contributing to UN operational activities, 2017



Source: Report of the Secretary General (A/74/73 – E/2019/4) and UN Pooled Funds Database
 For notes – see page 19.

Figure 13: Deposits to UN inter-agency pooled funds from the 12 largest contributors, and share of their total earmarked contributions to the UN, 2017



Source: Chief Executives Board for Coordination (CEB) and UN Pooled Funds Database
For notes – see page 19.

Finally, this chapter also takes a closer look at the use and scale of UN inter-agency pooled funds. In Figure 13 above we see the top 12 contributors to these funds and the share of earmarked resources they channel through pooled funds. It points to the need to increase the funding to this type of financial instrument if the target set in the recent Funding Compact is to be met (doubling of contributions to UN inter-agency pooled funds by 2023).

The report also discusses the newly adopted ‘UN Funding Compact’ and its mutual commitments between the UN and Member States. The core idea of the Funding Compact is to give incentives for Member States to contribute more qualitatively, flexibly and predictably, alongside incentives for UN development entities to increase coherence, cooperation and transparency and make full use of efficiency gains. Several aspects of the Funding Compact are discussed in Part One as well as in a separate contribution by Silke Weinlich and Bruce Jenks in Chapter Two of Part Two.

Chapter Two: Expenditure

The second chapter of the report examines the expenditure of the UN. It provides the global picture of UN operations in financial terms and supplies historical data by each UN entity, as well as expenditures by region and by income status. It shows that among UN entities Department for Peacekeeping Operations (DPKO), WFP,

the UN Secretariat, UNICEF and UNDP had the largest share of expenditures in 2017.

Meanwhile, in 2017 Africa continued to be the region with the proportionally highest UN expenditures (35%), followed by Western Asia (23%), Asia and the Pacific (13%), Americas (10%) and Europe (3%). Global expenditure, which includes global normative work, programme support, management and administration, constituted 17% of all UN expenditure.

With regards to UN expenditure by income status, we see it is concentrated in low-income countries, and 48% of the total country-level expenditure in 2017 took place in this group of countries.³ Expenditure in the group of 50 countries defined as crisis-affected was in total 76% of the total country-level operational expenditures the same year. Figure 14 provides an interesting comparison between expenditures on development, humanitarian, and peace and security-related operations in these crisis-affected countries. The figure shows that South Sudan, Democratic Republic of Congo, Lebanon, Somalia and Sudan are the top five in terms of UN funding for crisis-affected countries; together they constituted US\$ 9.7 billion in expenditures or 19% of the total UN system-wide expenditure in 2017. The first ten crisis-affected countries represented 31% of the UN’s total expenditure – illustrating the concentration of the UN’s work.

Overall, for this group of 50 crisis-affected countries, 24% of the expenditure is dedicated to development assistance, 27% is dedicated to peace and security-related activities, while 49% is dedicated to humanitarian activities.

Chapter Three: Moving ahead on data quality

Chapter Three discusses the quality issues of financial data and the adoption of new UN data standards.

It examines why these are crucial for our analysis and for explaining correctly the financial eco-system of the UN. It also scrutinises which financial data challenges have been solved and what remains to be done.

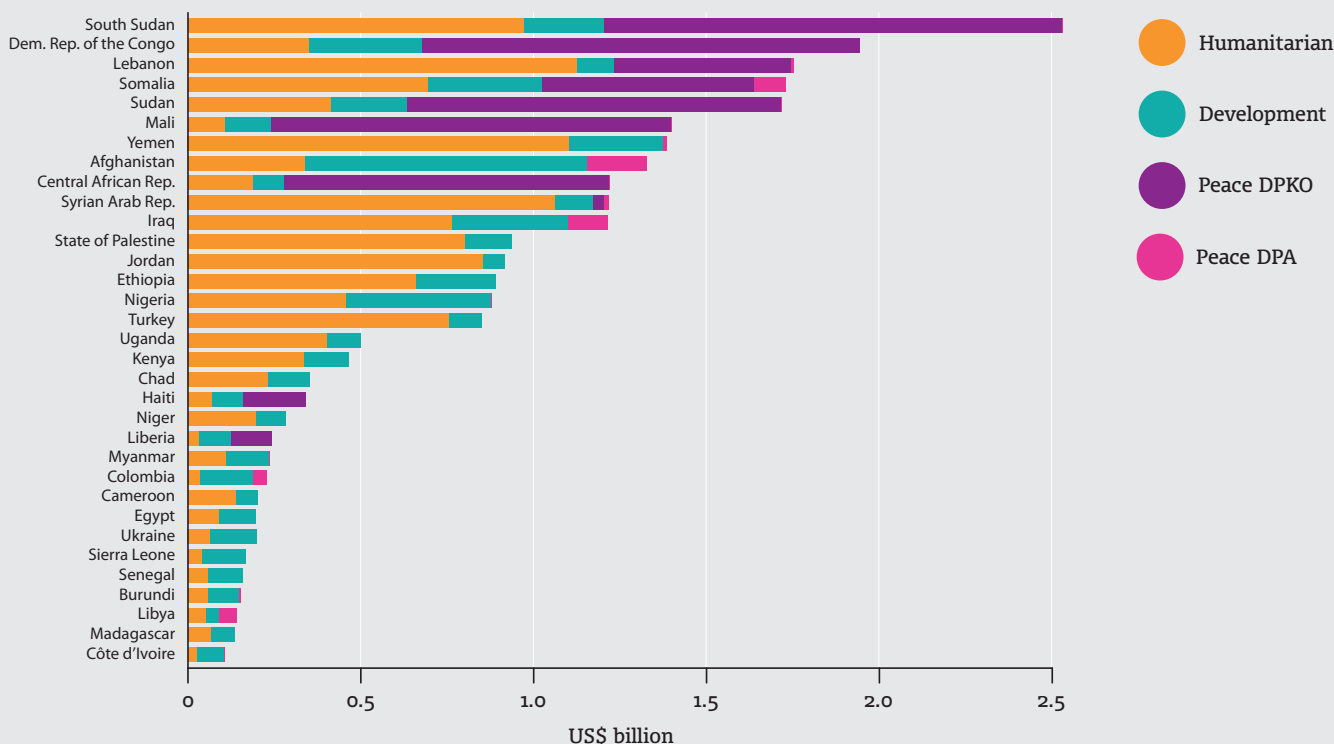
It notes that most of the data analysis issues are linked to the limitations of the two existing UN system-wide datasets used as the main data sources for Part One. The data comes from the Chief Executives Board for Coordination (CEB) and the United Nations Department of Economic and Social Affairs (UNDESA) and these two parts of the UN system did not – up until recently – share a common system of data governance or a shared set of definitions.⁴ This means that the 2017 data, used for this report and largely collected in May 2018, has systemic flaws, including different definitions and no common rules for aggregating and analysing data.

However, the UN has awoken to the importance of having good quality, system-wide financial data. This is clear by the major efforts made by the UN over the past two years to improve its financial data through the Data Cube Initiative, which was jointly led by the CEB’s High Level Committee on Management and the United Nations Sustainable Development Group.

The main result was the adoption of a set of six data standards for UN-system wide financial reporting in the fourth quarter of 2018. A roadmap for implementing the data standards has also been developed. The introduction of the data standards is not only expected to improve data quality, but also to have a positive impact on transparency and accountability as access to quality financial data will be improved through an online data platform.

Nonetheless, the introduction of data standards is not the end, but rather the beginning of a longer process of improving the UN’s system-wide financial data. Much more will need to be done, but this is an encouraging start.

Figure 14: UN operational and peace related expenditure in crisis-affected countries, 2017



Source: Report of the Secretary General (A/74/73 – E/2019/4); UN Pooled Funds Database; General Assembly financial report A/73/5 (Vol II), 2019; and General Assembly Programme Budget for the Biennium 2018–2019, 2019. For notes – see page 19.



Key findings Part Two: Financing flows impacting the Sustainable Development Goals

The second part of the report is organised into four chapters where guest contributors discuss some of the key challenges facing development finance today.

Chapter One: Financing the 2030 Agenda: The big picture

In Chapter One, contributors were invited to look at the big picture of development finance against the backdrop of the 2030 Agenda. **Homi Kharas** provides an overview of the state of cross-border financing of the SDGs. These are defined as the financing flows to developing countries that likely finance investments related to the SDGs. He sees a significant increase, largely due to private flows, but notes that these private flows are volatile and not a full substitute for aid. His concluding analysis looks at the net impact of financial inflows and outflows together and notes that the International Monetary Fund's (IMF) most recent forecast for net flows to developing countries in 2019 is actually zero. He also notes that in 2019 and 2020, a period when aid budgets will be tight, the replenishment cycles of several large multilateral agencies are overlapping, so aid for one entity might result in reduced aid for another (see Figure 15 below).

This is followed by a contribution from **Fiona Bayat-Renoux**, outlining the Secretary-General's strategy for financing the 2030 Agenda. She sees current investment levels are far from the scale and speed required, but stresses that the resources and capacity available today can close the existing investment gap. She notes

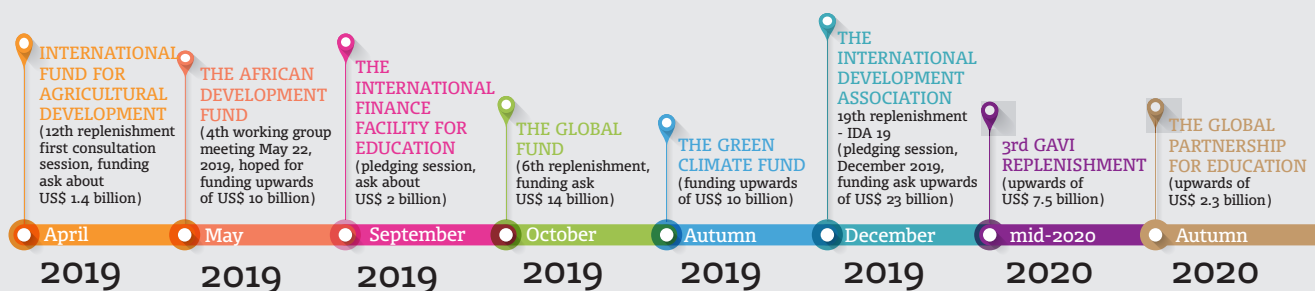
that the UN has a long history of supporting Member States on financing for development.

Navid Hanif and **Philipp Erfurth** focus on the need to change the narrative from identifying investment gaps to promoting investment opportunities. Rather than a gap filling exercise, investment in sustainable development needs to be seen as an exercise in matching investments with investors. They argue that there is a need to change mind-sets and perceptions both on the supply and the demand sides.

For **Ambassador E. Courtenay Rattray**, achieving the objectives of the 2030 Agenda and the targets of the Paris climate agreement requires a massive, global programme of investment in real assets and sustainable infrastructure. Beyond establishing new partnerships between the public and private sectors, as with others, he stresses the critical engagement needed by institutional investors. He wants to see Member States taking concrete action and in this regard, he describes the launch of the Closing the Investment Gap initiative (the CIG initiative).

John W. McArthur takes us back to the country level in his paper entitled 'Bye-bye, billions to trillions'. He argues that if normal global economic growth trends continue until 2030, SDG government spending will grow on its own by US\$10 trillion per year, which more than covers the needed incremental investment cited in the SDG context. Bearing this in mind he argues that the focus needs to shift from volume to purpose and distribution.

Figure 15: The compressed current cycle of replenishments



Pedro Conceição's paper explores the relevance of science, technology and innovation policy in relation to the 2030 Agenda and how they will shape inequality. Far from neutral, they may emerge as one of the most consequential policy areas for inequality because of the impacts of the incentives that exist to foster innovation. The key idea is that this area has little to do with mobilising resources as such and more to do with the incentives that shape creativity and innovation to advance science and technology in a way that generates widely shared benefits.

Chapter Two: Earmarking: Making smart choices

Chapter Two features a number of contributions that explore how to go beyond the core vs earmarked conundrum. The first paper in this section by the **UN Multi-Partner Trust Fund Office (MPTFO)** provides an overview of UN pooled funding and discusses some of the advantages that pooled funding has to offer. The paper makes a persuasive case that pooled funding can provide quality funding and offers opportunities that might otherwise not be available to the UN system.

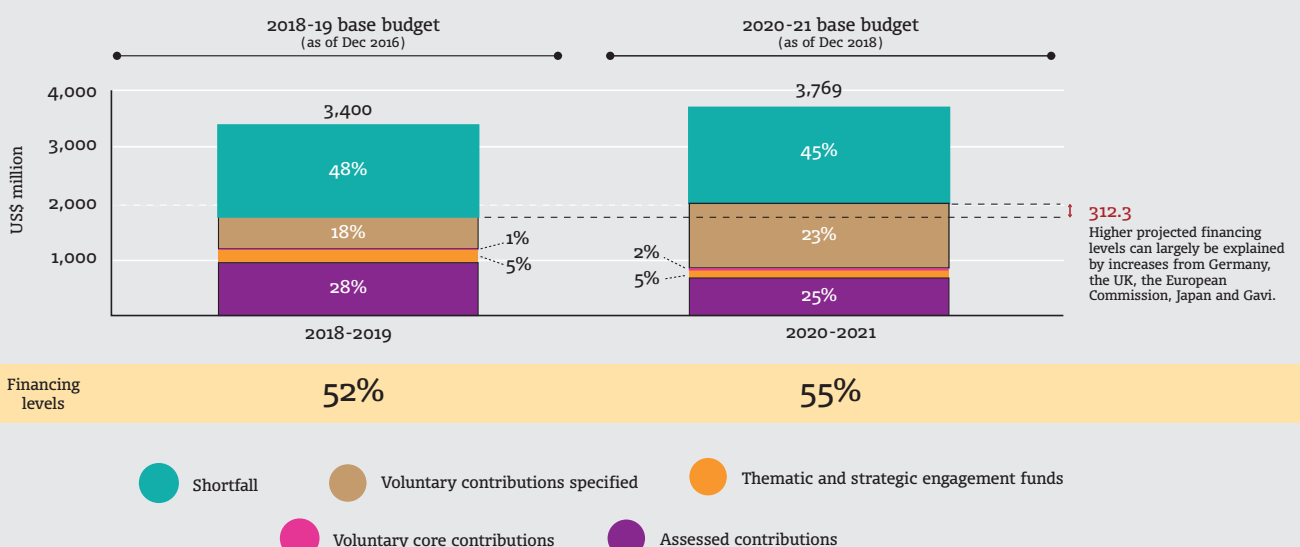
This is followed by a paper by **Max Bauman, Erik Lundsgaarde** and **Silke Weïnllich** which explores some of the advantages and disadvantages of non-core funding. The paper calls for more attention to the best mix of various forms of funding, which allows UN organisations to play to their strengths.

A paper by **Brian Elliott** and **Maximilian Sandbaek** provides an overview of WHO's approach to strengthening its resource mobilisation efforts as part of its new five-year strategic plan. It links WHO's resource strategy with a range of initiatives it is taking, such as WHO's first ever investment case, the formulation of a draft Global Action Plan and the development of a draft global resource mobilisation and partnership strategy. What has the impact of all these actions been so far? The current financial outlook for the approved Programme Budget 2020-2021 already shows an improvement (see Figure 16 below).

In his paper, **Guido Schmidt-Traub** shares lessons learned from the experience of setting up the Global Fund to fight AIDS, Tuberculosis and Malaria, which was launched in January 2003. The paper argues that success was made possible in large part due to the unique design principles of the Global Fund and notes that they have applicability and should be of great interest to sector financing mechanisms as a whole.

Finally, the paper by **Silke Weïnllich** and **Bruce Jenks** explores the implications of the UNDS reform process on the growth of system-wide funding mechanisms. It argues that the Secretary-General's UNDS reform proposals and the Funding Compact have put system level funding back on the table as a fundamental component of a reform agenda. The paper identifies five different approaches to system-wide funding that merit close

**Figure 16: How realistic is the budget increase for 2020-21?
Comparison of projected financing levels**



Source: World Health Organization (WHO)

Note: Comparison of projected financing levels for Programme Budgets 2018-2019 and 2020-2021 (US\$ million)

attention and then details the different instruments that comprise the Secretary-General's Funding Compact.

Chapter Three: Financing peacebuilding, humanitarian assistance and migration: Time to invest

Chapter Three explores ongoing efforts and innovative approaches to strengthen financing for peacebuilding, sustaining peace, humanitarian assistance and migration in times of greater needs. In the first piece, the **Dag Hammarskjöld Foundation**, argues that beyond the need for additional resources for peacebuilding, a radical rethink is needed on how financing is structured and how to leverage strong partnerships for more effective resourcing. The paper outlines ten points to help frame the issues that require attention and action by the UN and its Member States.

Franck Bousquet highlights the success of the World Bank's International Development Association (IDA) 18 in addressing fragility, conflict and violence (FCV). He explains that the scale-up in IDA18 from US\$7 billion to US\$14 billion for low-income countries impacted by FCV has proven critical and has helped the World Bank adapt a more tailored response to diverse situations of fragility.

The third piece by **Catherine Howell** and **Henk-Jan Brinkman** explores innovative financing options for peacebuilding. They call for caution and note that innovative finance is unlikely to be a panacea that brings the 'quantum leap' for the Peacebuilding Fund that the UN Secretary-General has called for or raise the needed resources for financing peacebuilding more broadly. They explain that donor contributions will remain at the heart of peacebuilding financing, certainly in the near term.

Ayham Al Maleh looks at 10 years of ODA flows to peacebuilding, updating the findings of a 2017 report by the Institute of Economics and Peace and the UN's Peacebuilding Support Office. Looking at OECD-DAC data, the article notes that peacebuilding expenditures remain a small, and declining, proportion of total aid disbursement to all developing countries, although this trend seems to be halting in the most recent years.

Building on the conviction that sustaining peace and sustainable development are complementary and mutually reinforcing, **Laura Buzzoni** and **Henk-Jan Brinkman** present findings from a portfolio review of projects funded by the Peacebuilding Fund (PBF) from 2015 to 2018 and note that PBF has contributed 83% of its total allocations to the SDGs.

The report also highlights **OECD's Total Official Support for Sustainable Development (TOSSD)** pilot study on peace and security. The pilot is based on a consultation with a wide range of experts and a deep dive into one specific provider country's support to the security sector.

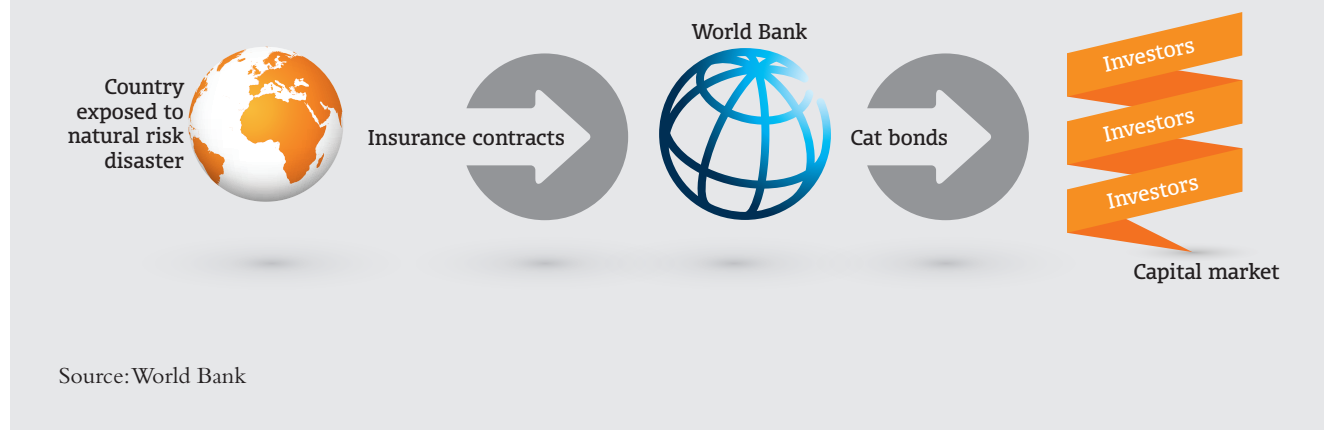
Given the importance to overcome the silos, the **MPTFO** offers insight on a new generation of pooled funds that are helping to bridge the humanitarian-development-peace financing divide. These flexible instruments are demonstrating that well-designed pooled funds can quickly pivot when faced with rapidly changing conditions on the ground. The article argues that they improve cost-efficiency, transparency and collective outcomes not only by pooling resources and delivery systems, but also by sharing, and thereby reducing, the risks that often arise in highly volatile and unpredictable settings.

Looking concretely at humanitarian financing and natural disasters, Ambassador **Lana Zaki Nusseibeh** explains the advantages of 'forecast based financing' as a new preventive tool for humanitarian response to climate change. The article notes that while it is not going to eliminate what is often a US\$ 10+ billion annual gap in humanitarian financing, it could provide, for the first time, a very concrete and politically feasible way to do what the UN and international humanitarian system struggle to grapple with: prevent rather than react.

Continuing in the area of disaster risk management, **Michael Bennett** and **Rebeca Godoy** of the World Bank explain the advantages of a Cat Bond, which is a unique type of loan that is designed to provide immediate liquidity to countries following a natural disaster (see Figure 17 on the next page).

And lastly, **Jonathan Prentice** looks at ways in which the recently adopted Migration Compact can be realised and provides details around the US\$ 25 million Migration Pooled Fund. He explains that the aim is to encourage and support the design of projects which can either be scaled up and/or replicated as bodies of best practice.

Figure 17: Structure of a cat bond issued by the World Bank



Chapter Four: Multilateralism on trial?

Chapter Four explores new ways to forge a strong multilateral order in times of uncertainty. Former UN Director General of Geneva, **Michael Møller** sees the instability and period of discontent as an opportunity to revive multilateralism by injecting it with new levels of agility, inclusiveness and partnership. He argues this entails breaking down internal and external silos, forging new and unconventional partnerships, increasing public outreach and promoting openness.

In the next piece, **Ulrika Modéer** states that in order for the multilateral system to regain trust and bolster the rule-based and value-driven system, it needs to address its discontents and evolve to be 'fit for purpose'. She calls on Member States to show their support for and trust in the ability of the UN development system to meet both the promises and the responsibilities of achieving the SDGs and increase the core-share for more predictable funding.

Multilateralism is a hard option, argues **Bruce Jenks**, and to be effective, multilateralism must be a choice that is made because it is the most effective or efficient instrument available to a government. He notes that countries should work multilaterally when it is the most effective way to meet a challenge. It should not become a way of abdicating leadership; it must be a way of exercising it.

Adriana Erthal Abdenur brings a perspective on multilateralism from the Global South. In her contribution she highlights that the Global South is increasingly frustrated that global norms are, too often, set by global powers, and that—recent restructuring efforts notwithstanding—deeper reform of the multilateral system is hampered by geopolitics and outdated, unjust power

structures that date back to the post-War period. She argues that three particular steps are needed to boost the engagement of the Global South in the defence of multilateralism.

In the last piece **Kanni Wignaraja** reminds us how important Millennial Investors are in shaping the next multilateral order. She notes that the millennial generation – as leaders, consumers, self-starters and investors – can dramatically move the needle on influencing SDG investments, locally and globally. She highlights how UNDP is expanding its knowledge on Millennial Investors and engaging with them so they can transition from considering financing of the SDGs as fringe philanthropy to being mainstream better-business for all.

Conclusion

Time is short. Not only is 2030 approaching, but there is little time to take the necessary actions to prevent irreversible setback and development losses. Climate action, armed conflict, disease prevention, migration, inequality – all need urgent action and multilateral approaches to be at the centre of global action. To make the case for a multilateral approach, countries, leaders, investors and citizens will need evidence of where and in which areas this approach is the most effective option to achieve the goals we aspire to globally, nationally and locally. This is the first hard choice, out of which the financing choices flow.

This report has attempted to provide the necessary evidence, showcasing the funding of the UN development system and its role within the financing dynamics of the 2030 Agenda. A number of headline messages and questions have emerged from this work.

What kind of multilateralism supports financing and funding of sustainable development and is there a sufficient sense of urgency and evidence for meaningful investment? How do global norms get funded and support these larger investment and financing choices? Does the big picture of financial flows to development countries – apparently increasing – point to any net impact?

How can some of the most impactful drivers of change – technology, science and innovation – help to reduce inequality, ‘leave no one behind’ and leapfrog transformation? And what are the financing approaches most likely to accelerate these drivers? How can impact be credibly measured to underpin hard investment choices and track outcomes and return for future investment? What are today’s (and tomorrow’s) models of ‘good multilateral donorship’? And where are the pathways to ensure the model becomes a firm structure?

In order to support countries in their achievement of the SDGs, the required repositioning of the UNDS was advanced by recent milestones. These include the Secretary-General’s 2018 reform agenda adopted by Member States, the major global financing events for sustainable development held in 2018 and 2019, and the Funding Compact with Member States. These steps, if well reinforced can serve as financing cornerstones for the UN’s contribution to a stronger multilateral order. The hard choices ahead rest on further strengthening this multilateral foundation, where strength is needed especially in times of uncertainty.



Endnotes

¹ United Nations Secretary-General, 'Repositioning the United Nations development system to deliver on the 2030 Agenda: ensuring a Better Future for All', (Report of the Secretary-General, A/72/124-E/2018/3, United Nations General Assembly Economic and Social Council, 11 July 2017). <https://undocs.org/A/72/124> and

United Nations General Assembly, 'Resolution adopted by the General Assembly on 31 May 2018, Repositioning of the United Nations development system in the context of the quadrennial comprehensive policy review of operational activities for development of the United Nations system', (resolution, A/RES/72/279, UNGA, 1 June 2018). <https://undocs.org/A/RES/72/279>

² 'Multilateral Development Finance: Towards a New Pact on Multilateralism to Achieve the 2030 Agenda Together', (report, OECD, 2018).

³ World Bank grouping.

⁴ The CEB data is reported to the General Assembly and available on the CEB website. The 2017 data were included in United Nations Secretary-General, 'Budgetary and financial situation of the organizations of the United Nations system', (Note by the Secretary-General, A/73/460, United Nations General Assembly, 29 October 2018). https://www.unsceb.org/CEBPublicFiles/A_73_460%20Budgetary%20and%20financial%20situ%20of%20orgs%20of%20UN%20system.pdf

The UNDESA data is reported to the Operational Activities Segment of ECOSOC and available on the ECOSOC website. The 2017 data is contained in the 'statistical annex with 2017 funding data' that accompanies 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', (Report of the Secretary-General, A/74/73-E/2019/4, United Nations General Assembly Economic and Social Council, 18 April 2019).

Notes to Figures and Tables

General Notes

i) The term 'Chief Executives Board for Coordination (CEB)' indicates data from the CEB Financial Statistics Database, <https://www.unsceb.org/content/un-system-financial-statistics> Data was downloaded in February 2019.

ii) 'Report of the Secretary-General (A/74/73 - E/2019/4)' is used as a shorter reference to the United Nations Secretary-General Report 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, 2019', statistical annex on 2017 funding data (A/74/73 - E/2019/4, United Nations General Assembly Economic and Social Council, 15 April 2019, available online from <https://www.un.org/ecosoc/en/node/17356550>) Data was downloaded in April 2019.

iii) The term 'Organisation for Economic Co-operation and Development (OECD)' is used as a shorter reference for OECD statistics database, <https://stats.oecd.org> 'Theme: Development: Flows based on individual projects: Creditor Reporting System (CRS)'. Data from this source was downloaded in March 2019.

iv) The term 'UN Pooled Funds Database' refers to the UN Pooled Funds Database published to the International Aid Transparency Initiative (IATI), which is available at the IATI's website: www.iatistandard.org It uses the publisher name UN Pooled Funds (XI-IATI-UNPF). The term UN Pooled Funds Database also is meant to include the 2017 overview of single-agency thematic funds prepared jointly by United Nations Development Operations Coordination Office (UNDOCO) and the MPTFO.

v) Core consists of assessed contributions and voluntary core contributions.

Figures

Figure 1

i) Nominal values

ii) Based on the historical series 'Total Revenue by Revenue Type' (FS-K00-01) from Chief Executives Board for Coordination (CEB), 2010-2017.

Figure 2

i) Nominal values.

ii) Data is based on United Nations Department of Economic and Social Affairs (UNDESA) expense data, as revenue is not reported in such categories. Therefore, the percentages reflect the shares in overall UN 2017 expenditures.

iii) UNDESA considers all activities of High Commissioner for Refugees (UNHCR), United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and Office for the Coordination of Humanitarian Affairs (UNOCHA) humanitarian, as well as emergency operations of United Nations Children's Fund (UNICEF), humanitarian emergencies of United Nations Population Fund (UNFPA) and humanitarian operations of World Food Programme (WFP). All other operational activities are treated as development assistance.

Figure 3

i) Data from the Organisation for Economic Co-operation and Development (OECD)

ii) Values are in constant 2016 prices.

iii) The Credit Reporting System (CRS) database presents the International Monetary Fund (IMF) and the World Bank Group (WBG) as separate categories. For these figures, their data has been integrated into one category to describe a channel of multilateral assistance.

iv) In the CRS database, the World Trade Organization (WTO) is presented as a channel of multilateral assistance separate from the 'UN development system'. For this figure both have been integrated under the latter category.

Figure 4

- i)** Data from the Report of the Secretary-General (A/74/73-E/2019/4), Tables A-3a and A-3b: 'Non-core contributions for operational activities for development by contributor, type of non-core: 2017'
- ii)** The list of Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) members used was downloaded from the OECD website.
- iii)** Although the European Union is an OECD member, for this figure it is considered in a separate category from the OECD-DAC countries.
- iv)** The category 'NGO, private and others' includes private contributions and contributions from other UN entities, IFIs, other non-state donors.

Figures 5–10

- i)** Data from the following selected UN entities: United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), United Nations High Commissioner for Refugees (UNHCR), United Nations Children's Fund (UNICEF), World Food Programme (WFP) and World Health Organization (WHO).
- ii)** For UNDP, 'Academic, training and research' showed a negative contribution of US\$ 2.4 million because the balance of contributions was transferred to another project/donor. This amount has therefore been deducted from the 'Other' category.

Figures 11 and 12

- i)** Data from the UN Pooled Funds Database and the Report of the Secretary-General (A/74/73-E/2019/4), Tables A-3a and A-3b.

Figure 13

- i)** Data from the CEB Financial Statistics database, series 'Agency revenue by government donor (Voluntary Contributions, specified' (FS-D03-01), and UN Pooled Funds Database.
- ii)** To obtain the 'total earmarked contributions to the UN' by country, the contributions to non UNOCHA administered pooled funds have been added to the 'Voluntary contributions – specified' as reported to the CEB for each country.
- iii)** European Union, which is part of the CEB data, is not included since, as per CEB guidance, their data should not be appearing under agency revenue by government donor.
- iv)** The percentage inside each bar represents the inter-agency pooled fund share of the total earmarked contributions.

Figure 14

- i)** The data for this figure has diverse sources: Report of the Secretary-General (A/74/73-E/2019/4), Table B-2, UN Pooled Funds Database, Department for Peacekeeping Operations (DPKO) and Department for Political Affairs (DPA).
- ii)** DPKO's financial year starts in July and ends in June. The 2017 data is based on July 2017– June 2018 data: United Nations General Assembly, 'Financial report and audited financial statements for the 12 month period from 1 July 2017 to 30 June 2018 and Report of the Board of Auditors Volume II' [https://undocs.org/en/A/73/5%20\(Vol.%20II\)](https://undocs.org/en/A/73/5%20(Vol.%20II)) page 172, Table V: 'Statement of comparison of budget and actual amounts for the year ended 30 June 2018'.
- iii)** The source of DPA data is United Nations 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', (Report of the Secretary-General, A/72/371, United Nations General Assembly, 16 October 2017) http://www.un.org/ga/search/view_doc.asp?symbol=A/72/371 page 27, Table 4: 'Summary of significant variances between the 2016–2017 appropriation and projected expenditures for missions continuing into 2018'.

iv) The figure does not display countries with less than US\$ 100 million in expenditure.

v) The countries that are in the crisis-affected list but are not depicted in the figure are: Guatemala, Philippines, Burkina Faso, Guinea, Democratic People's Republic of Korea, Mauritania, Sri Lanka, Kyrgyzstan, Western Sahara, Tajikistan, Papua New Guinea, Djibouti, Kosovo, Eritrea, Gambia and Solomon Islands.

vi) Expenditure data from United Nations University (UNU), World Trade Organization (WTO), International Organization for Migration (IOM) and International Atomic Energy Agency (IAEA) are excluded given that the data contains information only from entities which fall under the United Nations Department of Economic and Social Affairs (UNDESA) definition for UN operational activities for development.

vii) Expenditures of the following UNDS entities are not included in this data since they do not report disaggregated country expenditures: International Civil Aviation Organization (ICAO), International Fund for Agricultural Development (IFAD), International Maritime Organization (IMO), International Trade Center (ITC), International Telecommunication Union (ITU), Pan American Health Organization (PAHO), United Nations Department of Economic and Social Affairs (UNDESA), United Nations Environmental Programme (UNEP), United Nations Educational, Scientific and Cultural Organization (UNESCO), United Nations Framework Convention on Climate Change (UNFCCC), the UN Office for Disaster Risk Reduction (UNISDR), United Nations Office for Drugs and Crime (UNODC), United Nations Research Institute for Social Development (UNRISD), United Nations System Staff College (UNSSC), United Nations University (UNU), United Nations World Tourism Organization (UNWTO), Universal Postal Union of the United Nations (UPU), World Intellectual Property Organization (WIPO), World Meteorological Organization (WMO), and the five regional commissions: United Nations Economic Commission for Africa (UNECA), United Nations Economic Commission for Europe (UNECE), United Nations Economic Commission for Latin America and the Caribbean (ECLAC), The Economic and Social Commission for Asia and the Pacific (ESCAP), and United Nations Economic and Social Commission for Western Asia (ESCWA).

viii) The African Union–United Nations Hybrid Operation in Darfur (UNAMID) expenditure was allocated to Sudan. The United Nations Disengagement Observer Force (UNDOF) expenditure was allocated equally to Syria and Israel [Israel is not included in the 'crisis-affected countries' because it is not in the DAC list of ODA recipients]. The United Nations Organization Interim Security Force for Abyei (UNISFA) expenditure is allocated equally to South Sudan and Sudan.

Table

Table 1

- i)** Data in nominal values, expressed in US\$ million. The amounts have been rounded up and those below US\$ 1 million are shown as 0 in the table (ie, values for United Nations Institute for Training and Research (UNITAR), United Nations Research Institute for Social Development (UNRISD) and United Nations System Staff College (UNSSC)). However, the total reflects the sum of the total revenue of all individual UN entities.
- ii)** Data from the CEB, series (FS-A00-02), 2017. <https://www.unsceb.org/content/FS-A00-02>

This is a report about hard choices ahead of us. Choices that governments, leaders, investors and citizens need to make about when and how to fund a multilateral approach to address today's most stubborn and urgent global development challenges – climate change, health, migration, armed conflict and inequality. The case for a multilateral approach needs to be based on evidence that shows effectiveness and impact in addressing these challenges.

This is the Executive Summary of the fifth annual report, *Financing the United Nations Development System*. The overall ambition of this report is to advance the quality of the evidence-based debate and to expand the marketplace of ideas related to the United Nations and development financing. It showcases the complex funding dynamics of the UN development system and its role in spurring greater and more diverse financing flows for the 2030 Agenda.

With a firm platform of data and a strong portfolio of ideas presented in this report, we hope that when hard decisions are made – bilateral, multilateral or other – they will deliver on our shared goals.



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