Financing the UN Development System

Joint Responsibilities in a World of Disarray

September 2022
The Financing the UN Development System annual report is a partnership initiative between the Dag Hammarskjöld Foundation and the United Nations Multi-Partner Trust Fund Office (including the UN Development Programme). Full acknowledgement goes to all the authors, data managers and visualisers for their contributions.

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Executive summary

More than ever, global challenges require a renewed and effective multilateral response. While many crises can be turned around, they cannot be solved by isolated or unilateral efforts. Thus, the need for global investment represents both a response to existential risk and an opportunity for shared prosperity. For the second year in a row, the world is no longer making progress on the Sustainable Development Goals (SDGs).

In 2020, lockdowns imposed to limit the spread of COVID-19 pushed 166 countries into recession. At the same time, the global response to the pandemic depleted fiscal space in many countries, exacerbated by surging inflationary pressures and the conflict in Ukraine, which has set off additional shocks in terms of rising global commodity prices. As a result, an estimated 70 million additional people are living in extreme poverty compared to pre-pandemic levels.

In a world of disarray, we need to understand both the current situation and the strategic choices that lie ahead. With this in mind, the 2022 Financing the UN Development System report once again provides an overview on how United Nations resources are generated, allocated and used. It also provides a marketplace of ideas for a wide range of authors from international financial institutions, the UN system and academia, allowing them to share their perspectives on ensuring adequate financing and how funding quality can enable innovation and acceleration, all with the aim of realising the SDGs, preventing conflict, and meeting humanitarian and planetary needs.

Current international finance trends for pledge targets, actual expenditure and lending strategies show that official development assistance (ODA) demand priorities are rapidly outstripping the supply of funds. A system refresh is therefore needed to break the cycle of deferred spending on human capital, sustainable infrastructure and nature. At the national level, countries need to create fiscal space through improved revenue mobilisation, spending efficiency, debt management and transparency. At an international level, multilateral cooperation – including debt service relief, debt restructuring, fresh financing and enhanced financial resilience – is urgently needed to provide additional liquidity.

In 2021, an estimated 44% of people below the poverty line were in countries on the World Bank’s fragile and conflict-affected situations list. To help turbo-charge implementation of the SDGs in these contexts, the United Nations require flexible and pooled funding platforms that can incentivize and facilitate integrated programming across the Humanitarian-Peace-Development Nexus, ensuring that multilateral response is comprehensive, relevant and effective. These mechanisms would enable UN entities to deploy their assets in a more coherent manner, including through sequencing and layering of interventions across different pillars and sectors.

Multilateral institutions, in particular those of the UN System, have seen a decline in the share of assessed and core funding which not only undermines its multilateral character but hampers its ability to rapidly address critical development needs, whether this be the impact of the pandemic or the food, fuel and finance crises emanating from the conflict in Ukraine. It also weakens the UN’s leadership role in helping countries get back on track towards the SDGs and stimulating accelerated action on climate change. Moreover, if core funding is critical for UN Agency mandates, pooled funding is critical for UN system coherence and a prerequisite for effective SDG financing.

This is why the decision taken by Member States at the World Health Assembly in May 2022 to increase the World Health Organization (WHO)’s regular (assessed) budget from 16% of its overall resource base today to
Total revenue of the UN system by entity and financing instrument, 2020 and 2010–2020 (US$ million)
(Table 1 from Part One)

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<td>62,599</td>
<td>62,599</td>
</tr>
</tbody>
</table>
50% by 2028 is so important and encouraging. In doing so, Member States are providing a sustainable financial footing for WHO, which is currently overly dependent on voluntary earmarked funding, including from private actors.

Assessed contributions are membership fees that all Member States are obligated to meet. They hence represent an important channel for sustainable funding of key normative functions, and multilateralism more broadly, as they cannot be arbitrarily withdrawn. It is important to reflect on the reasons Member States agreed to increase assessed contributions in the case of WHO in order that wider lessons can be applied to other key UN normative functions and critical UN system-wide requirements for assessed contributions.

**Scope of the report**

**Part One** presents and analyses the UN funding situation, utilising the latest available data to give an overview of where we are and how these ambitions are being translated into concrete action; where progress is taking place and what can be learned from it; and areas requiring further action. It describes how UN revenue is generated, and where and for what purposes resources are allocated. Contributions to the UN in 2020 amounted to US$ 62.6 billion, an increase of 10% compared to 2019. Though this funding is largely financed by Members State governments, non-state actors are also increasing their engagement. These resources are, however, still far from the level needed for the United Nations development system (UNDS) to fulfil its mandate and secure SDG results for peace, prosperity, people and the planet.

**Part Two** reviews some of the key data in order to provide a broad overview of how available funding is being used, as well as highlight some of the critical gaps to be funded or where resources could be redirected to. Human development, environmental protections, gender equality and the need for global upscaling are just some of the items highlighted in the lengthy list of expectations, achievements and actions required to meet delivery of the SDGs.

**Part Three A** takes stock of progress on the Funding Compact, highlights positive trends in the provision of assessed contributions, and stresses the importance of prevention in a world where up to two-thirds of the global extreme poor will be living in fragility and conflict situations by 2030. While evidence shows that for every US$ 1 invested in prevention up to US$ 16 is saved in post-disaster recovery, the volume of funding that goes to prevention still remains extremely low, with only 0.5% of ODA allocated to disasters in 2018/19 going to disaster risk reduction. This is also despite the majority of humanitarian assistance – which is at the highest level ever – going to countries that have been experiencing crises for years.

**Part Three B** provides tangible recommendations on how to position development projects on longer-term scaling pathways, including systematic handovers that enable continued scaling at project end. Also spotlighted is the convergence between the worlds of development finance and private finance – whereas previously the two spheres stood apart, there is now growing recognition each needs the other to deliver on their strategies and aims. The report concludes with key takeaways from the UN high-level meeting on financing for peacebuilding and the various roundtables leading up to it.

**Part One: United Nations resource flows**

**Chapter 1: How is the UN funded?**

The UN system’s total revenue, which represents a consolidation of revenues to the 43 UN entities that reported to the Chief Executives Board for Coordination (CEB) in 2020, grew substantially in 2020 to US$ 62.6 billion, an increase of US$ 5.7 billion, or 10%, compared to 2019. This change was largely connected to three UN entities – the UN Development Programme (UNDP), UN Children’s Fund (UNICEF) and WHO – that were strongly engaged in the UN response to the COVID-19 pandemic. Overall funding to the UN has grown steadily over the past decade in nominal terms, with the 2020 figure representing a 58% increase compared to 2010, when it stood at US$ 39.6 billion.

As seen in Figure 1 and Table 1, UN funding is predominantly earmarked, with the share of earmarked resources increasing from 57.8% (US$ 32.9 billion in 2019 to 62% (US$ 38.8 billion) in 2020. While earmarked funding has almost doubled in volume since 2010, it comes in a number of different forms with different levels of flexibility.

Assessed funding – a UN membership fee, which is the most consistent source of revenue for those UN entities that can be financed by this funding modality – remained at US$ 13.7 billion in 2020, the same level as 2019. Due to the increase in earmarked funding, however, it decreased as a share of total revenue from 24% to 21.9%. Voluntary core contributions, as well as revenue from other activities (fees, etc.), also saw their share of total funding decrease in 2020 compared to 2019. Despite this, revenue from other activities grew in volume from US$ 5 billion in 2019 to US$ 5.3 billion (for further information, see page 35).
Executive summary

Table 1 provides a detailed breakdown, by financial instrument, of total funding for the 43 reporting UN entities. The UN Volunteers programme (UNV) was previously reported as part of UNDP but in 2020 reported as a separate entity for the first time. For consistency, UNV is included in UNDP figures in the 2020 figures displayed in the report. The UN entities vary widely in terms of volume of contributions, as well as mandate. Seven UN entities – the Department of Peace Operations (DPO), UNDP, the Office of the UN High Commissioner for Refugees (UNHCR), UNICEF, the World Food Programme (WFP), WHO and the UN Secretariat – each received more than US$ 4 billion in revenue in 2020, accounting for almost three-quarters of total UN contributions. UNDP was the entity with the largest increase in funding – US$ 1.8 billion – in 2020 compared to 2019. Over the same period, contributions to WHO and UNDP saw remarkable growth of 38% and 36% respectively, with this increase almost entirely made up of earmarked funding. Voluntary core contributions decreased from US$ 5.3 billion in 2019 to US$ 4.8 billion in 2020, mainly due to decreases in funding for the International Fund for Agricultural Development (IFAD), UNDP and UNHCR.

Figure 2 illustrates how the funding composition has emerged over the past ten years. The share of earmarked funding has grown steadily from 51% in 2010 to 62% in 2020. Assessed funding and voluntary core contributions, which added together constitute total core contributions, have remained fairly stable in nominal terms, while there is a clear decrease in the share of core funding to a sub-30% level in 2020. Though revenue from other activities represents a smaller share of total revenue – 8.5% in 2020 – it has since 2010 grown both in nominal terms and as a share of total revenue.

Figure 6 shows that the UN is largely funded by governments, either directly or indirectly through other multilateral institutions and funds. Direct funding from governments decreased from 72% to 68% of total funding in 2020 compared to 2019. Of total funding, 55% came from the 29 Member States that are also members of the Organisation for Economic Co-operation and Development’s (OECD) Development Assistance Committee (DAC). Another 13% originated from non-OECD-DAC countries. The biggest shift in funding sources can be seen in the share of funding from multilateral channels.
Distribution of total UN system funding by financing instrument, 2010–2020 (US$ billion)
(Figure 2 from Part One)

<table>
<thead>
<tr>
<th>Year</th>
<th>Assessed Contributions</th>
<th>Earmarked Contributions</th>
<th>Voluntary Core Contributions</th>
<th>Fees and Other Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>38.8 b</td>
<td>13.7 b</td>
<td>5.3 b</td>
<td>4.8 b</td>
</tr>
<tr>
<td>2018</td>
<td>40.0 b</td>
<td>14.6 b</td>
<td>6.1 b</td>
<td>4.7 b</td>
</tr>
<tr>
<td>2016</td>
<td>40.6 b</td>
<td>16.3 b</td>
<td>8.2 b</td>
<td>5.6 b</td>
</tr>
<tr>
<td>2014</td>
<td>42.1 b</td>
<td>18.0 b</td>
<td>9.5 b</td>
<td>6.2 b</td>
</tr>
<tr>
<td>2012</td>
<td>43.8 b</td>
<td>19.8 b</td>
<td>10.2 b</td>
<td>6.5 b</td>
</tr>
<tr>
<td>2010</td>
<td>42.3 b</td>
<td>20.8 b</td>
<td>11.1 b</td>
<td>7.3 b</td>
</tr>
</tbody>
</table>

Source: see page 33

Funding sources for the UN system, 2020
(Figure 6 from Part One)

- Government 68%
- Non-state 6%
- Multilateral 18%
- Not classified 8%

This grew from 15% in 2019 to 18% in 2020, mainly due to larger funding flows through global vertical funds. Contributions from the European Union (EU) also grew substantially, representing 7% of total contributions.

Who, then, are the largest Member State funders of the UN? And what is the relation between contributions to the UN and the size of a country’s economy?
Executive summary

Figure 8 shows the ten largest Member State contributors to the UN in 2020, including funding to inter-agency pooled funds, and what proportion this represents of these countries’ gross national income (GNI). The top ten contributors, as well as the ranking of the top five contributors, remains unchanged compared to 2019.

The United States is by far the largest contributor to the UN, while Germany displayed a remarkable increase in the volume of its funding from US$ 4.1 billion in 2019 to US$ 5.9 billion in 2020 – which translates into an increase in contributions as a proportion of GNI from 0.10% to 0.15%. Looking at contributions as a share of GNI, large economies such as the United States, Japan, China and France contribute only a limited share, with Sweden and Norway at the top of the list, contributing 0.32–0.33% of their GNI to the UN.

Inter-agency pooled funds are recognised as an instrument to support UN reform and promote collaboration and efficient coordination across the UNDS. They can be described as ‘core-like’ financing to the UN system as a whole, providing the equivalent of the core funding given to its constituent entities. Gathering together

stakeholders and pooling funds for the purposes of a thematic or country strategy allows for greater flexibility and coordination in achieving SDG implementation.

Earmarking through inter-agency pooled funds, as well as single-agency thematic funds, plays out very differently from earmarking to a specific project or programme.

Figure 18 shows that inter-agency pooled funds are on an upward trend, especially since the introduction of the SDGs in 2015. In 2020, total contributions passed US$ 3 billion for the first time, with the proportion of development-related funds growing to 50%. Humanitarian funds have represented the larger share, constituting around 60–70% of inter-agency pooled funds over the preceding decade. Development-related funds have more than tripled between 2010 and 2020, from US$ 0.4 billion to US$ 1.5 billion, while humanitarian-related funds have nearly doubled over the same period, from US$ 0.8 billion to US$ 1.5 billion.

Figure 18 also shows that development-related inter-agency pooled funds increased as a share of total earmarked development funding to 11.7% in 2020.
This may be explained by the introduction of the Funding Compact in 2019, when a target – which arguably could have been more ambitious – was agreed that Member States should provide at least 10% of earmarked development funding to inter-agency pooled funds by 2023. The large increase in overall earmarked funding for humanitarian activities has resulted in a sharp decrease in the percentage of funding to inter-agency pooled funds, from 10.8% in 2019 to 6.9% in 2020.

Figure 24 offers a perspective on how UNDS funding relates to other multilateral institutions over time. Does the UNDS follow the same funding trends as other multilaterals? The picture clearly shows that OECD-DAC countries’ funding to the UNDS is more highly earmarked than for the EU, regional development banks, and the World Bank Group and International Monetary Fund (IMF).

The UNDS remains the largest and fastest growing channel for multilateral ODA. Financing to the UNDS has almost doubled in volume from US$ 14.5 billion in 2011 to US$ 27.5 billion in 2020. It also continues to be the most highly earmarked. In terms of the total growth in multilateral ODA between 2011 and 2020, 58% went to the UNDS. Out of the 2020 funding to the UNDS, 71% was earmarked, compared to 24% for the World Bank Group and IMF, and only 3% for the EU.

Differences in funding profiles depend largely on multilateral organisations’ contrasting mandates and governance structures. One of the factors behind the UN’s relatively large share of earmarked funding is the traditional role played by UN entities in crisis and emergency responses, with humanitarian responses by their nature largely funded through specific projects, programmes and earmarked funds.

Chapter 2: Where is UN funding allocated?

Total expenditure of the UN system amounted to US$ 56.2 billion in 2020, an increase of US$ 0.6 billion compared to 2019. Expenditure overall follows the same pattern as UN revenue, and reflects the dynamics and priorities of UN operations.

UN expenditure has more than doubled in 15 years, with two-thirds of this growth connected to five UN entities: the UN Secretariat, DPO, UNHCR, UNICEF and WFP. What these entities have in common, except for the UN Secretariat, is a strong focus on humanitarian support. Other UN entities with a development mandate, such as the UN Educational, Scientific and Cultural Organization (UNESCO) and UNDP, have experienced more modest growth over the time period.
UN expenditure can be divided into four main functions:

- Humanitarian assistance
- Development assistance
- Peace operations
- Global agenda and specialised assistance

Global agenda and specialised assistance covers activities that either address global or regional challenges not directly linked to the other three categories, or that support activities in non-UN programme countries.

Figure 25 shows the proportion of UN expenditure in these four categories over the period 2018–2020, based on CEB data following the introduction of the global agenda and specialised assistance category. Until 2017 there were separate categories for normative activities and technical cooperation – it is now difficult to draw conclusions on UN normative work due to the variety of activities included in the global agenda and specialised assistance category.

Humanitarian assistance and development assistance – the activities commonly referred to as UN operational activities for development (OAD) – were roughly equal in 2018 (36% and 33% respectively). Since then, the humanitarian share of UN expenditure has increased, becoming notably larger in 2020, when it accounted for 42% of total expenditure compared to the 30% spent on development assistance. Over the same period, the share of spending on UN OAD increased from 69% in 2018 to 72% in 2020, driven by the growth in humanitarian assistance needs.

Peace operations involve expenses for civilian, police and military personnel to help create lasting peace in countries torn apart by conflict. The UN’s peacekeeping activities are implemented by bringing together the UN Secretariat, host countries, and countries contributing military and police personnel, in a joint effort to maintain global peace and security. The share of UN expenditure on peace activities has gradually decreased both in nominal terms and as a share of total UN expenditure, from 18% in 2018 to 16% in 2020, equivalent to a decrease of US$ 0.8 billion. The UN peace missions in Côte d’Ivoire and the UN stabilisation mission in Haiti closed in 2017, followed by the UN peace mission in Liberia in 2018. The only peacekeeping mission established since 2017 has been the UN Mission for Justice Support in Haiti, which operated until 2019.

Although the proportional shares of the four functions have not changed dramatically since 2018, the increasing share of humanitarian spending is a clear trend.
Figure 26 illustrates how UN expenditure on humanitarian assistance and development assistance – UN OAD – has evolved in nominal terms over the period 2010–2020. Over this time, development assistance grew by 8%, or US$ 1.3 billion, while humanitarian assistance more than doubled, growing by 161%, or US$ 14.3 billion. As can be seen in Figure 26, humanitarian assistance has seen constant growth since 2011, surpassing expenditure for development assistance for the first time in 2016, before going on to maintain this position from 2018 onwards. Total expenditure on humanitarian activities grew to US$ 23.2 billion in 2020, while expenditure on development assistance fell compared to 2019, to US$ 17 billion.

The large increase in resources dedicated to humanitarian assistance can be explained by increased need for humanitarian support. It is estimated that 274 million people will need humanitarian assistance and protection in 2022, a significant increase from the 136 million people in this position in 2018.

With less than ten years to go to 2030, overall action to meet the 17 SDGs needs to accelerate in speed and scale. The COVID-19 pandemic is expected to reverse the global trend in poverty reduction for the first time since 1996, making achievement of the goals even more urgent. The SDGs have become a common global platform for sustainable development, engaging governments, the private sector, civil society and academia around a joint agenda and common language. Many of the SDGs are interlinked and interdependent, requiring holistic and multi-stakeholder approaches.

The UN Data Standards adopted in 2018 include a standard for linking UN expenditure to the SDGs, with full implementation of this standard envisaged by the end of 2021. For the 2020 data that forms the basis of this report, 22 UN entities reported their expenditure linked to the SDGs, compared to 16 entities in 2019. Figure 31 shows the aggregated reporting of these 22 entities. Among the new reporting entities was DPO, adding US$ 7.3 billion to SDG 16 (peace, justice and strong institutions). The total SDG-related expenditure reported by these entities amounts to US$ 37.7 billion, equivalent to 67% of total 2020 expenditure. If only the entities that are part of the UNDS are included, US$ 29.2 billion of expenditure was linked to the SDGs, or 73% of total UN OAD.
Reporting of expenditure linked to the SDGs is only requested when relevant, which means that SDG reporting will never cover 100% of UN expenditure. Compared to 2019, when only 51% of overall UN expenditure was linked to the SDGs, clear progress has been made in adopting the SDG reporting standard.

While the aggregated figure for the 22 entities’ SDG-linked expenditure does not provide a full picture of how UN resources are dedicated to achievement of the respective goals, it does give an indication of which SDGs that are at the forefront of UN resource allocations. Aside from the large increase in resources for SDG 16, the distribution of resources between the SDGs is largely unchanged in 2020 compared to 2019.

This year’s aggregated picture puts the spotlight on SDGs related to environment and climate change. The 26th UN Climate Change Conference of the Parties (COP26), held in November 2021, highlighted the urgent need for more investments in global decarbonisation and climate adaptation. It will require substantial mobilisation of public and private sector resources to transition to low-carbon alternatives.

Escalating and protracted crises have been a driving factor in increased expenditure on humanitarian assistance. Crisis-affected countries are defined as fulfilling 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;
3. reported expenditure from the Peacebuilding Fund of more than US$ 500,000; and/or
4. had a humanitarian response plan for the past two years (ie 2019 and 2020).

Figure 33 shows the 38 crisis-affected countries with expenditure exceeding US$ 100 million in 2020, along with the division of expenditure between humanitarian, development and peace activities. In 2019, the equivalent number of countries were 36. Yemen, South Sudan, the Democratic Republic of the Congo, Lebanon, Sudan and Somalia remain the six countries with the highest levels of expenditure, together accounting for 20% of total UN expenditure. A total of US$ 28.6 billion – more than half of all UN expenditure – was allocated to the group of 38 countries included in Figure 33. The majority of the resources, 54%, was allocated to humanitarian assistance, with 21% directed to development assistance and 22% to peacekeeping operations. Only a small portion, 2%, was spent on political and peacebuilding missions.
Chapter 3: Taking data quality to the next level

Chapter 3 is a contribution from the UN System CEB, which is the longest-standing and highest level coordination forum of the UN system. In 2018, under the direction of the CEB’s High-level Committee on Management and in partnership with the UN Sustainable Development Group, the data standards for UN system-wide reporting of financial data, or UN Data Cube, were developed. The UN Data Cube consists of six standards prescribing the requirements for UN system-wide financial data reporting exercises.

The Data Cube strategy 2022–2025 aims to take the Data Cube initiative to the next level. The strategy’s ultimate ambition is to ensure a fully-fledged UN system-wide data cube with disaggregated financial data for each SDG in every country. When this is achieved, stakeholders will have access to a comprehensive overview of what UN system organisations are spending in support of an SDG in a particular geographical location, with data separated out into development, humanitarian, peace and global agenda-related interventions.
Expenditure by country on UN operational and peace- and security-related activities (US$ billion)
(Figure 33 from Part One)

Part Two: Financial flows, climate financing and the normative agenda

Part Two reflects on the bigger picture, including global and regional challenges, consequences and strategic choices. In reviewing the relevant data, it offers an overview of how available funding is used, while highlighting some of the critical areas to be funded or where resources can be redirected to. Human development, environmental protections, gender-based violence and the need for global upscaling are just some of the items on a lengthy list of expectations, achievements and actions required to meet full delivery of the SDGs.

In the first article, Homi Kharas and Charlotte Rivard look at the yawning gap between SDG attainment and international development financing. Current international finance trends for pledge targets, actual expenditure and lending strategies show that ODA demand priorities are rapidly outstripping the supply of funds. As such, a system refresh is needed to break the cycle of deferred spending on human capital, sustainable infrastructure and nature.

Next, Vera Songwe outlines the impact of the COVID-19 pandemic on the global economy, the fiscal policy measures deployed in response, and the impact they have had on livelihoods and debt. The article makes the case for why a multi-level intervention strategy, starting with the national level, is of the utmost importance, with countries creating fiscal space through improved revenue mobilisation, spending efficiency, debt management and transparency.
Following this, Inger Andersen addresses the existential risk of underfinancing, reminding us that ‘nature is sending us invoices, and they are getting bigger by the day’.

The United Nations Environment Programme (UNEP) has pointed to a triple planetary crisis of climate change, nature and biodiversity loss. Thus, we can either keep paying the invoices as they arrive until the bank – and the planet – is wholly depleted, or we get money flowing from public and private sources now in order to reduce their size and frequency.

On a related theme, Yannick Glemarec draws on the Intergovernmental Panel on Climate Change’s most recent assessment reports on adaptation, mitigation and the physical science of climate change to argue there is a critical need for US$ 1.6–3.8 trillion new climate investments up to 2050 in order to limit global warming to below 1.5°C, which should be complemented by an additional US$ 140–300 billion for climate change impact adaptation.

Climate change realities make it imperative that climate action is not postponed and investment is made in a robust global recovery that deepens climate ambitions.

Nada Al-Nashif reveals how financing the UN normative agenda amid growing polarisation is affecting the work of both the Human Rights Council and the Office of the UN High Commissioner for Human Rights (UN OHCHR).

While robust inter-agency and cross-pillar synergy may not be sufficient to address the structural underfunding of the UN’s normative agenda, it does offer meaningful opportunities to leverage overall UN action.

In Part Two’s final article, Anita Bhatia, Aparna Mehrotra provide a critical inquiry into the financing of gender equality, pointing to evidence suggesting that only 2.03% of UNDS expenditure is allocated to gender equality and women’s empowerment; and that just 2.6% of UN personnel work on the issue.

Despite these observations, the authors conclude that gender equality and the empowerment of women and girls is a UN priority and foundational to addressing the root causes of poverty, inequality and discrimination.

Part Three A: Quality of UN funding

Building on Part Two’s analysis of global challenges, Part Three A places the spotlight on quality of funding, leveraging, innovation and scale, examining how financing of and through the UNDS might best be improved.

First, John Hendra takes a look at the UN Funding Compact and notes how the current UNDS reform addresses the imperative of ensuring funding responds robustly and predictably to countries’ SDG priorities without compromising the multilateral nature of UN support. Hendra argues it is imperative that efforts are maximised to enhance awareness, political buy-in and effectiveness, including at the country level, and that Member States and the UNDS consider adjustments to make the Funding Compact more focused and impactful.

Next, Silke Weinlich, Nilima Gulrajani and Sebastian Haug reappraise assessed contributions in the UN system, pointing to the fact that WHO member states recently decided to increase the share of assessed contributions in the organisation’s regular budget from 16% to 50% by 2028.

Despite various controversies, there is agreement that UN organisations provide unique global governance functions, and that all Member States are willing to invest in and strengthen these functions. The Summit of the Future scheduled for September 2023 will provide an opportunity to apply this insight more universally across all UN bodies in receipt of assessed contributions.

Martin Griffith emphasises that speed, flexibility and accountability are at the heart of the humanitarian pooled funds managed by the Office for the Coordination of Humanitarian Affairs (OCHA). As the article demonstrates, ensuring better connectivity with development actors and international financial institutions is critical when supporting efforts to reduce need, build resilience and contribute to achieving the SDGs.

Soukeyna Kane steers the report’s attention towards how support aimed at addressing fragility, conflict and violence (FCV) can be scaled up, noting that the global fragility landscape has worsened significantly in recent years, impacting both low-income and middle-income countries. The article concludes that conflict prevention, reduction and turnaround are complex processes requiring sustained long-term engagement, and that countries with deeply entrenched FCV drivers cannot be expected to transition out of conflict in a short timeframe.

Personal agency comes to the fore in Kanni Wignaraja’s pointed analysis of the costs of delayed development, with the author arguing that the UNDS should not be subject to stop–go edicts that contribute to the erosion of development gains while simultaneously swelling the humanitarian caseload and costs. Over a billion people now live in countries affected by long-term humanitarian crises. Amid this operating context, the primary ingredients for peace and progress – personal agency and trust in institutions – must be continually supported.
As Richard Bailey points out, despite overwhelming evidence that prevention works, we seem incapable of properly financing it. In seeking to address this, Bailey offers four salutary lessons on financing disaster risk reduction gleaned from his time as a personal trainer: 1) start with good information; 2) freedom to choose is freedom to lose; 3) celebrate when nothing happens; and 4) avoid the creation of new risk.

Part Three B: Partnerships, leveraging and scaling up

Part Three B turns the report’s attention to longer-term scaling pathways for development projects. First, Johannes F. Linn looks at how the impact of development and climate interventions can be scaled up. The article looks at why the system is failing to successfully scale up and what can be done to remedy this, arguing that the traditional project approach has acted as a barrier as it tends to be one-off and time-bound.

In the penultimate article, Gavin Power reveals that in the seven years since the launch of the SDGs there has been increasing convergence between the worlds of development finance and private finance. Having once stood apart, there is now growing recognition that, even if their core missions fundamentally differ, each needs the other to deliver on their strategies and aims. Ultimately, the article concludes that healthy societies and healthy markets go hand-in-hand.

Finally, the Dag Hammarskjöld Foundation reflects on the discourse surrounding financing for peacebuilding. In the run-up to the 2022 high-level meeting on this topic, the Peacebuilding Support Office convened several roundtables drawing together representatives from the UN, civil society and the private sector. During these discussions, stakeholders reached consensus on the importance of funding more effective pathways to support local peacebuilders, and explored ways and means of increasing private sector investment.

Footnotes


2 In line with International Public Reporting Standards (IPSAS), UNDP financial statements and data reported to the CEB since 2019 reflect the full value of funding agreements as revenue when signed. However, UNDP management reports present resources aligned with past cash revenue recognition policies.

3 It should be noted that 2014 was an exceptional year due to a US$ 500 million contribution by Saudi Arabia to the Iraq Humanitarian Fund.


7 For the updated 2022 version of the Data Standards, see UN CEB (note 5)

Introduction

More than ever, global challenges require a renewed and effective multilateral response. While many crises can be turned around, they cannot be solved by isolated or unilateral efforts. Thus, the need for global investment represents both a response to existential risk and an opportunity for shared prosperity. For the second year in a row, the world is no longer making progress on the Sustainable Development Goals (SDGs). In 2020, lockdowns imposed to limit the spread of COVID-19 pushed 166 countries into recession. At the same time, the global response to the pandemic depleted fiscal space in many countries, exacerbated by surging inflationary pressures and the conflict in Ukraine, which has set off additional shocks in terms of rising global commodity prices. As a result, an estimated 70 million additional people are living in extreme poverty compared to pre-pandemic levels.

In a world of disarray, we need to understand both the current situation and the strategic choices that lie ahead. With this in mind, the 2022 Financing the UN Development System report once again provides an overview on how United Nations resources are generated, allocated and used. It also provides a marketplace of ideas for a wide range of authors from international financial institutions, the UN system, private sector and academia, allowing them to share their perspectives on ensuring adequate financing and how funding quality can enable innovation and acceleration, all with the aim of realising the SDGs, preventing conflict, and meeting humanitarian and planetary needs.

Message 1: The international development financing environment for SDG attainment is increasingly challenging.

Current international finance trends for pledge targets, actual expenditure and lending strategies show that official development assistance (ODA) demand priorities are rapidly outstripping the supply of funds. A system refresh is therefore needed to break the cycle of deferred spending on human capital, sustainable infrastructure and nature. China and many emerging economies that had become large players have scaled back their development finance, while private finance for development has proved to be procyclical, with debt distress and debt overhang now a significant threat. Further, the ability of multilateral institutions to continue contributing to economic recovery as they did in 2020 and 2021, as well as help facilitate the green transition agenda, is a concern.

At the national level, countries need to create fiscal space through improved revenue mobilisation, spending efficiency, debt management and transparency. At an international level, multilateral cooperation – including debt service relief, debt restructuring, fresh financing and enhanced financial resilience – is urgently needed to provide additional liquidity. If developing countries can continue to strengthen their policy and institutional structures, as well as develop sound investment project pipelines, and if advanced economies can provide political and financial support to help unclog finance channels, it may be possible to move the sustainable development agenda forward.
Message 2: Barriers to investment in developing countries should be addressed.
There is a lack of investment opportunities for low-income countries. In addition to not receiving a proportionate increase in official capital flows over the past two years, their access to private capital markets has shrunk. In 2020 and 2021, 42 developing countries had their credit rating downgraded by one of the three major rating agencies, while 33 more had their outlook downgraded. They also faced several technical, regulatory, institutional, market and infrastructure barriers to investment in new climate solutions. One potential pathway is blended finance, including first-loss guarantees and other de-risking tools and facilities.

Message 3: Climate finance will be the focus and opportunity of COP27, with specific attention on adaptation.
The Intergovernmental Panel on Climate Change estimates that US$ 1.6–3.8 trillion in new climate investments are needed annually through 2050 in order to limit global warming below 1.5 degrees Celsius, with an additional US$ 140–300 billion per annum needed to adapt to the impacts of climate change. While climate finance has so far fallen well short of its targets, the extraordinary global fiscal response to the COVID-19 pandemic – US$ 16.9 trillion, or 16.4% of global gross domestic product, in 2020 – shows that it is possible to find these large sums of financing. However, despite important momentum around sustainable environmental, social and governance financing – especially in developed countries, with initiatives such as the Glasgow Financial Alliance for Net Zero and the development of sustainability-aligned financial instruments – there has recently been significant backlash, with a growing number of investors voicing concern over ‘greenwashing’.

Although decarbonisation is moving, adaptation is stalling, with less than 10% of current levels of climate finance focused on it. Even so, it is clear adaptation will be a major focus of the 27th UN Climate Change Conference of the Parties (COP27). At the Bonn Climate Change Conference in June, 2022, developing countries made it clear they expect a finance facility for ‘loss and damage’ to be established at COP27. Closing the adaptation finance gap will therefore be critical, especially as finance and capacity gaps hold back the scaling up of promising adaptation initiatives.

Message 4: The UN normative functions need more sustainable funding.
At a time when the UN’s human rights machinery is needed most, a combination of entrenched Member State polarisation and severe resource constraints has had a major impact on attempts to maximise the UN’s unique normative role in human rights. While protection of human rights is one of the key pillars of the UN system, only US$ 134.5 million – just over 4% of the UN’s overall regular budget – was allocated to the UN’s human rights work in 2022. At the same time, demands from various crisis situations, as well as new mandates from the UN Human Rights Council, have necessitated that the Office of the UN High Commissioner for Human Rights look to voluntary contributions – which now finance 63% of its work – to make up the difference.

Financing for gender equality also continues to fall, in both scale and scope, well below the ambitions of the normative and global financing frameworks in place. In fact, it is an area that remains chronically under-resourced – an issue that extends to gender units and gender expertise across the UN system. A study undertaken in 2017 found that only 2.03% of the UN development system’s expenditure is allocated to gender equality and women’s empowerment; and that just 2.6% of UN personnel work on the issue.

This is why the decision taken by Member States at the World Health Assembly in May 2022 to increase the World Health Organization (WHO)’s regular (assessed) budget from 16% of its overall resource base today to 50% by 2028 is so important and encouraging. In doing so, Member States are providing a sustainable financial footing for WHO, which is currently overly dependent on voluntary earmarked funding, including from private actors.
Assessed contributions are membership fees that all Members States are obligated to meet. They are therefore an important channel for sustainable funding of key normative functions and multilateralism more broadly, as they cannot be arbitrarily withdrawn. Moreover, if assessed funding is critical for normative functions, pooled funding is critical for UN system coherence and a prerequisite for effective SDG financing.

**Message 5: Investment in prevention is critical, yet still too rarely done.**

Despite evidence showing that for every US$ 1 invested in prevention up to US$ 16 is saved in post-disaster recovery, the volume of funding that goes to prevention remains extremely low, with only 0.5% of ODA allocated to disasters in 2018/19 going to disaster risk reduction. This is also despite the fact that the majority of humanitarian assistance, which is at the highest level ever, is going to countries that have been experiencing crises for years. As one contributor to this year’s report puts it, ‘protracted crises beget protracted short-term funding’.

In a similar vein, the G20 High Level Independent Panel on Financing the Global Commons for Pandemic Preparedness and Response’s key recommendation of increasing financing by US$ 15 billion per annum has gone unheeded, regardless of the fact that the costs of future pandemics are likely to be at least 300 times greater than the total additional annual spending such a programme would require.

**Message 6: Political will, innovation and a wider donor base are needed to avoid a zero-sum game in which humanitarian and development interventions directly compete for funding.**

There has been a huge increase in humanitarian funding of late, with appeals increasing by almost 400% over the past ten years. On top of this, around 275 million people are expected to require humanitarian assistance in 2022 – an increase of 14% compared to 2021. With the international community increasingly being shown the importance of addressing the humanitarian-development-peace nexus, it is essential that a zero-sum game does not arise whereby humanitarian and development interventions must directly compete for funding. New and more inclusive, flexible financing platforms could address this and mitigate competition. That said, some longstanding generous donors are playing a zero-sum game in diverting ODA to pay for the domestic hosting of refugees.

Finally, the heavy dependency of both humanitarian assistance and UN development funding on just a few donors poses real risks. In the case of the former, just three donors – the United States, Germany and the United Kingdom – provided 60% of all humanitarian funding in 2021 (US$ 18.8 billion out of US$ 31.3 billion). With regard to the latter, 34% of all development-related funding to the UN in 2020 came from just five countries: the United States, Germany, Sweden, the United Kingdom and Japan.

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**Footnotes**

Chapter One: How is the UN funded?

Chapter Two: Where is UN funding allocated?

Chapter Three: Taking data quality to the next level
Overview

Over recent years, the United Nations and its Member States have, through the policy processes and strategic decisions referred to in this report, raised ambitions when it comes to improving the quality of funding through the UN development system (UNDS). The mutual commitments of the 2019 Funding Compact offer a clear example of where Member States and the UN have embraced a systematic shift towards more predictable, coordinated and flexible funding – an area identified as critical for realisation of the Sustainable Development Goals (SDGs).

Part One of this report presents and analyses the UN funding situation, utilising the latest available data to give an overview of where we are and how these ambitions are being translated into concrete action; where progress is taking place and what can be learned from it; and areas requiring further action.

This Overview offers an accessible summary setting out the complex UN funding landscape, its sources and instruments. Following this, chapters 1 and 2 describe how UN revenue is generated, and where and for what purposes resources are allocated. For example, what are the trends and differences in funding for development and humanitarian assistance? How is revenue from non-state actors evolving? And is pooled funding being used as an instrument to support UN reform?

Contributions to the UNDS (see definition in Box 1) for development action in 2020 amounted to US$ 42 billion, an increase of 16% compared to 2019. Though this funding is largely financed by Members State governments, non-state actors are also increasing their engagement. These resources are, however, still far from the level needed for the UNDS to fulfil its mandate and secure SDG results for peace, prosperity, people and the planet.

The data and analyses presented in Part One rely on four main data sources – these are listed in Box 1, while Box 2 provides an overview of the UN’s main financial instruments. Data as a strategic asset for development forms a central plank of the ‘Data Strategy of the Secretary-General for Action by Everyone, Everywhere’. Recent developments in improving the quality of UN data are further explained in Chapter 3.

Below we provide a brief introduction to the reform initiatives that are impacting the UN’s financing architecture.

UN financing and the Funding Compact

The Funding Compact outlines an ambitious set of Member State and UN Sustainable Development Group (UNSDG) commitments aimed at providing predictable and flexible funding for development activities and increasing the quality of delivered results.

Funding Compact targets help increase the quality and volume of financial resources for development action while promoting inclusive partnerships and boosting support for innovative programmes that deliver coordinated results – especially on critical intersectional themes such as climate change, gender equality, disaster risk reduction, environmental restoration and protection, inequality, and poverty reduction. The analysis provided in Part One is complemented by an article in Part Three, page 119, on progress made after three years of the Funding Compact.
The data used in the tables and figures in Part One is primarily drawn from the following four sources:

1) The **UN System Chief Executives Board for Coordination (CEB)**, which collects and publishes on its website data from the 43 UN entities that have committed to collectively reporting their data.9

2) The **UN Department of Economic and Social Affairs (UN DESA)**, whose dataset is based on the CEB dataset but only includes data on the UN development system (see definition below), which constitutes the UN OAD segment. The DESA data is contained in an annex to the annual report of the Secretary-General on the implementation of the QCPR process.

3) The **Organisation for Economic Co-operation and Development (OECD)**, which provides data on the sources and uses of official development assistance (ODA), defined by the OECD Development Assistance Committee (DAC) as ‘government aid that promotes and specifically targets the economic development and welfare of developing countries’.10

4) The **UN Pooled Funds Database**, which collects disaggregated data on UN inter-agency pooled funds.

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4) The **UN Pooled Funds Database**, which collects disaggregated data on UN inter-agency pooled funds.
Quadrennial Comprehensive Policy Review recommendations for the next level of UN financing

The Quadrennial Comprehensive Policy Review (QCPR) resolutions represent another important mechanism whereby Member States communicate policy priorities to the UN, based on the General Assembly’s assessment of the effectiveness, efficiency, coherence and impact of UN operational activities for development (OAD). The 2020 QCPR, in particular, covering the period 2021–2024, is currently guiding the UNDS on making effective, impactful progress across the humanitarian–development–peace nexus. Advisory in nature, the QCPR is encouraging stakeholders to shift from traditional modes of financing to more accessible and effective funding mechanisms.

The 2020 QCPR has also taken into consideration the impact of the COVID-19 pandemic, providing recommendations that reflect the ongoing need for the UN, donors, the private sector, governments and partners to foster links between local needs, regional/global trends and SDG achievement.

Utilising the potential of the UN’s new strategies at the country level

It will be at the country level that the outcomes of new behaviours must translate into SDG results. The mix of available UN financing – from vertical funds to country-level pooled mechanisms and core vs. non-core resources – should enable stakeholders to leverage these resources in the service of collaborative, comprehensive initiatives that focus on context-specific priorities and comparative advantages. In this regard, the finance and instruments at the disposal of UN country teams need to adhere to the overarching aim of flexible, balanced, sufficient and predictable financing for UN Sustainable Development Cooperation Frameworks (UNSDCFs), as reflected in country funding frameworks.

The applicability of UNSDCF is what makes them a go-to tool for providing a comprehensive country-level understanding of SDG-related needs and realistic approaches for securing financial contributions.

Beyond COVID-19: The UN reforms and the Common Agenda

The COVID-19 pandemic has demonstrated why multilateral responses to global challenges are imperative, and why coordinated approaches and innovative and transformational financing instruments are critical for meaningful impact. The UN’s repurposing of resources across budgets and agency mandates took place in a very short timeframe and made funding available for countries to pursue their own responses.

This experience was, of course, not without shortcomings. The pandemic placed unprecedented stress on the entire multilateral system, redirecting available funding towards new priorities at a time when the net increase of resources was limited and rapidly changing socioeconomic needs were becoming apparent.

Even so, the system-wide evaluation of the UNDS response to the pandemic in 2021 reveals clear links between UNDS reforms and Common Agenda principles, including an improved ability to mobilise sustainable financial flows in support of programmatic coherence. The evaluation also highlighted lessons learned and best practices gleaned from how the UN socioeconomic response to the pandemic was funded, with a focus on joint instruments.

Box 2: The spectrum of UN grant financing instruments

The UN system mainly makes use of four financing instruments, as defined in the UN Data Standards for system-wide financial reporting. Table 1 sets out the four instruments, their definitions, and the six types of earmarked funding.

Assessed contributions

Assessed contributions are obligatory payments made by UN Member States to finance the UN’s regular budget and its peacekeeping operations. They can be thought of as the price of membership. Assessed contributions are based on pre-agreed formulas related to each country’s ‘capacity to pay’. The formula for the regular UN budget is based on gross national income (GNI), with debt burden adjustments for middle- and low-income countries and adjustments for low per-capita income factored in. The formula for peacekeeping operations also takes account of the fact that the five permanent members of the Security Council (the P5) pay a larger share due to their special responsibility for maintaining international peace and security. These two formulas are adjusted by the UN General Assembly and Member States, normally every three years. Assessed contributions and voluntary core contributions constitute the core funding for UN entities.
Voluntary core contributions
Voluntary core contributions, also referred to as regular resources, are funds provided to a specific UN organisation. Core contributions provide resources without restrictions. In other words, they are fully flexible, non-earmarked funds that are not tied to specific themes or locations. They are often used to finance an entity’s core functions in line with its work plans and standards. Voluntary core contributions are therefore an important channel of funding, especially for UN entities that do not receive assessed contributions.

Earmarked contributions
Earmarked contributions, also referred to as non-core resources, are funds tied to specific projects, themes or locations. While voluntary, such contributions are restricted in terms of how the receiving entity can use them. Earmarked contributions are widely used in the UN system, though the actual extent of earmarking varies.

While some funds may be tightly connected to a specific project or programme, others may be part of flexible pooled funds with a thematic or geographical focus. The degree of flexibility may be suitable for different purposes. To overcome the steady increase of earmarking, Member States and the UN system alike have been pushing for more predictable and flexible UN funding.12 See Table 1 for an overview of the different instruments for earmarked contributions.

Revenue from other activities
The fourth revenue stream for the UN – revenue from other activities – covers a variety of income from both state and non-state actors generated through public services, knowledge management and product services. In the 2021 *Financing the UN Development System* report, this revenue stream was called ‘fees and other revenue’.13 ‘Revenue from other activities’, however, is the term used in the UN Data Standards.

Negotiated pledges
Negotiated pledges are legally binding mutual agreements between UN entities and external funders. While not currently a revenue channel for the UN system, they represent a major funding stream for other multilateral organisations. The World Bank, for example, has used negotiated pledges for the replenishment of the International Development Association (IDA). One UN entity, the International Fund for Agricultural Development (IFAD), applies something called negotiated replenishment, which is further explained in Box 6 on page 140.

### Table 1: UN financing instruments and definitions

<table>
<thead>
<tr>
<th>Assessed contributions</th>
<th>Fixed amount contributions calculated based on an agreed formula that UN Member States undertake to pay when signing a treaty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary core contributions</td>
<td>Voluntary untied contributions</td>
</tr>
<tr>
<td><strong>Earmarked contributions</strong></td>
<td><strong>Voluntary contributions that are tied to a specific purpose</strong></td>
</tr>
<tr>
<td>UN inter-agency pooled funds</td>
<td>Co-mingled contributions to multi-entity funding mechanism, not earmarked for specific UN entity; funds are held by UN fund administrator and fund allocations are made by UN-led governance mechanism.</td>
</tr>
<tr>
<td>Single-agency thematic funds</td>
<td>Co-mingled contributions to single-entity funding mechanism designed to support high-level outcomes within strategic plan; single UN entity is fund administrator and takes the decisions on fund allocations.</td>
</tr>
<tr>
<td>Revenue from global vertical funds</td>
<td>Contributions from ‘vertically’ focused funds with specific themes; funds are not directly administered by a UN entity and do not have a UN lead role in fund allocations.</td>
</tr>
<tr>
<td>Local resources</td>
<td>Contributions from programme countries financed from government resources for use in support of their own development framework.</td>
</tr>
<tr>
<td>Project/programme specific resources</td>
<td>Grants earmarked by the contributor to a specific programme or project, provided they do not fall within the above earmarked contribution categories.</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>Revenue transactions recorded for donations or goods and/or services, in accordance with the accounting policies of the organisation that are earmarked by the contributor to a specific programme or project.</td>
</tr>
</tbody>
</table>

**Revenue linked to UN entity’s other activities that is not considered a ‘contribution’ under the organisation’s accounting policies.**

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Source: Data Standards for UN System-Wide Reporting of Financial Data
How is the UN funded?

This chapter explores financial flows to the UN system, how this funding has evolved over time, and where it is generated from.

As described in the Overview above, UN revenue is provided through four types of financial instruments. Assessed contributions and voluntary core contributions are both types of core (non-earmarked) funding, providing a more flexible use of resources, while earmarked funding is tied to a specific purpose or theme and can range from tightly earmarked project funding to more flexible pooled funding. The features of different types of earmarking and what they mean for the UN’s ability to carry out its functions will be further explained in section 1.4. The fourth instrument is called revenue from other activities, as per the UN Data Standards, and consists mainly of fees for products and services provided, as well as financial items. 14

1.1 Total revenue of the UN system

The UN system’s total revenue, which represents a consolidation of revenues to the 43 UN entities that reported to the CEB in 2020, grew substantially in 2020 to US$ 62.6 billion, an increase of US$ 5.7 billion, or 10%, compared to 2019. This change was largely connected to three UN entities – the UN Development Programme (UNDP), UN Children’s Fund (UNICEF) and the World Health Organization (WHO) – that were strongly engaged in the UN response to the COVID-19 pandemic. Overall funding to the UN has grown steadily over the past decade in nominal terms, with the 2020 figure representing a 58% increase compared to 2010, when it stood at US$ 39.6 billion.

As seen in Figure 1 and Table 1, UN funding is predominantly earmarked, with the share of earmarked resources increasing from 57.8% (US$ 32.9 billion in 2019 to 6% (US$ 38.8 billion) in 2020. While earmarked funding has almost doubled in volume since 2010, it comes in a number of different forms with different levels of flexibility.

Assessed funding – a UN membership fee, which is the most consistent source of revenue for those UN entities that can be financed by this funding modality – remained at US$ 13.7 billion in 2020, the same level as 2019. Due to the increase in earmarked funding, however, it decreased as a share of total revenue from 24% to 21.9%. Voluntary core contributions, as well as revenue from other activities (fees, etc.), also saw their share of total funding decrease in 2020 compared to 2019. Despite this, revenue from other activities grew in volume from US$ 5 billion in 2019 to US$ 5.3 billion (for further information, see page 35).

Table 1 provides a detailed breakdown, by financial instrument, of total funding for the 43 reporting UN entities. The UN Volunteers programme (UNV) was previously reported as part of UNDP but in 2020 reported as a separate entity for the first time. For consistency UNV is included in UNDP figures in the 2020 figures displayed in the report. The UN entities vary widely in terms of volume of contributions, as well as mandate. Seven UN entities – DPO, UNDP, the Office of the UN High Commissioner for Refugees (UNHCR), UNICEF, the World Food Programme (WFP), WHO and the UN Secretariat – each received more than US$ 4 billion in revenue in 2020, accounting for almost three-quarters of total UN contributions. UNDP was the entity with the largest increase in funding – US$ 1.8 billion – in 2020 compared to 2019. Over the same period, contributions to WHO and UNDP saw remarkable growth of 38% and 36% respectively, with this increase almost entirely made up of earmarked funding. 15 Voluntary core contributions decreased from US$ 5.3 billion in 2019 to US$ 4.8 billion in 2020, mainly due to decreases in funding for IFAD, UNDP and UNHCR.

Figure 2 illustrates how the funding composition has emerged over the past ten years. The share of earmarked funding has grown steadily from 51% in 2010 to 62% in 2020. Assessed funding and voluntary core contributions,
which added together constitute total core contributions, have remained fairly stable in nominal terms, while there is a clear decrease in the share of core funding to a sub-30% level in 2020. Though revenue from other activities represents a smaller share of total revenue – 8.5% in 2020 – it has since 2010 grown both in nominal terms and as a share of total revenue.

Figure 1: Funding of the total UN system by financing instrument, 2020 (US$ billion)

Figure 2: Distribution of total UN system funding by financing instrument, 2010–2020 (US$ billion)

Source: Chief Executives Board for Coordination (CEB)
For notes – see page 82
<table>
<thead>
<tr>
<th>Entity</th>
<th>Assessed</th>
<th>Voluntary core</th>
<th>Earmarked</th>
<th>Revenue from other activities</th>
<th>Total revenue 2010–2020</th>
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<td>WIPO</td>
<td>20</td>
<td>7</td>
<td>504</td>
<td>530</td>
<td></td>
</tr>
<tr>
<td>WMO</td>
<td>77</td>
<td>2</td>
<td>23</td>
<td>99</td>
<td></td>
</tr>
<tr>
<td>WTO</td>
<td>222</td>
<td>18</td>
<td>5</td>
<td>245</td>
<td></td>
</tr>
</tbody>
</table>

**Total** | 13,679 | 4,817 | 38,796 | 5,308 | 62,599 |

Source: Chief Executives Board for Coordination (CEB)

For notes – see page 87
1.2. Who is being funded and how?

How UN entities are funded varies depending not only on their mandate, but their funding sources. UN programmes and funds, such as UNDP, UNICEF and WFP, do not receive assessed contributions and are funded entirely by voluntary contributions. Many specialised entities with clear technical and regulatory mandates, such as the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), the International Criminal Court (ICC) and the International Tribunal for the Law of the Sea (ITLOS), rely almost entirely on predetermined membership-based – assessed – funding. Specialised agencies such as the International Labour Organization (ILO), the UN Environment Programme (UNEP) and WHO, which are independent international organisations, are funded by a combination of assessed and voluntary contributions. In addition, DPO is financed to a level of 95% through assessed contributions, following a set formula for Member State contributions to peace operations (see Box 2, page 30) that differs slightly from the formula used for the UN general budget. The budget for peace operations is mandated by the UN Security Council.

Assessed contributions to UN entities

Table 2 shows the evolution of assessed funding to UN entities since 2010. Each Member State’s assessed contribution is determined by a set formula related to the country’s ‘capacity to pay’ (see page 30). Since 2010, the volumes of assessed contributions have remained stable, both in nominal and real terms, at around US$ 13–14 billion each year.

Voluntary core contributions to UN entities

Though voluntary core contributions – which by their nature are non-earmarked – provide UN entities with the same flexibility as assessed contributions, they are less predictable over time. IFAD and the UN Relief and Works Agency for Palestine Refugees (UNWRA) receive more than half of their funding from voluntary core contributions, while the Joint UN Programme on HIV/AIDS (UNAIDS) and UNITAID, a global health initiative that is working with partners to end the world’s tuberculosis, HIV/AIDS, malaria and hepatitis C epidemics, are funded to more than 70% by the same instrument. All four entities receive little or no funding from assessed contributions.

Earmarked contributions to UN entities

As seen in Table 3, earmarked contributions have almost doubled from US$ 20.3 billion in 2010 to US$ 38.8 billion in 2020, and is the funding instrument predominantly responsible for driving the increase in overall UN funding over the past decade. This increase is largely connected to four UN entities – UNHCR, UNICEF, WFP and WHO – all with humanitarian mandates and a high percentage of earmarked funding. Earmarked revenue for these four entities grew by nearly US$ 13 billion between 2010 and 2020, representing almost 70% of the total growth in earmarked contributions. Ten of the 43 UN entities are highly dependent on earmarked funding, receiving more than three-quarters of their funding in this form. Three of the ten – the International Organization for Migration (IOM), the UN Institute for Training and Research (UNITAR) and WFP – were funded to more than 90% through earmarked contributions in 2020.

There is, however, a spectrum of earmarked funding types encompassing different levels of flexibility – some of these have ‘core-like’ features allowing funding to be used more strategically and quickly adapted to changing needs. In this regard, the COVID-19 pandemic highlighted the urgency of UN entities being able to swiftly reallocate resources where they are needed most. While there is a variety of earmarked funding types across different UN entities, there remains a high degree of funding tightly connected to specific projects or programmes. Pooled funding, inter-agency pooled funds and single-agency thematic funds, provide more flexibility in allocating resources and constitute a material part of earmarked funding to the UN Population Fund (UNFPA) (49%) and UN Women (23%). The different categories of earmarked funding are further explored on page 45.

Revenue from other activities

The fourth funding instrument is a combination of fees for services performed and revenue from, among other things, investments and exchange gains. The total amount of fees and other revenue represents less than a tenth of total UN revenue but has (2018 aside) gradually increased in importance from US$ 2.3 billion in 2010 to US$ 5.3 billion in 2020. This growth is in large part explained by three entities: the UN Office for Project Services (UNOPS), the Pan American Health Organization (PAHO) and the UN Secretariat. Figure 3 shows the development of revenue from other activities for the period 2015–2020 in the six UN entities with the largest amounts of such revenue in 2020, with the World Intellectual Property Organization (WIPO), UNDP and WFP making up the other three entities in the list. Together, these entities generated 78% of UN system revenue from other activities in 2020.

Among the six entities, UNOPS received US$ 1.2 billion of revenue from other activities in 2020. UNOPS is a self-financing organisation and relies on fees from project implementation and other services covering infrastructure, project management, procurement, and financial and human resource management.
Table 2: Assessed contributions to the UN system by entity, 2010–2020 (US$ million)

<table>
<thead>
<tr>
<th>Entity</th>
<th>2019</th>
<th>2020</th>
<th>Percentage of total 2020 revenue</th>
<th>2010–2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>UN Secretariat</td>
<td>3,010</td>
<td>2,953</td>
<td>45%</td>
<td>3B</td>
</tr>
<tr>
<td>CTBTO</td>
<td>127</td>
<td>131</td>
<td>95%</td>
<td>119M</td>
</tr>
<tr>
<td>DPO</td>
<td>6,998</td>
<td>6,898</td>
<td>94%</td>
<td>7B</td>
</tr>
<tr>
<td>FAO</td>
<td>489</td>
<td>485</td>
<td>27%</td>
<td>507M</td>
</tr>
<tr>
<td>IAEA</td>
<td>411</td>
<td>463</td>
<td>60%</td>
<td>463M</td>
</tr>
<tr>
<td>IARC</td>
<td>25</td>
<td>27</td>
<td>56%</td>
<td>25M</td>
</tr>
<tr>
<td>ICAO</td>
<td>83</td>
<td>80</td>
<td>47%</td>
<td>77M</td>
</tr>
<tr>
<td>ICC</td>
<td>162</td>
<td>176</td>
<td>98%</td>
<td>167M</td>
</tr>
<tr>
<td>ILO</td>
<td>386</td>
<td>399</td>
<td>53%</td>
<td>399M</td>
</tr>
<tr>
<td>IMO</td>
<td>44</td>
<td>45</td>
<td>59%</td>
<td>45M</td>
</tr>
<tr>
<td>IOM</td>
<td>53</td>
<td>54</td>
<td>2%</td>
<td>54M</td>
</tr>
<tr>
<td>ITC</td>
<td>36</td>
<td>37</td>
<td>31%</td>
<td>37M</td>
</tr>
<tr>
<td>ITLOS</td>
<td>11</td>
<td>13</td>
<td>96%</td>
<td>11M</td>
</tr>
<tr>
<td>ITU</td>
<td>130</td>
<td>142</td>
<td>74%</td>
<td>142M</td>
</tr>
<tr>
<td>OPCW</td>
<td>74</td>
<td>73</td>
<td>75%</td>
<td>73M</td>
</tr>
<tr>
<td>PAHO</td>
<td>112</td>
<td>105</td>
<td>9%</td>
<td>105M</td>
</tr>
<tr>
<td>UNEP</td>
<td>224</td>
<td>242</td>
<td>30%</td>
<td>242M</td>
</tr>
<tr>
<td>UNESCO</td>
<td>256</td>
<td>262</td>
<td>40%</td>
<td>262M</td>
</tr>
<tr>
<td>UNFCCC</td>
<td>33</td>
<td>34</td>
<td>46%</td>
<td>34M</td>
</tr>
<tr>
<td>UN-HABITAT</td>
<td>15</td>
<td>16</td>
<td>7%</td>
<td>16M</td>
</tr>
<tr>
<td>UNHCR</td>
<td>43</td>
<td>40</td>
<td>1%</td>
<td>40M</td>
</tr>
<tr>
<td>UNIDO</td>
<td>76</td>
<td>85</td>
<td>32%</td>
<td>85M</td>
</tr>
<tr>
<td>UNODC</td>
<td>32</td>
<td>34</td>
<td>9%</td>
<td>34M</td>
</tr>
<tr>
<td>UNRWA</td>
<td>0</td>
<td>31</td>
<td>3%</td>
<td>31M</td>
</tr>
<tr>
<td>UN Women</td>
<td>10</td>
<td>10</td>
<td>2%</td>
<td>10M</td>
</tr>
<tr>
<td>UNWTO</td>
<td>16</td>
<td>18</td>
<td>81%</td>
<td>18M</td>
</tr>
<tr>
<td>UPU</td>
<td>37</td>
<td>43</td>
<td>46%</td>
<td>43M</td>
</tr>
<tr>
<td>WHO</td>
<td>490</td>
<td>466</td>
<td>11%</td>
<td>466M</td>
</tr>
<tr>
<td>WIPO</td>
<td>18</td>
<td>20</td>
<td>4%</td>
<td>20M</td>
</tr>
<tr>
<td>WMO</td>
<td>67</td>
<td>77</td>
<td>78%</td>
<td>77M</td>
</tr>
<tr>
<td>WTO</td>
<td>201</td>
<td>222</td>
<td>91%</td>
<td>222M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,669</strong></td>
<td><strong>13,679</strong></td>
<td><strong>22%</strong></td>
<td><strong>14B</strong></td>
</tr>
</tbody>
</table>

Source: Chief Executives Board for Coordination (CEB)

For notes – see page 87
<table>
<thead>
<tr>
<th>Entity</th>
<th>2019</th>
<th>2020</th>
<th>Percentage of total 2020 revenue</th>
<th>2010–2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>UN Secretariat</td>
<td>2,607</td>
<td>2,727</td>
<td>42%</td>
<td>3B</td>
</tr>
<tr>
<td>CTBTO</td>
<td>7</td>
<td>4</td>
<td>3%</td>
<td>7M</td>
</tr>
<tr>
<td>DPO</td>
<td>356</td>
<td>324</td>
<td>4%</td>
<td>33B</td>
</tr>
<tr>
<td>FAO</td>
<td>1,108</td>
<td>1,245</td>
<td>69%</td>
<td>891M</td>
</tr>
<tr>
<td>IAEA</td>
<td>226</td>
<td>295</td>
<td>38%</td>
<td>202M</td>
</tr>
<tr>
<td>IARC</td>
<td>16</td>
<td>19</td>
<td>39%</td>
<td>129M</td>
</tr>
<tr>
<td>ICAO</td>
<td>118</td>
<td>68</td>
<td>40%</td>
<td>80M</td>
</tr>
<tr>
<td>ICC</td>
<td>2</td>
<td>2</td>
<td>1%</td>
<td>2M</td>
</tr>
<tr>
<td>IFAD</td>
<td>134</td>
<td>187</td>
<td>34%</td>
<td>28M</td>
</tr>
<tr>
<td>ILO</td>
<td>294</td>
<td>299</td>
<td>40%</td>
<td>248M</td>
</tr>
<tr>
<td>IMO</td>
<td>15</td>
<td>17</td>
<td>22%</td>
<td>11M</td>
</tr>
<tr>
<td>IOM</td>
<td>1,962</td>
<td>2,017</td>
<td>92%</td>
<td>1B</td>
</tr>
<tr>
<td>ITTC</td>
<td>78</td>
<td>72</td>
<td>60%</td>
<td>40M</td>
</tr>
<tr>
<td>ITLOS</td>
<td>0</td>
<td>1</td>
<td>4%</td>
<td>253K</td>
</tr>
<tr>
<td>ITU</td>
<td>18</td>
<td>12</td>
<td>6%</td>
<td>12M</td>
</tr>
<tr>
<td>OPCW</td>
<td>17</td>
<td>19</td>
<td>20%</td>
<td>14M</td>
</tr>
<tr>
<td>PAHO</td>
<td>123</td>
<td>137</td>
<td>12%</td>
<td>741M</td>
</tr>
<tr>
<td>UNAIDS</td>
<td>44</td>
<td>76</td>
<td>28%</td>
<td>34M</td>
</tr>
<tr>
<td>UNCDF</td>
<td>137</td>
<td>65</td>
<td>86%</td>
<td>47M</td>
</tr>
<tr>
<td>UNDP</td>
<td>3,779</td>
<td>5,721</td>
<td>86%</td>
<td>655M</td>
</tr>
<tr>
<td>UNEP</td>
<td>481</td>
<td>438</td>
<td>55%</td>
<td>6B</td>
</tr>
<tr>
<td>UNESCO</td>
<td>348</td>
<td>346</td>
<td>53%</td>
<td>438M</td>
</tr>
<tr>
<td>UNFCCC</td>
<td>35</td>
<td>17</td>
<td>24%</td>
<td>346M</td>
</tr>
<tr>
<td>UNFPA</td>
<td>991</td>
<td>851</td>
<td>62%</td>
<td>3M</td>
</tr>
<tr>
<td>UN-HABITAT</td>
<td>141</td>
<td>158</td>
<td>76%</td>
<td>17M</td>
</tr>
<tr>
<td>UNHCR</td>
<td>3,381</td>
<td>4,296</td>
<td>88%</td>
<td>851M</td>
</tr>
<tr>
<td>UNICEF</td>
<td>5,031</td>
<td>6,121</td>
<td>81%</td>
<td>166M</td>
</tr>
<tr>
<td>UNIDO</td>
<td>165</td>
<td>152</td>
<td>57%</td>
<td>158M</td>
</tr>
<tr>
<td>UNITAID</td>
<td>19</td>
<td>64</td>
<td>29%</td>
<td>18B</td>
</tr>
<tr>
<td>UNITAR</td>
<td>37</td>
<td>33</td>
<td>97%</td>
<td>3B</td>
</tr>
<tr>
<td>UNODC</td>
<td>392</td>
<td>330</td>
<td>84%</td>
<td>229M</td>
</tr>
<tr>
<td>UNRWA</td>
<td>364</td>
<td>399</td>
<td>41%</td>
<td>13M</td>
</tr>
<tr>
<td>UNSSC</td>
<td>9</td>
<td>8</td>
<td>59%</td>
<td>37M</td>
</tr>
<tr>
<td>UNU</td>
<td>22</td>
<td>18</td>
<td>15%</td>
<td>7M</td>
</tr>
<tr>
<td>UN Women</td>
<td>357</td>
<td>373</td>
<td>66%</td>
<td>103M</td>
</tr>
<tr>
<td>UNWTO</td>
<td>5</td>
<td>3</td>
<td>14%</td>
<td>8M</td>
</tr>
<tr>
<td>UPU</td>
<td>19</td>
<td>32</td>
<td>34%</td>
<td>21M</td>
</tr>
<tr>
<td>WFP</td>
<td>7,557</td>
<td>8,091</td>
<td>91%</td>
<td>21M</td>
</tr>
<tr>
<td>WHO</td>
<td>2,489</td>
<td>3,731</td>
<td>87%</td>
<td>8M</td>
</tr>
<tr>
<td>WIPO</td>
<td>11</td>
<td>7</td>
<td>1%</td>
<td>4B</td>
</tr>
<tr>
<td>WMO</td>
<td>22</td>
<td>23</td>
<td>23%</td>
<td>4B</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32,918</strong></td>
<td><strong>38,796</strong></td>
<td><strong>62%</strong></td>
<td><strong>20B</strong></td>
</tr>
</tbody>
</table>

Source: Chief Executives Board for Coordination (CEB)
For notes – see page 87
As the specialised health agency for the Americas and the Regional Office of WHO, PAHO has played an important role during the COVID-19 pandemic, for example providing cost-effective procurement services for vaccines and public health supplies and equipment. In 2020, 80% of PAHO’s total revenue of US$ 0.9 billion originated from fees for procurement activities. Overall, PAHO’s revenue increased by 54% over the period 2015–2020.

WIPO also relies mainly on fees, receiving 95% of its total 2020 revenue of US$ 0.5 billion from revenue from other activities, specifically providing intellectual property services for patents, trademarks and industrial design. UNDP, WFP and the UN Secretariat receive only a small share of their revenue from fees for products and services. The UN Secretariat earns income from publications, software support, training and consultancy services, while UNDP earns fees for training, payroll services, fund management and administration, and services provided by the UN Volunteers programme. WFP charges fees for air operations and the provision of goods and services by UN Humanitarian Response depots.

Figure 4 shows the revenue trend from 2015 to 2021 for five select UN entities, all with revenue of more than US$ 4 billion in 2021. This is the only figure in the report that reflects revenue for 2021. WFP and UNICEF have seen a remarkable growth in income during the period, with increases of 99% and 71% respectively. In WFP’s case, the reasons for this can be found in the increased need for emergency responses in conflict-affected countries, the escalating number of climate shocks, and the unprecedented impact of the COVID-19 pandemic. The COVID-19 pandemic has also deeply affected UNICEF’s operations, with revenue growth during the period largely driven by increases in 2020 and 2021 that can be partly attributed to voluntary contributions for the pandemic response.
As mentioned above, how UN entities are funded depends not only on their mandates but the preferences and regulatory frameworks of those funding them. Funding types have varying degrees of flexibility and predictability, which in turn impacts the UN’s ability to perform its functions. Some UN entities, such as UNICEF, have managed to shift their composition of core and earmarked funding over time to create a more sustainable financing structure that better fits the purpose of their mandate.

Figure 5 shows the division between core and earmarked funding in select UN entities in 2020. The displayed entities are those with the highest revenue in 2020, except for DPO and the UN Secretariat, with the size of the circle indicating each entity’s total revenue. As can be seen, most of the largest UN entities are highly dependent on earmarked contributions.

Looking at developments since 2010, UNICEF has managed to grow its core funding at about the same pace as its earmarked funding. UNICEF’s growth in regular resources (unearmarked funding) comes from both public and private sources. Private sector funding to UNICEF is for the most part provided as unearmarked funding and is largely raised by its National Committees (see Figure 10 on page 44) – a unique feature of the organisation. Core funding from Member States is more closely connected to policy decisions by the respective country. Included in the figure is a line indicating the level at which core constitutes 30% of funding, a target for development-related funding formulated in the 2019 UN Funding Compact.

### 1.3. Who funds the UN?

Having examined the UN’s funding instruments, the next question that arises is who is funding the UN through these channels. Figure 6 shows that the UN is largely funded by governments, either directly or indirectly through other multilateral institutions and funds. Direct funding from governments decreased from 72% to 68% of total funding in 2020 compared to 2019. Due to the growth in total funding to the UN, however, Member State contributions grew to US$ 42.3 billion in 2020 compared to US$ 41 billion.
the previous year, with 55% of total funding coming from the 29 Member States that are also members of OECD-DAC. Another 13% originated from non-OECD-DAC countries, such as China, the Republic of Korea and Saudi Arabia.

The biggest shift in funding sources can be seen in the share of funding from multilateral channels. This grew from 15% in 2019 to 18% in 2020, mainly due to larger funding flows through global vertical funds, which increased from US$ 1.1 billion to US$ 2.8 billion. Among these is the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), which has supported countries in fighting the pandemic through its COVID-19 Response Mechanism, responsible for channelling US$ 1.1 billion to UN implementing partners. Contributions from the European Union (EU) also grew substantially, from US$ 2.9 billion in 2019 to US$ 4.3 billion in 2020, representing 7% of total contributions (for further information, see page 41).

There is a portion of revenue, 8% in 2020, where the source is not classified. This broadly corresponds to revenues from other activities where there is no mandate to report towards identified contributors. The Data Standards for UN system-wide reporting of financial data have been updated for the 2021 reporting, including a ‘no contributor’ code to be used only when revenue cannot be allocated to a contributor.

**Revenue from Member States and multilateral channels**

Figure 7 shows how total contributions to the UN are divided between Member States and other contributors, and how funding has evolved since 2010. The funding of the UN is heavily concentrated in a limited number of Member States, with around half the total revenue in 2020 – US$ 30.5 billion – originating from the ten biggest Member State contributors (see also Figure 10). Moreover, from 2010 to 2019 the top ten Member States have consistently contributed more than 50% of total revenue each year.
The United States, as the top donor to the UN, has provided around 20% of funding since 2010. Contributions from others than Member States have, however, increased substantially, reaching US $ 20.3 billion in 2020 and accounting for 32% of total revenue, partly due to revenue growth from multilateral channels such as the EU and global vertical funds (see Figure 6). The EU in particular has grown in importance as a UN donor, contributing US$ 4.3 billion in 2020 compared to US$ 0.7 billion in 2010.

Who, then, are the largest Member State funders of the UN? And what is the relation between contributions to the UN and the size of a country’s economy? Figure 8 shows the ten largest Member State contributors to the UN in 2020, including funding to inter-agency pooled funds, and what proportion this represents of these countries’ GNI. The top ten contributors, as well as the ranking of the top five contributors, remains unchanged compared to 2019.

The United States is by far the largest contributor to the UN, while Germany displayed a remarkable increase in the volume of its funding from US$ 4.1 billion in 2019 to US$ 5.9 billion in 2020 – which translates into an increase in contributions as a proportion of GNI from 0.10% to 0.15%. Looking at contributions as a share of GNI, large economies such as the United States, Japan, China and France contribute only a limited share, with Sweden and Norway at the top of the list, contributing 0.32–0.33% of their GNI to the UN.

**Revenue from the European Union**

The EU has been a consistent and growing contributor to the UN over the past ten years and, in 2020, was the third largest contributor. The EU is an intergovernmental institution with a supranational function and enhanced observer status in the UN. As it is funded by a group of Member States, the EU can rarely pay assessed or voluntary core contributions. Given this, less than 1% of the EU funding was provided as core funding.
Figure 7: Contributions to the UN system by Member States and other contributors, 2010–2020 (US$ billion)

Source: Chief Executives Board for Coordination (CEB)

For notes – see page 83

Figure 8: Top 10 Member State donors to the UN system, 2020 (US$ billion and percentage share of GNI)

Source: Chief Executives Board for Coordination (CEB), UN Pooled Funds Database and UN Statistics Division (UNSD)

For notes – see page 83
Figure 9 shows EU contributions for the period 2010–2020 and a breakdown of EU funding in 2020. Contributions from the EU have grown from US$ 0.7 billion in 2010 to US$ 4.6 billion in 2020. Funding through inter-agency pooled funds has also grown in importance over the period, now standing at 7% of EU contributions.

A shift in the distribution of funding through different agencies can be seen in the figures for 2020. Whereas in 2019 WFP (22%), IOM (15%) and UNICEF (11%) received almost half the EU funding, in 2020 contributions are more evenly distributed among the top five receiving entities: UNICEF, UNDP, UNHCR, IOM and WFP. EU funding to UNDP more than doubled between 2019 and 2020, making the EU the largest contributor to the entity in 2020.

Shifts in EU funding are largely connected to the changing needs of humanitarian funding in response to anticipated crises. Contributions to the Spotlight Initiative Fund for the elimination of violence against women and girls is a driving factor behind increased EU contributions to inter-agency pooled funds. In 2020, the EU also made large contributions to inter-agency pooled funds in Afghanistan and a joint programme for resilient livelihoods and food security in Yemen.

### Revenue from non-state actors

While UN revenue from non-state actors remains relatively small, it is becoming increasingly important. In 2020, the total amount of non-state revenue grew to US$ 3.6 billion, an increase of US$ 0.7 billion compared to 2019, with larger contributions coming in from foundations and the private sector. Though for most UN entities non-state revenue represents only a modest share of their income, there are exceptions. UNICEF, WHO and UNHCR receive substantial revenues from foundations, the private sector (both individuals and enterprises) and non-governmental organisations (NGOs), as seen in Figure 10, which shows a breakdown of non-state revenue to these three entities.

UNICEF, which relies entirely on voluntary contributions, mobilised US$ 1.6 billion from mainly private sector contributions in 2020, accounting for 22% of its total income. The majority of the non-state revenue (US$ 1.3 billion) was generated by their 33 National Committees – established as independent local NGOs to raise funding from the private sector and promote children’s rights. Individual giving is an important part of UNICEF’s income. In 2021, UNICEF formed a partnership with the World Bank and issued a bond to the capital market, with the proceeds invested in UNICEF’s fundraising mechanism.

### Figure 9: EU funding to the UN system including inter-agency pooled funds, 2010–2020 (US$ billion)

[![Figure 9: EU funding to the UN system including inter-agency pooled funds, 2010–2020 (US$ billion)](image)](image)

Source: Chief Executives Board for Coordination (CEB) and UN Pooled Funds Database

_for notes – see page 83_
Figure 10: Non-state revenue of three select UN entities, 2020 (US$ million)

**UNHCR non-state revenue, 2020**
(11% of total revenue)
- Private sector partnerships – Companies, foundations and philanthropists $198 m, 37%
- Private sector – Individual giving $340 m, 65%
- UNHCR non-state revenue $538 m

**UNICEF non-state revenue, 2020**
(22% of total revenue)
- Private sector – Country offices $215 m, 17%
- Other private sector funding $98 m, 13%
- Academic, training and research $6 m, 1%
- UNICEF non-state revenue $1,611 m

**WHO non-state revenue, 2020**
(20% of total revenue)
- Private sector $84 m, 10%
- NGOs $153 m, 17%
- Academic, training and research $8 m, 1%
- Foundations $692 m, 72%
- WHO non-state revenue $878 m

Source: Chief Executives Board for Coordination (CEB), UNICEF and UNHCR
For notes – see page 83
Non-state revenue, especially funding by individuals, constitutes flexible ‘core-like’ funding for the relevant UN entity.

WHO received 20% of its income from non-state actors in 2020, with most of its non-state revenue coming from philanthropic foundations. Revenue from foundations almost doubled to US$ 632 million – including a contribution of US$ 377 million from the Bill & Melinda Gates Foundation – in 2020 compared to 2019. In 2020, WHO set up the affiliated but independent WHO Foundation in order to raise resources from philanthropists, foundations, businesses and individuals. Private donations and revenue from private sector partnerships with companies, foundations and philanthropists are equally important for UNHCR, amounting to US$ 538 million, or 11%, of its total revenue in 2020.

Another UN entity that receives substantial and increasing contributions from non-state actors is WFP. In 2020, its revenue from NGOs, foundations and the private sector almost doubled, to US$ 161 million, with most of this funding coming from the private sector.

Revenue from international financial institutions
The overall revenue flow to the UN from international financial institutions (IFIs) is limited, constituting just 1% of total UN revenue in 2020. However, this may not be indicative of other forms of collaboration undertaken with the World Bank Group and other IFIs. UNICEF’s partnership with the World Bank in issuing a bond for investing in accelerated fundraising offers a case in point. For some entities, direct and indirect income from collaboration with IFIs plays an important role. Figure 11 shows revenue from IFIs for three select entities. UNDP works closely with IFIs in preparing socioeconomic impact assessments and response plans aimed at supporting governments leverage financing for the SDGs and address the impacts of COVID-19. In 2020, UNDP reported US$ 294 million in revenue from a diversity of partnerships, with KfW – the German investment and development bank – contributing 43% of this revenue and another 32% coming from the World Bank. The UNDP and KfW partnership covers programmes for livelihoods and job creation in Iraq, Syria and Lebanon, among other programmes. UNICEF received US$ 282 million in 2020, either directly from IFIs or through tripartite agreements with programme country governments and an IFI. The engagement with IFIs was mainly directed to supporting countries’ COVID-19 responses, including strengthening water, sanitation and health systems; nutrition; remote learning and connectivity; cash transfers and social protection; jobs/skills for youth; and procurement of supplies. The World Bank was the main partner, providing 72% of the funding. UNEP is an implementing agency for the Global Environment Facility (GEF), with contributions channelled through the World Bank as a GEF trustee.

1.4. Funding mix and degrees of earmarking
Over the past decade, growth in UN funding has been driven by earmarked contributions. The UN system requires funding that is fit for the functions its entities perform – something the Funding Compact is meant to address. There is a variety of earmarked funding types, with correspondingly varied levels of flexibility and potential for coordinated and collaborative approaches. Figure 12 shows how earmarked contributions to the UN system are divided between more highly earmarked funding to specific projects/programmes and more flexible funding, such as inter-agency pooled funds and single-agency thematic funds. Global vertical funds, such as the Green Climate Fund (GCF) and the Global Fund, are thematic funds, where the UN does not have a leading role in fund allocations. The Funding Compact promotes the use of more flexible funding, targeting a doubling of Member State funding to inter-agency pooled funds and single-agency thematic funds by 2023 (compared to 2017).

A decline in the share of project/programme-specific contributions can be seen in 2020 in favour of larger shares of funding to global vertical funds in particular, as well as inter-agency pooled funds – which are implemented largely through joint programmes – and in-kind contributions and local resources. Section 1.5 provides further details on trends in inter-agency pooled funds, which are an acknowledged instrument for supporting UN collaboration and efficient financing for SDG realisation.

The funding through global vertical funds increased from US$ 1.1 billion (3.4% share) in 2019 to US$ 2.8 billion in 2020 (8% share). The main part of that increase relates to UNDP revenue from the GEF, the Global Fund and the GCF. The increase in in-kind contributions was largely connected to the United States providing goods and services to WFP.

Whereas Figure 12 shows earmarked funding to the total UN system, Figure 13 displays core and earmarked funding to the UNDS, referred to as UN operational activities for development (OAD). UN OAD includes the activities of UNDS entities that promote the sustainable development and welfare of developing countries and countries in transition. Despite the name, UN OAD includes both development-related long-term activities and activities with a humanitarian assistance focus. The UNDS entities are, in short, those with a mandate to promote economic and social development.
Figure 11: Revenue from IFIs to three select UN entities, 2020 (US$ million)

**UNDP IFI revenue, 2020**
(1% of total revenue)

- IFAD: 7%
- Other: 3%
- Islamic Development Bank: 5%
- Inter-American Development Bank: 8%
- CABI: 43%
- World Bank Group: 32%

**UNEP IFI revenue, 2020**
(24% of total revenue)

**UNICEF IFI revenue, 2020**
(3% of total revenue)

- African Development Bank: 9%
- Islamic Development Bank: 14%
- Asian Development Bank: 72%
- World Bank Group: 7%
- Other: 1%

Source: Chief Executives Board for Coordination (CEB), UNDP Funding Compendium and UNICEF Funding Compendium
For notes – see page 83
Contributions to UN OAD follow the same trend as those to the UN system, with increased contributions largely earmarked. Earmarked funding to UN OAD nearly doubled between 2010 and 2020, while core funding grew by 21% during the same period. Total contributions to UN OAD stood at US$ 42.4 in 2020, with 83% of this earmarked – a higher share than the 62% seen for the total UN system. This disparity is explained by the fact that peace operations, which to a large extent are funded through assessed (core) contributions, are not included in UN OAD.

Previously in Section 1.3 we looked at the top Member State contributors to the UN as a whole. Figure 14 shows the top 12 OECD-DAC members’ contributions to UN OAD and the distribution between core and earmarked funding for each, with a breakout of earmarked funding through inter-agency pooled funds. Eight of these contributors are also among the top ten contributors to the UN system. Funding remains highly concentrated, with the combined contributions of the 12 countries accounting for 66% of total UN OAD revenue. The United States, Germany and the United Kingdom are the largest Member State contributors to both the UN and UN OAD. The EU, as a OECD-DAC member and therefore included in Figure 14, provides nearly all of its funding to UN OAD and constitutes the third largest contributor.

While the composition of funding to UN OAD is largely earmarked, seven of the top 12 provide 20% or more of their funding through core funding – assessed and voluntary core contributions – with only Italy and Sweden providing more than 30% in core funding. With the exception for Sweden, the top 12 OECD-DAC contributors all decreased their share of core funding to UN OAD in 2020 compared to 2019, a change reflected in the overall monitoring of the Funding Compact indicator for development-related activities. However, inter-agency pooled funds and

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**Figure 12: Earmarked contributions to the UN system by type, 2018–2020 (percentage share of total earmarked contributions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Project/Programme specific</th>
<th>UN inter-agency pooled funds</th>
<th>Local resources</th>
<th>In-kind contributions</th>
<th>Single-agency thematic funds</th>
<th>Global vertical funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>70%</td>
<td>7%</td>
<td>4%</td>
<td>6%</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>2019</td>
<td>75%</td>
<td>7%</td>
<td>6%</td>
<td>4%</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>2018</td>
<td>75%</td>
<td>5%</td>
<td>4%</td>
<td>7%</td>
<td>3%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Chief Executives Board for Coordination (CEB) and UN Pooled Funds Database

*For notes – see page 83*
Figure 13: Total core and earmarked contributions for UN OAD, 2010–2020 (US$ billion)

Source: Report of the Secretary-General (A/77/69-E/2022/47)
For notes – see page 83

Figure 14: Funding mix of top 12 OECD-DAC members that contribute to UN OAD, 2020 (US$ billion)

Source: Report of the Secretary-General (A/77/69-E/2022/47) and UN Pooled Funds Database
For notes – see page 84
single-agency thematic funds are ‘core-like’ earmarked resources in the sense that they provide flexibility to adapt to changing priorities – something that has been crucial in the UN response to the COVID-19 pandemic.

Figure 15 displays the equivalent funding mix for the top non-OECD-DAC members, ranked on the basis of their contributions to UN OAD (excluding local resources provided, which are displayed separately). Core funding, especially assessed contributions, constitutes a larger share of the funding from this group, though Saudi Arabia and Qatar are exceptions, providing most of their core funding as voluntary core contributions. Brazil, China, Mexico and Turkey all provided more than half their UN OAD funding as core contributions. Flexible earmarked funding through inter-agency pooled funds and single-agency thematic funds was limited in 2020. Qatar funded humanitarian inter-agency pooled funds, mainly to support countries affected by the crisis in Syria. Both Qatar and the United Arab Emirates funded the UN Central Emergency Response Fund (CERF).

China is the sixth largest contributor to the UN system (when the EU is included), but only 23% of its contributions are directed to UN OAD, of which 67% are assessed contributions and 8% are voluntary core. Local resources are provided by countries to support implementation of their own development plans and can be a major part of the total resources they provide. This was the case in 2020 for Argentina, Colombia and India, which provided 51–88% of their total UN OAD funding via local resources.

Figures 16 and 17 illustrate the funding mix of the top 20 contributors to, respectively, development assistance and humanitarian assistance – the two elements that constitute UN OAD. Although the funding patterns between the two types of funding differ substantially, the common feature of contributions being concentrated in a limited group of donors remains. Total funding to development activities was US$ 18 billion in 2020, a similar level as the two previous years, with the top five donors – the EU, the United States, Germany, Sweden and the United Kingdom – contributing 41%
of all development assistance. The EU more than doubled its funding to UNDP between 2019 and 2020, contributing to its position as the largest donor of development assistance.

The level of core funding versus earmarking and the types of earmarking involved varies widely between donors. Half the top 20 contributors provide 30% or more through predictable and flexible core funding – the level the Funding Compact has defined as a target for total development funding from Member States. Overall, 27% of development assistance was provided as core funding in 2020. Though this represents a slight decrease compared to 2019, it does indicate the Funding Compact target is within reach. There are, however, large differences between UN entities in the percentage of core development funding received, with, for example, IOM, UNDP and WFP receiving less than 10% and UNAIDS and the World Meteorological Organization receiving more than 70% of their development funding as core funding.

In contrast to the varying funding patterns seen for development activities, it is very clear that humanitarian assistance is predominately funded through earmarked funding. Total funding for humanitarian activities continued to increase in 2020 compared to the two preceding years, reaching nearly US$ 25 billion, of which only 11% was provided as core funding. In addition, 8% came through more flexible earmarked resources, such as inter-agency pooled funds and single-agency thematic funds. The concentration of funding from a few donors is also more evident, with the top five donors – the United States, Germany, the EU, the United Kingdom and Sweden – providing 60% of total funding.

* As it is funded by a group of Member States, the EU can rarely pay assessed or voluntary core contributions

Source: Report of the Secretary-General (A/77/69-E/2022/47) and UN Pooled Funds Database

For notes – see page 84
1.5. **Inter-agency pooled funds**

*‘Pooled funding mechanisms have a strong track-record in strengthening coherence and coordination, broadening the contributor base, improving risk management and leverage, and provide better incentives for collaboration within the UNDS or across pillars in relevant contexts.’*

*António Guterres, UN Secretary-General*

Inter-agency pooled funds are recognised as an instrument to support UN reform and promote collaboration and efficient coordination across the UNDS. They can be described as ‘core-like’ financing to the UN system as a whole, providing the equivalent of the core funding given to its constituent entities.

Gathering together stakeholders and pooling funds for the purposes of a thematic or country strategy allows for greater flexibility and coordination in achieving SDG implementation. This section examines inter-agency pooled funds as a preferred UN financing instrument, as highlighted in the Funding Compact.

Earmarking through inter-agency pooled funds, as well as single-agency thematic funds, plays out very differently from earmarking to a specific project or programme. Inter-agency pooled funds can be global or regional, focusing on a thematic or geographical area, or based at a country level, supporting implementation of a UNSDCF or Joint Programme. The following figures show who is contributing to inter-agency pooled funds; what types of funds these are; which UN entities are making use of them; and the countries in which such funds are being deployed.
Figure 18 shows that inter-agency pooled funds are on an upward trend, especially since the introduction of the SDGs in 2015. In 2020, total contributions passed US$ 3 billion for the first time, with the proportion of development-related funds growing to 50%. Humanitarian funds have represented the larger share, constituting around 60–70% of inter-agency pooled funds over the preceding decade. Development-related funds have more than tripled between 2010 and 2020, from US$ 0.4 billion to US$ 1.5 billion, while humanitarian-related funds have nearly doubled over the same period, from US$ 0.8 billion to US$ 1.5 billion.

Figure 18 also shows that development-related inter-agency pooled funds increased as a share of total earmarked development funding to 11.7% in 2020. This may be explained by the introduction of the Funding Compact in 2019, when a target – which arguably could have been more ambitious – was agreed that Member States should provide at least 10% of earmarked development funding to inter-agency pooled funds by 2023. The large increase in overall earmarked funding for humanitarian activities has resulted in a sharp decrease in the percentage of funding to inter-agency pooled funds, from 10.8% in 2019 to 6.9% in 2020.

As for UN funding overall, funding to inter-agency pooled funds is concentrated in a handful of donors. The top 12 contributors to inter-agency pooled funds in 2020, as shown in Figure 19, remained unchanged compared to 2019, accounting for US$ 2.8 billion, or 92%, of the total resources provided to these funds. All of these donors, aside from the EU, directed more than 10% of their earmarked funding to inter-agency pooled funds – in the cases of Belgium, Ireland and Netherlands, inter-agency pooled funds accounted for almost half their earmarked funding to the UN.

In Figure 19 funds are divided between humanitarian funds and the three themes falling under the category of development funds: peace and transition; climate and environment; and other development funds. As the urgent need for investments in combatting climate change has grown, so too have climate-related inter-agency pooled funds, from a humble US$ 43 million in 2015 to US$ 175 million in 2020, which was double the 2019 figure. Germany and Norway are the

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Source: Report of the Secretary-General (A/77/69-E/2022/47) and UN Pooled Funds Database

For notes – see page 84
largest contributors to climate and environment funds, including the Central African Forest Initiative, which saw its funding more than double in 2020 compared to 2019. Donors have, depending on their strategic priorities, chosen to support a varied combination of inter-agency pooled funds. Germany, the United Kingdom and the Netherlands all have a strong focus on humanitarian funds, with substantial contributions to CERF and a number of country-based humanitarian funds. The EU, by contrast, mainly contributes to development-related inter-agency pooled funds, with large contributions made to the Spotlight Initiative for the elimination of violence against women and girls.

Programme countries invest in country inter-agency pooled funds to enhance implementation of their UNSDCFs and accelerate SDG attainment. Papua New Guinea (PNG), one of the new countries on the list, invested 21% of its earmarked funding in inter-agency pooled funds due to its contributions to the PNG UN Country Fund. Uzbekistan is another example, having contributed 26% of its earmarked funding to the Aral Sea Region Fund.

Turning to those at the receiving end of inter-agency pooled funds, Figure 21 shows the ten implementing UN entities that received the highest revenue through inter-agency pooled funds in 2019 and 2020. Aside from UNDP, all these entities increased their total resource flow from inter-agency pooled funds in 2020. The most remarkable change can be seen in WFP, which received a large increase in funding through CERF related to its role in the COVID-19 pandemic response. UNICEF also saw notable growth in revenue from inter-agency pooled funds connected to funding.
Revenue through CERF and the UN COVID-19 Response and Recovery Fund. Figure 21 also highlights the importance of revenue from inter-agency pooled funds for specific UN entities, indicating the level of flexibility they have in using their earmarked funding. More flexible funding from inter-agency pooled funds constitutes around a third of total earmarked funding to UNFPA and UN Women, with this share having increased in 2020 compared to 2019.

The level of inter-agency pooled funds provided for implementation of programme countries’ development plans gives an indication of the access enjoyed by these countries to earmarked funding that can be used strategically to support, among other things, UNSDCFs. Figure 22 illustrates the UN programme countries that received 15% or more of their development-related earmarked funding through inter-agency pooled funds. In 2020, 37 countries reached this threshold, with a total of 58 countries receiving more than 10% of their earmarked development funding through inter-agency pooled funds, compared to 28 in 2018 and 40 in 2019. In the case of the Democratic Republic of the Congo (DRC), 75% of the earmarked...
development funding it received in 2020 came mainly from two inter-agency pooled funds, for the purposes of halting deforestation and forest degradation in the region.

Hosted by UNDP, the UN Multi-Partner Trust Fund Office (MPTFO) is the only UN unit exclusively dedicated to the design and administration of multi-stakeholder pooled financing instruments. Since 2003, it has supported 228 UN-led pooled funds, providing an integrated platform of inter-agency pooled services to help UN organisations and partners make fast, simplified and efficient progress towards collective outcomes, such as the 2030 Agenda. The MPTFO acts as administrative agent for a broad portfolio of pooled funds across the humanitarian, peace and transition, development, and climate and environment themes – key areas of UN activity.

In 2020, the MPTFO administrated nearly 80% of all inter-agency pooled funds with a development, transition or climate focus, and 50% of all UN inter-agency pooled funds. Included among these are the Joint SDG Fund, the Peacebuilding Fund and the Spotlight Initiative, which are highlighted in the Funding Compact as examples of qualitative funding instruments to accelerate realisation of the 2030 Agenda.

A set of quality management features have been identified to enhance the management and impact of inter-agency pooled fund activities. Funding Compact requirements outline the uptake of common management features, as shown in Figure 23, to increase the efficiency and effectiveness of development-related inter-agency pooled funds. While most features – such as clear theories of change, solid results-based management systems, and transparency standards – were already tenets of many inter-agency pooled funds, efforts have been made to improve efficiency and functionality. The MPTFO has, for example, developed a new Gateway platform for financial information, as well as introducing additional technical and operational services for fund secretariats. All UNDS entities are expected to continue developing well-designed pooled funds under common objectives and advance UN joint action on cross-cutting issues.
Figure 22: Countries where 15% or more of earmarked development-related expenditure comes from UN inter-agency pooled funds, 2020 (37 countries)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dem. Rep. of the Congo</td>
<td>62.5%</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>53.8%</td>
</tr>
<tr>
<td>Micronesia (Fed. States of)</td>
<td>41.7%</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>35.7%</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>32.6%</td>
</tr>
<tr>
<td>Malawi</td>
<td>30.7%</td>
</tr>
<tr>
<td>Liberia</td>
<td>27.8%</td>
</tr>
<tr>
<td>Somalia</td>
<td>25.9%</td>
</tr>
<tr>
<td>Madagascar</td>
<td>23.9%</td>
</tr>
<tr>
<td>Haiti</td>
<td>22.8%</td>
</tr>
<tr>
<td>Albania</td>
<td>21.8%</td>
</tr>
<tr>
<td>Gabon</td>
<td>20.8%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>19.8%</td>
</tr>
<tr>
<td>Zambia</td>
<td>18.8%</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>17.8%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>16.8%</td>
</tr>
<tr>
<td>Gambia</td>
<td>15.8%</td>
</tr>
<tr>
<td>Kiribati</td>
<td>14.8%</td>
</tr>
<tr>
<td>Uganda</td>
<td>13.8%</td>
</tr>
<tr>
<td>Guatemala</td>
<td>12.8%</td>
</tr>
<tr>
<td>Mali</td>
<td>11.8%</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>10.8%</td>
</tr>
<tr>
<td>Jamaica</td>
<td>9.8%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>8.8%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>7.8%</td>
</tr>
<tr>
<td>Niger</td>
<td>6.8%</td>
</tr>
<tr>
<td>Guinea</td>
<td>5.8%</td>
</tr>
<tr>
<td>Cabo Verde</td>
<td>4.8%</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>3.8%</td>
</tr>
<tr>
<td>Kosovo</td>
<td>2.8%</td>
</tr>
<tr>
<td>Iran</td>
<td>1.8%</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>0.8%</td>
</tr>
<tr>
<td>Burundi</td>
<td>0.8%</td>
</tr>
<tr>
<td>Grenada</td>
<td>0.8%</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>0.8%</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Source: Report of the Secretary-General (A/77/69-E/2022/47) and UN Pooled Funds Database
For notes – see page 85

Figure 23: Common management features for UN inter-agency pooled funds

1. INNOVATION FEATURES
2. THEORY OF CHANGE
3. RBM SYSTEM
4. WELL-FUNCTIONING GOVERNANCE
5. EFFECTIVE SECRETARIATS
6. UN NORMS & VALUES
7. RISK MANAGEMENT
8. OPERATIONAL EFFECTIVENESS
9. REPORTING
10. VISIBILITY
11. TRANSPARENCY
12. EVALUATIONS

Source: Funding Compact (A/74/73/Add.1-E/2019/4/Add.1) – Designed by MPTFO
For notes – see page 85
1.6. UN funding and the broader official development assistance picture

To conclude chapter 1 and position the UN in the wider multilateral funding landscape, Figure 24 offers a perspective on how UNDS funding relates to other multilateral institutions over time. Does the UNDS follow the same funding trends as other multilaterals? The picture clearly shows that OECD-DAC countries’ funding to the UNDS is more highly earmarked than for the EU, regional development banks, and the World Bank Group and International Monetary Fund (IMF). The UNDS remains the largest and fastest growing channel for multilateral ODA. Financing to the UNDS has almost doubled in volume from US$ 14.5 billion in 2011 to US$ 27.5 billion in 2020. It also continues to be the most highly earmarked. In terms of the total growth in multilateral ODA between 2011 and 2020, 58% went to the UNDS. Out of the 2020 funding to the UNDS, 71% was earmarked, compared to 24% for the World Bank Group and IMF, and only 3% for the EU.

Differences in funding profiles depend largely on multilateral organisations’ contrasting mandates and governance structures. One of the factors behind the UN’s relatively large share of earmarked funding is the traditional role played by UN entities in crisis and emergency responses 24, with humanitarian responses by their nature largely funded through specific projects, programmes and earmarked funds.

**Figure 24: Channels of multilateral assistance from OECD-DAC countries, core and earmarked, 2011 and 2020 (US$ billion)**

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

*For notes – see page 85*
Where is UN funding allocated?

Having explored how the UN is funded and by whom, this chapter proceeds to explore where UN resources are invested and for what purposes. Due to the timing of financial flows, the total amounts of UN revenue and expenditure may not exactly match in any given year, but will balance out over time.

2.1. Total UN expenditure

Total expenditure of the UN system amounted to US$ 56.2 billion in 2020, an increase of US$ 0.6 billion compared to 2019. Table 4 provides a detailed breakdown of total expenditure per UN entity from 2010 to 2020. Expenditure overall follows the same pattern as UN revenue, and reflects the dynamics and priorities of UN operations.

UN expenditure has more than doubled in 15 years, with two-thirds of this growth connected to five UN entities: the UN Secretariat, DPO, UNHCR, UNICEF and WFP. What these entities have in common, except for the UN Secretariat, is a strong focus on humanitarian support. Other UN entities with a development mandate, such as the UN Educational, Scientific and Cultural Organization (UNESCO) and UNDP, have experienced more modest growth over the time period.

UN expenditure can be divided into four main functions:

• Humanitarian assistance
• Development assistance
• Peace operations
• Global agenda and specialised assistance

Global agenda and specialised assistance covers activities that either address global or regional challenges not directly linked to the other three categories, or that support activities in non-UN programme countries. Figure 25 shows the proportion of UN expenditure in these four categories over the period 2018–2020, based on CEB data following the introduction of the global agenda and specialised assistance category. Until 2017 there were separate categories for normative activities and technical cooperation – it is now difficult to draw conclusions on UN normative work due to the variety of activities included in the global agenda and specialised assistance category.

Humanitarian assistance and development assistance – the activities commonly referred to as UN OAD – were roughly equal in 2018 (36% and 33% respectively). Since then, the humanitarian share of UN expenditure has increased, becoming notably larger in 2020, when it accounted for 42% of total expenditure compared to the 30% spent on development assistance. Over the same period, the share of spending on UN OAD increased from 69% in 2018 to 72% in 2020, driven by the growth in humanitarian assistance needs.

Peace operations involve expenses for civilian, police and military personnel to help create lasting peace in countries torn apart by conflict.25 The UN’s peacekeeping activities are implemented by bringing together the UN Secretariat, host countries, and countries contributing military and police personnel, in a joint effort to maintain global peace and security. The share of UN expenditure on peace activities has gradually decreased both in nominal terms and as a share of total UN expenditure, from 18% in 2018 to 16% in 2020, equivalent to a decrease of US$ 0.8 billion. The UN peace missions in Côte d’Ivoire and the UN stabilisation mission in Haiti closed in 2017, followed by the UN peace mission in Liberia in 2018. The only peacekeeping mission established since 2017 has been the UN Mission for Justice Support in Haiti, which operated until 2019.

Although the proportional shares of the four functions have not changed dramatically since 2018, the increasing share of humanitarian spending is a clear trend.
Table 4: Total expenditure of the UN system by entity, 2010–2020 (US$ million)

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<thead>
<tr>
<th>Entity</th>
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<th>2010–2020</th>
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<tr>
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<td><strong>56,208</strong></td>
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</table>

Source: Chief Executives Board for Coordination (CEB)
For notes – see page 87
Figure 25: UN system expenditure by function, 2018–2020

Figure 26 illustrates how UN expenditure on humanitarian assistance and development assistance – UN OAD – has evolved in nominal terms over the period 2010–2020. Over this time, development assistance grew by 8%, or US$ 1.3 billion, while humanitarian assistance more than doubled, growing by 161%, or US$ 14.3 billion. As can be seen in Figure 26, humanitarian assistance has seen constant growth since 2011, surpassing expenditure for development assistance for the first time in 2016, before going on to maintain this position from 2018 onwards. Total expenditure on humanitarian activities grew to US$ 23.2 billion in 2020, while expenditure on development assistance fell compared to 2019, to US$ 17 billion.

The large increase in resources dedicated to humanitarian assistance can be explained by increased need for humanitarian support. It is estimated that 274 million people will need humanitarian assistance and protection in 2022, a significant increase from the 136 million people in this position in 2018. In 2022, the UN and its partner organisations aim to assist 183 million people most in need, which will require US$ 41 billion. In 2018, by contrast, the UN and its partners aimed to assist 91 million people, through UN-coordinated response plans costed at US$ 22.5 billion. It should be noted that the historical data in Figure 26 has changed due to the adoption of the new UN financial data standards in 2018, as well as the inclusion of expenditure by IOM from 2019. Box 3 further analyses humanitarian needs and the related funding.
Humanitarian need has grown rapidly over the past decade, with more funding required to support more people. At the time of writing, UN-coordinated humanitarian appeals in 2022 had reached the highest ever level of funding requirements: US$ 46.3 billion. Underfunding is chronic and has worsened over the past two years. In 2021, just 56% of UN appeals requirements were funded, compared to an average of 60% over the past ten years. The landscape of humanitarian need continues to evolve, from the impacts of the COVID-19 pandemic and climate change-fuelled natural disaster to ongoing socioeconomic fragility, conflict and displacement. It is now the norm that change-fuelled natural disaster to ongoing socioeconomic.

The scale of humanitarian funding has increased, the ways in which humanitarian funding is sourced and delivered has – despite widespread recognition that reform is required – remained relatively unchanged.

How much humanitarian funding is there and who provides it?

Despite escalating levels of humanitarian need, the total volume of international humanitarian assistance provided by public (governments and European Union institutions) and private donors has grown only slightly since 2018, to US$ 31.3 billion in 2021. This represents marginal growth of just 2.6%, compared with average annual increases in excess of 10% between 2012 and 2017. Public donors typically account for about four-fifths of all international humanitarian assistance (75% in 2021), with a small number of government donors providing the vast majority of this funding. In 2021, 20 donors accounted for 97% of all funding, while just three donors – the United States, Germany and the United Kingdom – provided just under two-thirds (59%). These patterns of funding have remained largely unchanged over the past ten years. Of the US$ 6.5 billion provided by private donors in 2020 (the most recent year for which a breakdown of donor type is available), two-thirds (68%) was contributed by individuals. Trusts and foundations provided 14% of private donor funding, while the private sector contributed 9%.

Where is humanitarian response targeted?

Patterns of funding to the initial recipients of humanitarian funding have varied relatively little, with over half of all public funding provided, in the first instance, to multilateral agencies – averaging 56% over the past ten years. Meanwhile, non-governmental organisations (NGOs) (international and national/local) have on average received 18% of all international humanitarian assistance from public donors. For implementing organisations, private funding is particularly valued for the greater flexibility it affords, generally imposing fewer restrictions on when, where and on what funds can be spent compared to funding received from public donors. NGOs receive the bulk of funding from private donors, averaging 85% over the five years to 2020.

Funding for humanitarian response will often pass between different organisations before reaching the organisation that is actually delivering assistance to those facing a crisis. Data on subsequent transactions beyond the initial donor to first recipient is, however, limited. With ongoing calls – driven by demands for greater equity, as well as to improve efficiency and effectiveness – for local and national actors to play a greater role in the prioritisation, coordination and delivery of humanitarian response, this lack of data on the funds reaching frontline responders impedes transparency and accountability. Data on funding passed directly to local and national actors shows that they receive only a small proportion of all international humanitarian assistance: just 1.2% in 2021, down from a high of 3.3% in 2018. Local and national actors receive a greater share of their funding indirectly, though estimates at the country level suggest this is far below the target of 25% of all humanitarian funding agreed in 2016 at the World Humanitarian Summit.

As is the case with the recipients of funding, trends in the types of programming that humanitarian funding supports have remained largely unchanged over time. The greatest share of humanitarian funding is directed towards food security, which has consistently been the largest sector (or cluster) of humanitarian response. In 2021, food security received US$ 6 billion, almost four times as much as the second largest sector, nutrition, which received US$ 1.7 billion. The protection and health sectors also each received more than US$ 1 billion. The early recovery sector – which seeks to support sustainable recovery from crises – had the lowest proportion of its identified funding requirements met (17%), receiving just US$ 68 million in 2021.

How is humanitarian response delivered?

In recent years, attempts at reforming humanitarian response delivery have focused on improving efficiency and effectiveness, with key commitments agreed in 2016 within the Grand Bargain. Key areas of reform have centred on increased localisation, as well as improving the ‘quality’ of funding through more flexible and long-term assistance, and providing more funding directly to people in need in the form of cash or vouchers. Progress against these commitments has been slow and uneven. The most notable progress has been made in increasing the volume of assistance provided as cash or vouchers, which is recognised as empowering recipients and providing them with choice. Cash and voucher assistance transferred to recipients totalled US$ 5.3 billion in 2021, an increase of 62% since 2017. In addition, more humanitarian funding has been provided through multi-year agreements – estimates for 2020 indicate that 42% of funding from leading donors was for programmes of 24 months or more. Even so, funding that is flexible and not tightly earmarked to a particular location or type of response appears to be decreasing as a share of all funding.

Reform

Humanitarian response is chronically underfunded, and while the need for reform is acknowledged, the system remains slow to change. Beyond faltering efforts to improve response efficiency and effectiveness, there are other nascent shifts in how assistance is provided to those experiencing crisis. These include small-scale but growing initiatives aimed at providing more anticipatory financing through pre-arranged financing arrangements, including risk insurance that can support interventions before, or immediately as, a crisis occurs. Greater engagement by multilateral development banks in countries experiencing humanitarian crisis and development financing tools and mechanisms tailored to crisis settings also hold promise in addressing the wider range of medium- and long-term challenges faced by crisis-affected countries.
2.1. Total UN expenditure – continued

Section 1.2, in illustrating how a selection of the largest UN entities are funded, concluded that core funding, as well some kinds of earmarked funding – such as inter-agency pooled funds and single-agency thematic funds – provide greater flexibility and scope for funding long-term strategies, rather than a portfolio of projects. Member States’ choices of funding are partly connected to what functions the resources are meant to support. Humanitarian funding, for example, which has the function of saving lives and alleviating suffering in humanitarian crises, is more highly earmarked to certain projects and programmes than development funding.

Is there any conclusion to be drawn from the functions different UN entities perform in relation to how they are funded? Table 5 shows how UN entity expenditure is divided between the four core UN functions. IOM, UNHCR and WFP all have a mainly humanitarian mandate, which is reflected in their expenditure, and the three are to a very high degree funded by earmarked funding. UNICEF has a combined mandate, with its resource allocations divided almost equally between humanitarian and development assistance. Even so, it is more than 80% funded by earmarked funding (with 8% of funding coming from inter-agency pooled funds).

WHO, which has a combined mandate of promoting health and responding to health emergencies, is also overwhelmingly funded by earmarked resources, which account for 87% of the organisation’s total funding. UNDP, with a clear development mandate, has roughly the same level of earmarked funding as WHO. Peace operations carried out by DPO are almost entirely funded by assessed core contributions.

Humanitarian funding is driven towards short-term funding of acute needs and life-saving interventions, which comes at the expense of more flexible multi-year funding. Even so, there is political will to work more efficiently across development, humanitarian and peacebuilding assistance – the nexus – in order to reduce needs and vulnerability during and after crises. Funding and financing tools have not yet adapted to this new policy agenda, however, leaving open the opportunity to use financing as a strategic tool to enable collaborative action across the nexus. The Funding Compact represents a response to the need for UNDS reform, including funding fit for the functions and development results UNDS is meant to support. Agenda 2030 implementation requires more flexible funding conducive to collaboration across the UN system.
Table 5: Total expenditure of the UN system by entity and function, 2020 (US$ million)

<table>
<thead>
<tr>
<th>Entity</th>
<th>Humanitarian assistance</th>
<th>Development assistance</th>
<th>Peace operations</th>
<th>Global agenda and specialised assistance</th>
<th>Total expenditure</th>
</tr>
</thead>
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<td>1,147</td>
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</table>

Source: Chief Executives Board for Coordination (CEB)
For notes – see page 87
2.2. Expenditure per region and countries’ income status

Whereas section 2.1 explored how funding is allocated to the four UN functions, this section looks at how resources are divided geographically and, in particular, the trends in financing of least developed countries (LDCs) and small island developing states (SIDS). Figures 27–30 focus on UN humanitarian and development assistance – UN OAD – in addressing those questions.

As seen in Figure 27, total UN OAD expenditure was US$ 40.2 billion in 2020, compared to US$ 39.3 in 2019. Africa is the region with the largest share of UN OAD funding, receiving 35% of the total in 2020. The resources allocated to Africa have grown in volume from US$ 8.3 billion in 2010 to US$ 14.2 billion in 2020, though the percentage share has decreased somewhat over this period. Protracted humanitarian crises in the DRC, Ethiopia, Somalia, South Sudan and Sudan, often combined with climate-related crises, have accelerated expenditure in Africa.

Western Asia is the second largest recipient of UN OAD funding, accounting for 23% of expenditure in 2020 – a doubling of its share of total expenditure compared to 2010. Overall, UN OAD allocations to Western Asia grew from US$ 2.2 billion in 2010 to US$ 9.1 billion in 2020, despite the 2020 figure representing a slight fall compared to the previous year – the first such decrease during this period. The increase since 2017 is primarily connected to the humanitarian crisis in Yemen, where almost a third of expenditure in the region is allocated, while the humanitarian crisis in Syria has driven increased expenditure from 2012 onwards, also impacting support to Lebanon, where many Syrian refugees have been hosted. Overall growth in UN OAD expenditure is mainly related to humanitarian assistance and has been driven by protracted crises in a number of countries.

Shifting from a geographical focus, Figure 28 illustrates how UN OAD is allocated between countries in relation to income level, with the added perspective of crisis-/non-crisis-affected countries. Low-income LDCs are often more vulnerable to shocks due to a lack of resources to build resilience against unexpected crises. The number of low-income countries, as defined by the World Bank, decreased from 29 in 2019 to 27 in 2020, with Benin, Haiti and Tanzania graduating from low-income to lower middle-income countries and Sudan heading in the opposite direction.36
The resources allocated to low-income countries remained, on average, roughly unchanged in 2020 compared to 2019. The same holds true for allocations to lower middle-income countries – though the total amount increased, so too did the number of countries. Lower-income countries are funded by earmarked funding to a greater extent than countries with higher income levels. Only 12% of UN OAD allocations to lower-income countries came from assessed and voluntary core contributions in 2020. It is worth noting that some middle-income countries are classified as LDCs due to the combined criteria that define LDCs (for further information, see below).

That UN allocations are concentrated in crisis-affected countries is evidenced by the fact they receive 71% of total UN OAD country-level expenditure. Of the 162 UN programme countries, 49 were classified as crisis-affected in 2020, compared to 53 in 2019. Resources to crisis-affected countries are also highly earmarked, to a level of 89% in 2020. The 43 countries in the world with the highest poverty rates are in conflict-affected situations and/or sub-Saharan Africa, and it has been estimated that by 2030 two-thirds of the global extreme poor will be living in conflict-affected situations.\(^37\)

There is a difference between the sum of values in Figure 28 compared to Figure 27 due to some UN expenditure being allocated at the regional and global levels, rather than linked to a specific country.

Figure 29 focuses on UN OAD allocated to LDCs, which are defined by three criteria: 1) income; 2) human assets; and 3) economic and environmental vulnerability.\(^38\) A total of 46 countries were considered LDCs in 2020. The COVID-19 pandemic has severely affected economic growth in LDCs and reversed the global trend of reduced poverty. Vulnerability to the impacts of the pandemic has accentuated the need for increased international emergency and recovery support to LDCs.\(^39\)
Expenditure

A shift in resource allocations is to some extent visible in the figures for 2020. Total allocations to LDCs were US$ 15.9 billion in 2020, which represents a slight increase of US$ 0.2 billion compared to 2019. The main change was in the composition of allocations, with expenditure on humanitarian assistance rising to 69% of total expenditure, balanced by a slight decrease in development expenditure.

Among the LDCs are the DRC, Ethiopia, Somalia and Yemen, which have all experienced crises leading to accelerated expenditure on humanitarian assistance from around 2016–2017, prompting an upward trend in total spending on humanitarian support. Resources to LDCs are highly earmarked and the percentage share has been consistent at around 85% over the 2015–2020 period. According to the UN Office for the Coordination of Humanitarian Affairs Humanitarian Needs Overview and other related documents, almost a third of people in the four countries mentioned above are in need of humanitarian assistance. In Yemen, the share of the total population in need is as high as 74%.

Source: Report of the Secretary-General (A/77/69-E/2022/47). Historical data from various reports – see End Notes to Figures and Tables
For notes – see page 86

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Source: Report of the Secretary-General (A/77/69-E/2022/47). Historical data from various reports – see End Notes to Figures and Tables
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SIDS face unique social, economic and environmental vulnerabilities. SIDS are severely exposed to the impacts of climate change, including rising sea levels, biodiversity and extreme weather. Moreover, many SIDS are dependent on income from tourism, which has been negatively affected by the COVID-19 pandemic, causing an economic downturn.41

Figure 30 shows the development of UN OAD expenditure in SIDS, which, due to the combined criteria defining the countries, fall along a spectrum of income levels. Total UN OAD expenditure in SIDS was US$ 941 million in 2020. In contrast to LDCs, SIDS are mainly receiving development assistance, with an upward trend in development expenditure evident in recent years, as well as overall resources allocated to SIDS.

2.3. Linking resources to the SDGs

With less than ten years to go to 2030, overall action to meet the 17 SDGs needs to accelerate in speed and scale. The COVID-19 pandemic is expected to reverse the global trend in poverty reduction for the first time since 1996, making achievement of the goals even more urgent.42 The SDGs have become a common global platform for sustainable development, engaging governments, the private sector, civil society and academia around a joint agenda and common language. Many of the SDGs are interlinked and interdependent, requiring holistic and multi-stakeholder approaches.

The UN Data Standards adopted in 2018 include a standard for linking UN expenditure to the SDGs, with full implementation of this standard envisaged by the end of 2021.43 For the 2020 data that forms the basis of this report, 22 UN entities reported their expenditure linked to the SDGs, compared to 16 entities in 2019. Figure 32 shows the aggregated reporting of these 22 entities. Among the new reporting entities was DPO, adding US$ 7.3 billion to SDG 16 (peace, justice and strong institutions). The total SDG-related expenditure reported by these entities amounts to US$ 37.7 billion, equivalent to 67% of total 2020 expenditure.

If only the entities that are part of the UNDS are included, US$ 29.2 billion of expenditure was linked to the SDGs, or 73% of total UN OAD.

Reporting of expenditure linked to the SDGs is only requested when relevant, which means that SDG reporting will never cover 100% of UN expenditure. Compared to 2019, when only 51% of overall UN expenditure was linked to the SDGs, clear progress has been made in adopting the SDG reporting standard.

While the aggregated figure for the 22 entities’ SDG-linked expenditure does not provide a full picture of how UN resources are dedicated to achievement of the respective goals, it does give an indication of which SDGs that are at the forefront of UN resource allocations. Aside from the large increase in resources for SDG 16, the distribution of resources between the SDGs is largely unchanged in 2020 compared to 2019.

This year’s aggregated picture puts the spotlight on SDGs related to environment and climate change. COP26, held in November 2021, highlighted the urgent need for more investments in global decarbonisation and climate adaptation. It will require substantial mobilisation of public and private sector resources to transition to low-carbon alternatives.44 The sum of UN expenditure dedicated to clean water and sanitation (SDG 6), clean energy (SDG 7), climate action (SDG 13), life below water (SDG 14) and life on land (SDG 15) accounted for only 5% – or US$ 1.9 billion – of total reported SDG-related expenditure in 2020. This figure appears relatively low considering the importance of these SDGs and their interlinkage with other goals such as zero hunger (SDG 2), health (SDG 3), reduced inequalities (SDG 10), and peace, justice and strong institutions (SDG 16). One reason may be that investments in the procurement of goods and services – such as food supplies and vaccines – require larger financial expenditure, whereas policy support, capacity building and partnerships to mobilise other resources entail lower expenditure. It may also simply be due to the fact that some UN entities with a strong environmental focus have not as yet reported their SDG-related expenditure. If it can be presumed that the expenditure of entities such as the UN Environment Programme (UNEP) is mostly related to climate and environment SDGs, then around US$ 0.5 billion can be added to the total amount towards these goals.

In a survey to inform the 2022 Report of the Secretary-General on the QCPR, UN programme countries reported that in 2020 and 2021 UN contributions to national efforts were most impactful in health and well-being (SDG 3) – a consequence of the COVID-19 response. Other SDGs where UN contributions were cited as impactful included gender equality (SDG 5), food security, nutrition and eradicating hunger (SDG 2), and combatting climate change (SDG 13). Looking forward to the coming two years, the areas identified as requiring most assistance were SDG 3, SDG 13, poverty reduction (SDG 1) and education (SDG 4).45

Figure 32 explores which UN entities have reported expenditure linked to climate- and environment-related SDGs. UNDP has made the bulk of investments in
climate action (SDG 13), life below water (SDG 14) and life on land (SDG 15), while UNICEF has a strong focus on access to clean water and sanitation (SDG 6). UNDP’s Nature, Climate and Energy programmes support governments in enabling an inclusive, resilient, green recovery. This includes building competency to accelerate access to sustainable energy, as well as climate and nature-positive policies and finance; scaling capacity to ensure no one is left behind; and catalysing SDG and Paris-aligned investments (public and private).46

UNICEF works to provide access to clean water and reliable sanitation, and promote basic hygiene practices, in rural and urban areas. This includes promoting community-based handwashing; improving access to basic water, sanitation and handwashing facilities in schools; and providing clean water and sanitation facilities in humanitarian emergencies.47

There are several entities working to promote access to affordable and clean energy (SDG 7), an area that has seen increased traction in terms of public–private partnerships and blended finance due to economic opportunities in the sector. The cost of solar power and technology has decreased dramatically over the past ten years, and is now the cheapest source of energy.48

Figure 31: Aggregated UN expenditure linked to SDGs as reported by 22 UN entities, 2020 (US$ billion)

Detail: Aggregated UN expenditure linked to climate-related SDGs, 2020 (US$ million)

Source: Chief Executives Board for Coordination (CEB)
For notes – see page 86
Figure 32: Expenditure linked to climate-related SDGs as reported by UN entities, 2020 (US$ million)

Source: Chief Executives Board for Coordination (CEB)
For notes – see page 86
2.4. Expenditure in crises-affected countries

As described in section 2.2, escalating and protracted crises have been a driving factor in increased expenditure on humanitarian assistance. This section takes a closer look at the group of crisis-affected countries, specifically those receiving US$ 100 million or more in UN expenditure. Crisis-affected countries are defined as fulfilling 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;
3. reported expenditure from the Peacebuilding Fund of more than US$ 500,000; and/or
4. had a humanitarian response plan for the past two years (ie 2019 and 2020).

Figure 33: Expenditure by country on UN OAD and peace- and security-related activities (US$ billion)

Source: Report of the Secretary-General (A/77/69-E/2022/47), DPO (A/76/5 (Vol.II), DPPA (A/76/6 (Sect.3)/Add.1), World Bank, OCHA and the Peacebuilding Fund. Historical data from various reports. Historical data from various reports – see End Notes to Figures and Tables

For notes – see page 87
Figure 33 shows the 38 crisis-affected countries with expenditure exceeding US$ 100 million in 2020, along with the division of expenditure between humanitarian, development and peace activities. In 2019, the equivalent number of countries were 36. Yemen, South Sudan, the DRC, Lebanon, Sudan and Somalia remain the six countries with the highest levels of expenditure, together accounting for 20% of total UN expenditure. A total of US$ 28.6 billion – more than half of all UN expenditure – was allocated to the group of 38 countries included in Figure 33. The majority of the resources, 54%, was allocated to humanitarian assistance, with 21% directed to development assistance and 22% to peacekeeping operations. Only a small portion, 2%, was spent on political and peacebuilding missions.

As can be seen in Figure 34, the large portion of humanitarian assistance currently provided to these 38 crisis-affected countries has developed gradually since 2010, with development, peacekeeping and peacebuilding operations having remained fairly consistent over the same period. The shift in humanitarian expenditure from 2013 onwards is largely due to the crisis in Syria and its effect on Lebanon, which hosted many Syrian refugees. Escalated crises in South Sudan, mainly from 2014, and Yemen, mainly from 2017, also resulted in a steady growth of humanitarian expenditure.

Box 4 on page 73 provides details of the Secretary-General’s Peacebuilding Funding Dashboard, developed by the Peacebuilding Support Office (PBSO) of the United Nations Department of Political and Peacebuilding Affairs (DPPA).

Figure 35 shows four examples of crisis-affected countries and the development and composition of UN assistance over the period 2010–2020.

**Mali**
Following the coup d’état in 2012 and the ensuing crisis, a UN mission in Mali was established in 2013 to provide coordinated support to ongoing political and security processes and build capacity in the transitional government. A deteriorating security situation led to the establishment of the UN Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) in April 2013. The crisis remains ongoing and profound, stemming from longstanding structural conditions, such as weak state institutions; ineffective governance; fragile social cohesion; deep-seated feelings of neglect by central government among communities in the north; a weak civil society; and the effects of environmental degradation, climate change and economic shocks.49

**Sudan**
The UN Interim Security Force for Abyei (UNISFA) was formed in 2011 to monitor the border between Sudan and South Sudan (established in 2011), and facilitate the delivery of humanitarian aid in Abyei. In 2007, the African Union–UN Hybrid Operation in Darfur (UNAMID) was established. In 2020, the UN implemented a transition from this peacekeeping operation to a special political mission: the UN Integrated Transition Assistance Mission in Sudan (UNITAMS).50 The UN and the Sudanese government have recently formulated a roadmap for the Sudan Peacemaking, Peacebuilding and Stabilization Programme, setting out the transition along the nexus from peacebuilding and humanitarian assistance to socioeconomic reforms. Sudan is the largest recipient of funding from the global Peacebuilding Fund.52

**Iraq**
Iraq has suffered political instability caused by armed conflict for decades. Moreover, it is heavily dependent on oil and so exposed to declining oil prices. A special political mission, the UN Assistance Mission for Iraq (UNAMI), was established in 2003 with a mandate to advise the government and people of Iraq on inclusive political dialogue and national reconciliation, as well as promote the protection of human rights and judicial and legal reforms. Due to the conflict with the Islamic State of Iraq and the Levant (ISIL) that started in 2014, millions of people have been displaced and found themselves in need of humanitarian assistance.53 This is reflected in the increased expenditure on humanitarian assistance starting in 2014, though this has declined somewhat since 2017. The 2020–2024 UNSDCF focuses on re-orientation towards economic diversification and longer-term investment in development.54

**Cameroon**
Nine out of ten regions of Cameroon have been impacted by protracted humanitarian crises caused by continuous violence in the Lake Chad basin and in North-West and South-West regions, and the presence of refugees from the Central African Republic in the country’s eastern regions. Humanitarian needs are compounded by structural development deficits and chronic vulnerabilities, which further impede the long-term recovery of affected people.55 The UN delivers humanitarian and development assistance in a joint approach aimed at development of decent jobs and social inclusion, health, education and resilience, food security, and early recovery.56


Figure 34: UN OAD and peace- and security-related expenditure in 38 crisis-affected countries, 2010–2020 (US$ billion)

Source: Report of the Secretary-General (A/77/69-E/2022/47), DPO (A/76/5 (Vol.II), DPPA (A/76/6 (Sect.3)/Add.1), World Bank, OCHA and the Peacebuilding Fund. Historical data from various reports. Historical data from various reports – see End Notes to Figures and Tables.
For notes – see page 87

Figure 35: UN OAD and peace- and security-related expenditure in country specific cases, 2010–2020 (US$ million)

Source: Report of the Secretary-General (A/77/69-E/2022/47), DPO (A/76/5 (Vol.II), DPPA (A/76/6 (Sect.3)/Add.1). Historical data from various reports – see End Notes to Figures and Tables.
For notes – see page 87
Expenditure

Conflict-affected countries and situations require an **adequate, predictable and sustained flow of financial resources** to support their peacebuilding priorities. The twin resolutions on the 2015 review of the United Nations peacebuilding architecture recognised ‘the importance of adequately resourcing the peacebuilding components of relevant UN peacekeeping operations and special political missions’. In response to these resolutions, the Secretary-General proposed a dashboard for peacebuilding funding to ‘help to address issues of fragmentation and competition among funding instruments and to enhance transparency, accountability and effectiveness’.

The Peacebuilding Support Office (PBSO) of the UN Department of Political and Peacebuilding Affairs (DPPA) thus developed the Secretary-General’s Peacebuilding Funding Dashboard in close collaboration with colleagues across the UN system. Launched in April 2022, it offers information about six different funds and 951 projects in 143 countries, amounting to over US$ 1 billion in peacebuilding expenditure.

The Peacebuilding Funding Dashboard gives the Secretary-General and his Executive and Deputies Committees, senior management and UN staff an overview of investments in specific peacebuilding priorities, over a defined time period, in either one particular country or multiple countries. The goal is to create improved information sharing and coordination, and therefore informed decision-making. It can also help when it comes to filling in gaps and avoiding duplication, as well as allowing for a better articulation of individual entities’ resource mobilisation efforts and funding strategies.

The Dashboard offers several features to facilitate the display of public information on peacebuilding allocations, as illustrated in Figure 1. This information can be sorted, filtered and visualised according to various categories, such as country, year, peacebuilding priorities, source of funding, contribution to the SDGs, recipient entities and gender markers.

Included in the Dashboard are direct links to all the project documents underlying the displayed data, as well as a data export function to facilitate further analysis. Each entity is responsible for providing regular and up-to-date information, including feeding data to the dashboard, with DPPA/PBSO holding overall responsibility for data management and visualisation.

The application and useability of the Dashboard will improve alongside an increase in the number of trust funds included. Through the addition of trust funds, the Dashboard will provide a progressively more complete overview of investments in peacebuilding and sustaining peace through UN headquarter-based financing instruments. Possible future additions are the UN Trust Fund for Human Security, New Deal Implementation Support Facility and the UN Democracy Fund.

Figure 1: Screenshot of the home page of the Peacebuilding Funding Dashboard
Taking data quality to the next level

*United Nations System Chief Executives Board for Coordination (CEB)*

**Background**

The Chief Executives Board (CEB) Secretariat has been producing financial statistics on United Nations system-wide revenue and expenditures for at least three decades. The key data source is the revenue and expenses data that individual UN entities report annually to the CEB Secretariat. Once the data has been compiled and quality assured, a selection is published in the biannual General Assembly report on the 'Budgetary and financial situation of the organizations of the United Nations system'.61 The financial data from 2010 onwards is also available on the CEB website, which underwent a major upgrade in 2020/21. Disaggregated data on funding flows at entity and system-wide level can be accessed on the website in a user-friendly format, with visualisations and the option of downloading datasets in Excel and CSV formats.62

Data quality has been a constant area of attention when producing the UN financial statistics. Over the past five years, efforts to improve data quality have received a major boost thanks to the UN Data Cube initiative. This joint initiative of the High-Level Committee on Management (HLCM) and the UN Sustainable Development Group (UNSDG) is one of the three strategic data initiatives recognised in the ‘Data Strategy of the Secretary-General for Action by Everyone, Everywhere with Insight, Impact and Integrity’.63 The initiative’s long-term goal is to ensure the UN has readily available, timely, reliable, verifiable and comparable system-wide and entity-level financial data aligned with the Sustainable Development Goals (SDGs), for use in data analysis and to ‘make better decisions and deliver stronger support to those we serve’.64

**Results of the Data Cube initiative, 2017–2021**

In 2021, the CEB Secretariat took stock of the Data Cube initiative’s 2017–2021 results in order to see how far the UN system had come in reaching its intended targets. The clear conclusion was that the initiative had been a great success, for the most part producing the results expected (see Box 5 below for further details).

The first and most visible result was the development and approval of the 2018 Data Standards for UN system-wide reporting of financial data.65 Moreover, these data standards were complemented by an implementation roadmap, which contained specific actions broken down into four phases. Each phase advanced implementation of the data standards, improved data quality and enhanced communication around the resulting datasets. The tagline ‘maximising transparency and minimising effort’ was coined to summarise the common thread running through the long list of activities included in the roadmap.

Maximising transparency referred to efforts aimed at ensuring quality UN system-wide financial data would be available for users not just on the CEB website, but on other data platforms. Collaboration with the UNSDG and especially the UN Multi-Partner Trust Fund Office (MPTFO) focused on enhancing the timeliness and quality of data on single-entity thematic funds and UN inter-agency pooled funds. Meanwhile, partnerships with the International Aid Transparency Initiative (IATI) and the Organisation for Economic Cooperation and Development (OECD) looked at how coverage of UN reporting on the platforms of these two organisations could be improved. The successful harmonisation of the UN code lists for the six data standards with the relevant code lists in the IATI and OECD represented another important piece of the transparency puzzle, ensuring UN system-wide datasets could be more easily compared.

Minimising efforts and reducing the reporting burden of UN entities was the other main focus during the initial years of the Data Cube initiative. UN entities received broad guidance on implementing the standards. Annual workshops were organised for all reporters, complementing
the one-on-one support the CEB Secretariat had been providing to individual UN entities. Additional policies and guidance were developed based on queries and lessons learned, and UN code lists refined. Moreover, agreement was reached on a UN-CEB minimum dataset that, alongside the harmonised code lists, would enable UN entities to (re)use the same dataset in reporting their data to the CEB, IATI and OECD.

After four years of incremental improvements, however, it was clearly time to take another major leap forward and develop a holistic, forward-looking perspective on UN system-wide financial reporting. A broad, strategic approach was deemed essential for UN data producers, who might need to adjust their systems to meet the various reporting requirements. A holistic view would also allow data users to see the overall picture constituted by the various UN system-wide financial datasets at their disposal, thereby satisfying demand for more and better-quality data in a context of ongoing reforms in the wider UN system and external environment. These reflections resulted in the Data Cube strategy 2022–2025, which was approved by the HLCM’s Finance and Budgeting Network in December 2021.

The next level: Data Cube strategy 2022–2025
In building on the 2017–2021 period’s successes, the Data Cube strategy 2022–2025 aims to take the Data Cube initiative to the next level. The strategy’s ultimate ambition is to ensure a fully-fledged UN system-wide data cube with disaggregated financial data for each SDG in every country. When this is achieved, stakeholders will have access to a comprehensive overview of what UN system organisations are spending in support of an SDG in a particular geographical location, with data separated out into development, humanitarian, peace and global agenda-related interventions.

At the core of the strategy are six complementary UN system-wide financial data cuts that by 2025 should be available and easily accessible to data users. These data cuts will provide UN stakeholders with a transparent and comprehensive snapshot of UN system-wide revenue and expenses, with disaggregated data enabling better analytics and evidence-based decisions. Given the datasets will be comparable, data users will have the option of integrating datasets and carrying out data analysis using combinations of datasets. Moreover, the UN-CEB minimum dataset of variables to be used for activity-level reporting to the IATI and OECD will ensure that the data reported to these two partners can also be UN system-wide datasets.

Figure 36 illustrates the basic concepts underpinning the strategy. The overall idea is that each UN entity will use its own systems and tools to construct a master dataset incorporating all the variables included in the UN-CEB minimum dataset (seen on the left). From there, the UN entity can slice and dice this master dataset to produce the data necessary to report on each of the six data cuts (seen on the right).

The development, collection, compilation and maintenance of the first three of these six financial data cuts will come under the direct purview of the CEB Secretariat. The first data cut refers to full implementation of reporting under the 2018 UN Data Cube standards, including reporting against the two data standards, SDGs and geographical location that became mandatory as of 1 January 2022. In addition, this data cut is currently being refined to address commitment 13 of the 2019 Funding Compact, which calls for improved comparability of cost classifications and definitions.

The second data cut focuses on taking CEB reporting to the disaggregated level, with far more granular data on UN system-wide expenses provided. Each UN entity will be asked to report their expenses in a disaggregated manner against the dimensions of the UN data standards. The consolidated UN system-wide data would constitute a real data cube, showing how much each UN entity and the UN system as a whole spends on each function, in each geographical location and against each SDG target, as well as what form of funding is used (core/non-core/other). This will enable in-depth data analysis not possible with the highly aggregated data of the first data cut.

The third data cut refers to the full integration of data on thematic funds into the financial statistics collected by the CEB Secretariat. This data cut provides an opportunity to validate the overall revenue reported for thematic funds by cross-checking it against each contribution. The main objective here is ensuring good quality, granular data on contributions to this type of flexible funding, thereby improving contributors’ visibility.

The other three data cuts will come under the purview of, respectively, the IATI, OECD and MPTFO, with the CEB Secretariat providing active support in the development and maintenance of minimum data requirements. The fourth data cut will be based on UN activity-level reporting to the IATI, and the fifth data cut on reporting to the OECD, with the agreed UN-CEB minimum dataset used in each case. The sixth data cut will consolidate UN fund administrators’ reporting on pooled funds, including activity-level reporting on the SDGs and the Gender Marker. In providing data on contributions to this high-quality funding instrument, this cut will provide better visibility for contributors. The full Data Cube strategy – as well as the separate communications version of the document prepared for external stakeholders – provides further background information, spelling out the three major outputs.
that must be realised if the strategy’s objective is to be achieved. The strategy also includes a results framework, monitoring and evaluation arrangements, and a risk management section. It concludes with a budget section that spells out the additional financial resources required, over a four-year period, to implement the strategy and deliver on the expected results.

Conclusion
The UN Data Cube initiative is a successful example of impactful change brought about by UN system-wide collaboration around a priority data use case. The initiative has both provided the UN with data standards for system-wide financial reporting and advanced their implementation. The improved quality of UN system-wide data and continued harmonisation efforts with the IATI and OECD have led to more accessible and comparable datasets, while reducing UN entities’ reporting burden. In building on this strong foundation, the Data Cube strategy 2022–2025 aims to take the initiative to an ambitious new level. Implementation of the strategy is just beginning, and will hopefully benefit from collaboration with a variety of UN stakeholders and partners, with some of these providing additional financial support.
Box 5: Improvements in Data Quality for each of the six data standards, 2017–2021

**UN entity:**
- The number of UN entities whose data are reported to the CEB almost doubled from 34 (2016 data) to 65 (2020 data): 8 additional UN entities started reporting to the CEB; while separate data submissions are now made for 23 of the 24 UN entities whose data was previously consolidated into that of their reporting entity.
- Only three UN entities did not report in the 2021 CEB Financial Statistics exercise.
- In 2021, 100% of UN development system (UNDS) entities reported to the CEB (Funding Compact indicator 7.1).

**Geographical location**
- This data standard became mandatory on 1 January 2022 for reporting on 2021 data.
- In 2021, 95% of UNDS entities with ongoing country-level activities reported expenditures disaggregated by country to the CEB, with just three entities failing as yet to do so (Funding Compact indicator 7.3).
- Expenses reported against ‘global and interregional’ have gradually dropped, from 43.5% (2016 data) to 18.1% (2020 data); however, some UN entities still reported their headquarters expenses against the country in which their headquarters was located (eg Italy, Switzerland).

**UN function:**
- By 2021, 100% of UN entities reporting their expenses by geographical location broke down the data by UN function.
- In 2021, 12 UN entities reported their operating costs and non-operating costs separately.

**UN financing instrument**
- Data collection for the thematic funds database has been integrated into the CEB Financial Statistics from 2021 onwards.
- Request for data from the pooled funds database has been integrated into the CEB Financial Statistics from 2021 onwards, with the MPTFO taking the lead in compiling the data and ensuring data quality.
- A quality-assured list of UN inter-agency pooled funds and single-agency thematic funds was produced based on data submissions in 2021.

**SDGs**
- UN entities have been proactive in reporting on this standard, which became mandatory on 1 January 2022 for reporting on 2021 data.
- In 2021, 24 UN entities reported on their expenditure by SDGs, against 16 in 2020 and 11 in 2019. Overall, 67% of all UN expenditure was broken down against SDGs in 2021 (2020 data), against 44% in 2020 and 18% in 2019.

**Revenue by contributor**
- A standardised CEB contributor list was introduced in 2021 to reduce errors in contributor coding and facilitate data aggregation.
Endnotes for Part One


13 Dag Hammarskjöld Foundation and UN Multi-Partner Trust Fund Office (UN MPTFO), Financing the UN Development System: Time to Meet the Moment (Uppsala/New York: Dag Hammarskjöld Foundation/UN MPTFO, 2021), www.daghammarksjold.se/publication/unds-2021/.

14 In last year’s Financing the UN Development System report, this instrument was called ‘fees and other revenue’.

15 In line with International Public Reporting Standards (IPSAS), UNDP financial statements and data reported to the CEB since 2019 reflect the full value of funding agreements as revenue when signed. However, UNDP management reports present resources aligned with past cash revenue recognition policies.

Dag Hammarskjöld Foundation and UN MPTFO (note 13).


Dag Hammarskjöld Foundation and UN MPTFO (note 13).


It should be noted that 2014 was an exceptional year due to a US$ 500 million contribution by Saudi Arabia to the Iraq Humanitarian Fund.

The equivalent figure shown in the 2021 Financing the UN Development System report included countries receiving 10% or more, but due to the increasing number of countries this year’s figure has been limited to those receiving 15% or more.


Thirty-six countries experiencing protracted crisis (five or more years of UN appeals) accounted for 86% of total country allocable humanitarian assistance; Development Initiatives (note 27).


Food and Agriculture Organization of the UN (FAO), Norwegian Refugee Council (NRC), and UNDP, ‘Financing the Nexus: Gaps and Opportunities From a Field Perspective’, 2019, www.undp.org/publications/financing-nexus-gaps-and-opportunities-field-perspective


Economies are divided into income groups according to 2020 GNI per capita, calculated using the World Bank Atlas method. The groups are: low-income, US$ 1,045 or less; lower middle-income, US$ 1,046–4,095; upper middle-income, US$ 4,096–12,695; and high-income, US$ 12,696 or more.


UN, ‘LDC Identification Criteria & Indicators’, www.un.org/development/desa/dpad/least-developed-country-category/ldc-criteria.html. The list is reviewed every three years.


UN (note 39).

For the updated 2022 version of the Data Standards, see UN CEB (note 25).


UN General Assembly and ECOSOC (note 1).


The Peacebuilding Funding Dashboard includes the following headquarter-based trust funds: the Secretary-General’s Peacebuilding Fund (PBF); the UN–World Bank Humanitarian–Development–Peacebuilding and Partnership (HDPP) Facility (part of the PBF); the Saving Lives Entity (SALIENT) (part of the PBF); the UN Trust Facility Supporting Cooperation on Arms Regulation (UNSCAR); Women’s Peace and Humanitarian Fund, managed by UN Women; and the Youth Solidarity Fund, managed by the UN Alliance of Civilizations.


UN Secretary-General (note 63), p. 3.

For the updated 2022 version of the Data Standards, see UN CEB (note 25).
General Notes

I. For Figures 1–12, 19–21, 25, 31–32; Tables 1–5; ‘Chief Executives Board for Coordination (CEB)’ refers to data retrieved from the CEB Financial Statistics database. Data downloaded in November 2021 and available at https://unsceb.org/financial-statistics. The CEB Financial Statistics database is the only comprehensive source of financial statistics for the organisations of the United Nations system. Data is collected from 43 UN entities (in some instances with further disaggregation) and figures are validated with the organisations’ audited financial statements wherever possible. This data is currently collected annually by the CEB Secretariat.


III. For Figure 24, ‘Organisation for Economic Co-operation and Development (OECD)’ refers to data retrieved from the Creditor Reporting System (CRS). The CRS database comprises all contributions from OECD Development Assistance Committee (OECD-DAC) members to developing countries or territories eligible for official development assistance (ODA). It presents members’ total use of the multilateral system through their multilateral and bilateral aid channelled by multilateral organisations. Data is based on individual project and programme disbursements measured on a calendar year basis. Data downloaded in May 2022 and available at https://stats.oecd.org.

IV. For Figures 6, 8–9, 12, 14–22, ‘UN Pooled Funds Database’ refers to the database compiled for the Fiduciary Management Oversight Group (FMOG) and published on the website of the International Aid Transparency Initiative (IATI). It incorporates all contributions to and transfers by inter-agency pooled funds with a UN administrative agent. The UN fund administrators or trustees are: the Food and Agriculture Organization (FAO), the International Labour Organization (ILO), the International Organization for Migration (IOM), the Multi-Partner Trust Fund Office (MPTFO), the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), the United Nations Population Fund (UNFPA), the United Nations Children’s Emergency Fund (UNICEF), the United Nations Office for Project Services (UNOPS) and the World Food Programme (WFP). Data is available at www.iatiregistry.org/publisher/unpf.

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’. The latest version is available at https://unsceb.org/data-standards-united-nations-system-wide-reporting-financial-data.

VI. Following the revision of the peace and security pillar within the UN peacebuilding architecture and the adoption of resolution A/RES/72/262 C (available at https://undocs.org/A/RES/72/262C), from 1 January 2019 the Department of Political Affairs (DPA) and the Peacebuilding Support Office (PBSO) formed the new Department of Political and Peacebuilding Affairs (DPPA), while the Department of Peacekeeping Operations (DPKO) became the Department of Peace Operations (DPO). For consistency, previous data series under the label DPKO have been renamed DPO and previous data series under the label DPA have been renamed DPPA.

VII. Contributions and expenditures are expressed in current United States dollars, unless otherwise stated.
Figures

Figure 1: Funding of the total UN system by financing instrument, 2020 (US$ billion)


ii) CEB figures reflect revenue and expenses as reported to the CEB by 43 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: Distribution of total UN system funding, by financing instrument, 2010–2020 (US$ billion)


ii) All UN entities reporting to the CEB for the 2020 data collection are indicated in Table 1 (see notes on Tables 1, 2 and 3).

iii) The United Nations Volunteers programme (UNV) independently reported its financial data to the CEB for the first time as part of the 2020 data collection exercise.

iv) The International Agency for Research on Cancer (IARC); the Organisation for the Prohibition of Chemical Weapons (OPCW); and Unitaid reported their data to the CEB for the first time as part of the 2018 data collection exercise.

v) 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); 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.

vi) UN Women reported its data to the CEB for the first time as part of the 2011 data collection exercise.

Figure 3: Revenue from other activities within the UN system in six select entities, 2015–2020 (US$ million)


ii) As stated in the UN Data Standards, revenue from other activities is ‘Revenue linked to UN entity’s other activities that is not considered a “contribution” under the organization’s accounting principles’ (see note V of the General Notes: ‘UN Data Standards’, p. 32).

iii) Most UN entities reported this revenue type for the first time in the 2020 data collection exercise in the following three sub-categories: ‘Other revenue – specific to the UN entity’, which includes investment revenue and exchange rate gains; ‘Other revenue – other UN entities’, which includes revenue earned from services to/activities performed on behalf of other UN entities; and ‘Other revenue – external to UN’, which includes revenue earned from services to/activities performed on behalf of governments and others outside the UN system (see note V of the General Notes: ‘UN Data Standards’, p. 33).

Figure 4: Contributions to select UN entities, 2015–2021 (US$ billion)

i) Preliminary 2021 data from the CEB 2022 data collection. Data was shared with MPTFO in July 2022.


iii) UNV reported independently its financial data to the CEB for 2020 and 2021. To be comparable with historical data, their data is included under UNDP for those years.

iv) In UNDP’s ‘Detailed annual review of the financial situation, 2021’ (Annex I to DP/2022/28) it is specified that ‘In 2019, UNDP changed its accounting policy for revenue recognition, hence figures from 2018 onward are not comparable with those of prior years. This accounting policy change, in line with IPSAS 23, has resulted in revenue being recorded in full when agreements with donors are signed, provided certain criteria are met’.

Figure 5: Contributions to select UN entities, 2020 (US$ billion)


ii) Data from UNV is reported within the UN Development Programme (UNDP).

iii) The size of the bubbles in the figure are proportional to the 2020 total revenue of each UN entity.


The grey line is a visual representation of the points on the spectrum where core financing equals earmarked financing.

Figure 6: Funding sources for the UN system, 2020


ii) Additional data received from the CEB Secretariat and retrieved from the UN Pooled Funds Database.

iii) The 8% not classified within the other contributor types represents the share of the difference between the 2020 total funding (US$ 62,599 million) and the total revenue linked to a contributor type in the 2020 data reported to the CEB (US$ 57,416 million). Following CEB guidelines, other revenue specific to the UN entity can often not be allocated to a contributor (Contributor type C09: No contributor) due the general nature of the revenue, such as interest and investment revenue, and foreign exchange gains. However, for the other two categories of ‘Revenue from other activities’ – fees from procurement or management services – a link to contributor type is encouraged. (for definitions of the categories within ‘Revenue from other activities’, see note iii) of Figure 3).
iv) The European Union (EU) is listed separately, based on UN Data Standard VI, ‘Reporting on revenue by contributor’ (see note V of the General Notes: ‘UN Data Standards’, p. 42).

v) The category ‘other’ in the multilateral funding includes resources from ‘UN organizations excluding pooled funds’ and ‘Other multilateral institutions’. Included within the 6% non-state funding are resources from ‘Academic, training and research institutions’ and ‘Public–private partnerships’.

**Figure 7: Contributions to the UN system by Member States and other contributors, 2010–2020 (US$ billion)**

i) Total contributions to the UN system from the CEB Financial Statistics database, series ‘Total Revenue’, available at https://unsceb.org/fs-revenue.


v) Revenues reported to the CEB without being linked to a contributor type are within ‘Other contribution types’.

**Figure 8: Top 10 Member State donors to the UN system, 2020 (US$ billion and percentage share of GNI)**


ii) Inter-agency UN Pooled Funds data from the UN Pooled Funds Database (see note IV of the General Notes).


**Figure 9: EU funding to the UN system including inter-agency pooled funds, 2010–2020 (US$ billion)**


ii) EU contributions to inter-agency pooled funds from the UN Pooled Funds Database (see note IV of the General Notes).

**Figure 10: Non-state revenue of three select UN entities, 2020 (US$ million)**


**Figure 11: Revenue from IFIs to three select UN entities, 2020 (US$ million)**


ii) Data from UNDP’s ‘Funding Compendium 2020’, available at www.undp.org/funding.


**Figure 12: Earmarked contributions to the UN system by type, 2018–2020 (percentage share of total earmarked contributions)**


ii) Additional data received from the UN Pooled Funds Database (see note IV of the General Notes).

iii) Definitions of the different types of earmarked funding are available under UN Data Standard IV, ‘UN grant financing instruments’, (see note V of the General Notes: ‘UN Data Standards’, p. 32).

**Figure 13: Total core and earmarked contributions for UN OAD, 2010–2020 (US$ billion)**

i) Data from Report of the Secretary-General (A/77/69–E/2022/47), Table 1, ‘Funding for operational activities, by entity, core and non-core: 2003–2020’ (see note II of the General Notes).

ii) The 2020 Operational Activities for Development provided a ‘Supplementary note to Addendum 1 on funding: Technical note on definitions, sources and coverage’, available at www.un.org/ecosoc/sites/www.un.org.ecosoc/files/files/en/oas/SGR/2020-Add1-TechnicalNote.pdf. There, the UNDS is defined as constituted by ‘entities that carry out operational activities for development to support countries in their efforts to implement the 2030 Agenda for Sustainable Development’, and OAD are ‘considered to consist of those activities that fall under either “development assistance” or “humanitarian assistance”’. Compared to previous years’ technical annexes of the Report of the Secretary-General’s on the implementation of the Quadrennial Comprehensive Policy Review (QCPR), UN Secretariat and UNEP’s OAD coefficients have been adjusted, the data has been revised to incorporate IOM, and definitions have been aligned with the UN Data Standards.
iv) 'Core contributions' refer to unearmarked funding used at the sole discretion of the relevant UNDS entity and its governing board; it includes both assessed contributions and voluntary core (unearmarked) 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 funding types is available under UN Data Standard IV, ‘UN grant financing instruments’ (see note V of the General Notes: ‘UN Data Standards’, p. 32).

**Figure 14: Funding mix of top 12 OECD-DAC members that contribute to UN OAD, 2020 (US$ billion)**

i) Member State contributions data from Report of the Secretary-General (A/77/69–E/2022/47), Table 2, ‘Funding provided, by contributor, by entity, by resource type (2020)’ (see note II of the General Notes).

ii) Inter-agency pooled funds contributions data from the UN Pooled Funds Database (see note IV of the General Notes).

iii) OECD-DAC countries are defined as countries that are members of the Development Assistance Committee. The list of OECD-DAC members is available at www.oecd.org/dac/development-assistance-committee.

iv) The UN Secretariat includes contributions to OCHA-administered pooled funds in its reporting of earmarked contributions to the CEB. Consequently, 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 15: Funding mix of top 12 non-OECD-DAC members that contribute to UN OAD, 2020 (US$ million)**

i) Member State contributions data from Report of the Secretary-General (A/77/69–E/2022/47), Table 2 (see note i for Figure 14).

ii) Inter-agency pooled funds contributions data from the UN Pooled Funds Database (see note IV of the General Notes).

iii) Non-OECD-DAC countries are defined as countries that are not members of the OECD Development Assistance Committee.

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

v) ‘Core contributions’ refer to unearmarked funding used at the sole discretion of the relevant UNDS entity and its governing board; it includes both assessed contributions and voluntary core (unearmarked) 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’ (see note V of the General Notes: ‘UN Data Standards’, p. 32).

vi) The UN Secretariat includes contributions to OCHA-administered pooled funds in its reporting of earmarked contributions to the CEB. Consequently, 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: Funding mix of top 20 contributors to UNDS development assistance, 2020 (US$ million); and Figure 17: Funding mix of top 20 contributors to UNDS humanitarian assistance, 2020 (US$ billion)**

i) Member State contributions data from Report of the Secretary-General (A/77/69–E/2022/47), Table 2 (see note i for Figure 14).

ii) Inter-agency pooled funds contributions data from the UN Pooled Funds Database (see note IV of the General Notes).

iii) ‘Core contributions’ refer to unearmarked funding used at the sole discretion of the relevant UNDS entity and its governing board; it includes both assessed contributions and voluntary core (unearmarked) 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’ (see note V of the General Notes: ‘UN Data Standards’, p. 32).

iv) For Figure 17, 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 18: Deposits to UN inter-agency pooled funds 2010–2020 (US$ billion)**

i) Total development and humanitarian assistance data from Report of the Secretary-General (A/77/69–E/2022/47), Table 2 (see note i for Figure 14).

ii) Inter-agency pooled funds contributions data from the UN Pooled Funds Database (see note IV of the General Notes).

iii) The ‘development assistance’ category aggregates the ‘development’, ‘climate and environment’ and ‘peace and transition’ categories.
Figure 19: Deposits to UN inter-agency pooled funds from the top 12 contributors, 2020 (US$ million); and Figure 20: Countries contributing more than 10% of their total earmarked funding to the UN through UN inter-agency pooled funds, 2020

ii) Inter-agency pooled funds contributions data from the UN Pooled Funds Database (see note IV of the General Notes).
iii) The UN Secretariat includes contributions to OCHA-administered pooled funds in its reporting of earmarked contributions to the CEB. Consequently, 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 21: Top 10 UN entities that receive the highest revenue through inter-agency pooled funds, 2019–2020 (US$ million)

ii) Inter-agency pooled funds transfers data from the UN Pooled Funds Database (see note IV of the General Notes).

Figure 22: Countries where 15% or more of earmarked development-related expenditure comes from UN inter-agency pooled funds, 2020 (37 countries)

i) Member State contributions data from Report of the Secretary-General (A/77/69–E/2022/47), Table 2 (see note i for Figure 14).
ii) Inter-agency pooled funds transfers data from the UN Pooled Funds Database (see note IV of the General Notes).
iii) The countries for which 10–15% of their earmarked development-related expenditure comes from UN Inter-agency pooled funds in 2020 are: Barbados, Burkina Faso, Central African Republic, Colombia, Côte d’Ivoire, Eswatini, Georgia, Ghana, Lesotho, Mauritania, Myanmar, Republic of Moldova, Rwanda, Samoa, South Sudan, State of Palestine, Sudan, Timor-Leste, Uzbekistan, Vanuatu and Yemen.

Figure 23: Common management features for UN inter-agency pooled funds

i) The common management features were introduced in the Funding Compact (A/74/73/Add.1–E/2019/4/Add.1, p. 15) as an indicator to increase the efficiency and effectiveness of development-related inter-agency pooled funds.
ii) In April 2019, the Funding Compact was approved as a complement to the Annual Report to the UN Economic and Social Council (ECOSOC) for consideration in the Operational Activity Segment. The Funding Compact contains a set of commitments by Member States and UNSDG members to ensure predictable and flexible funding for UN development activities to achieve the Sustainable Development Goals (SDGs) by 2030. The document is available at https://undocs.org/A/74/73/Add.1.

Figure 24: Channels of multilateral assistance from OECD-DAC countries, core and earmarked, 2011 and 2020 (US$ billion)

i) OECD-DAC members’ contributions to the regular budgets of multilateral institutions retrieved from the OECD-CRS statistics database, ‘Members’ total use of the multilateral system’ segments (see note III of the General Notes).
ii) Values are gross disbursements at 2020 constant prices.
iii) OECD-DAC countries are defined as countries that are members of the Development Assistance Committee. The list of OECD-DAC members is available at www.oecd.org/dac/development-assistance-committee.
iv) The CRS database presents the International Monetary Fund (IMF) and the World Bank Group as separate categories. For this figure, 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 this figure, both are combined under the latter category.

Figure 25: UN system expenditure by function 2018–2020

ii) Details on the distinction between the different functions is available under UN Data Standard II, ‘UN system function’ (see note V of the General Notes: ‘UN Data Standards’, p. 12).
iii) Global agenda and specialised assistance are activities that: 1) address global and regional challenges without a direct link to development and humanitarian assistance, or peace operations; or 2) support sustainable development with a focus on long-term impact in non-UN programming countries. For 2016 and 2017 this category was ‘Global norms, standards, policy and advocacy’.

Figure 26: Total expenditure for development- and humanitarian-related UN OAD, 2010–2020 (US$ billion)

i) 2020 data from Report of the Secretary-General (A/77/69–E/2022/47), Table 4, ‘Expenditures on operational activities for development by UN development’. Historical data received from UN DESA.
ii) Details on the distinction between the different functions is available under UN Data Standard II, ‘UN system function’ (see note V of the General Notes: ‘UN Data Standards’, p. 12).
Figure 31: Aggregated UN expenditure linked to climate-related SDGs as reported by 22 UN entities, 2020 (US$ billion)  
Detail: Aggregated UN expenditure linked to climate-related SDGs, 2020 (US$ million)  

Figure 32: Expenditure linked to climate-related SDGs as reported by UN entities, 2020 (US$ million)  
Detail: Expenditure linked to climate-related SDGs as reported by UN entities, 2020 (US$ million)
iii) There is a transitionary period for full implementation of this standard until 31 December 2021, with reporting under this standard mandatory for all organisations in 2022.

iv) Not all entities mapped 100% of their expenditure onto the SDGs.

**Figure 33: Expenditure by country on UN OAD and peace- and security-related activities, 2020 (US$ billion);**

**Figure 34: UN OAD and peace- and security-related expenditure in 38 crisis-affected countries, 2010–2020 (US$ billion); and Figure 35: UN OAD and peace- and security-related expenditure in country specific cases, 2010–2020 (US$ million)**

i) For the selection criteria of crisis-affected countries see note v for Figure 28. Depicted in this figure are the 2020 crisis-affected countries with expenditures above US$ 100 million. The UN programming countries classified as crisis-affected in 2020 not portrayed in this figure are: Albania, Democratic People's Republic of Korea, El Salvador, Gambia, Guinea-Bissau, Kyrgyzstan, Kosovo, Papua New Guinea, Serbia and Uzbekistan.

ii) OAD data from various Reports of the Secretary-General (see note II of the General Notes and note ii for Figure 27).

iii) The humanitarian assistance and development assistance data does not include expenditure from: 1) UNDIS entities that did not report disaggregated country expenditures to the CEB in 2020; and 2) those UN-related organisations that are not included in UN DESA’s definition of the UNDS for 2020.


vi) From the DPO missions, African Union–UN Hybrid Operation in Darfur (UNAMID) expenditure is allocated to Sudan; the UN Disengagement Observer Force (UNDOF) expenditure is allocated to Syria; and the UN Interim Security Force for Abyei (UNISFA) expenditure is allocated equally to South Sudan and Sudan. Expenditure in the UN Peacekeeping Force in Cyprus is not presented because Cyprus is not a UN programming country.


viii) Historical DPPA expenditure data from various ‘Proposed programme budget for, political affairs’ (A/75/6 (Sect.3)/Add.1) and (A/74/6)/Add.1), and ‘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) and (A/67/346), available at https://documents-dds-ny.un.org/.

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**Tables**

**Table 1: Total revenue of the UN system by entity and financing instrument, 2020 and 2010-2020 (US$ million);**

**Table 2: Assessed contributions to the UN system by entity, 2010–2020 (US$ million); and**

**Table 3: Earmarked contributions to the UN system by entity, 2010–2020 (US$ million)**

i) The UN system is defined as all UN entities included in UN Data Standard I, ‘UN entity’ (see note V of the General Notes: ‘UN Data Standards’, p.5).


iii) Data from the UN Research Institute for Social Development (UNRISD) is reported within the UN Secretariat.

iv) Data from UNV is reported within UNDP.

v) Amounts have been rounded up. Data below $US 1 million dollars is shown as 0 in the table (eg voluntary core contributions for IARC and the UN Institute for Training and Research (UNITAR)).

vi) Total amounts reflect the sum of all UN entities’ revenues that form part of the UN system.

vii) In the sparklines – the small line-charts drawn without axes or coordinates – amounts followed by a ‘K’ are in thousands of US dollars; amounts followed by an ‘M’ are in millions of US dollars; and amounts followed by a ‘B’ are in billions of US dollars.

**Table 4: Total expenditure of the UN system by UN entity, 2010–2020 (US$ million); and**

**Table 5: Total expenditure of the UN system by UN entity and function, 2020 (US$ million)**

i) The UN system is defined as all the UN entities included in UN Data Standard I, ‘UN entity’ (see note V of the General Notes: ‘UN Data Standards’, p.5).


iii) Amounts have been rounded up.

iv) Total amounts reflect the sum of all UN entities’ revenues that form part of the UN system.

v) In the sparklines in Table 4 – the small line-charts drawn without axes or coordinates – amounts followed by a ‘K’ are in thousands of US dollars; amounts followed by an ‘M’ are in millions of US dollars; and amounts followed by a ‘B’ are in billions of US dollars.
## Financial flows, climate financing and the normative agenda

### The yawning gap between SDG attainment and international development financing

By Homi Kharas and Charlotte Rivard

### Fiscal response to the COVID-19 crisis

By Vera Songwe

### Time to stop paying nature’s invoices, and invest to reduce them

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### Financing gender equality: The role of the gender equality marker and financial targets

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The yawning gap between SDG attainment and international development financing

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Introduction
United Nations Secretary-General Guterres has asserted that financing for sustainable development is at a crossroads: ‘Either we close the yawning gap between political ambition and development financing, or we will fail to deliver the Sustainable Development Goals by 2030.’

As we approach the mid-point of the Sustainable Development Goals (SDGs) period, it can be seen that this gap is not only yawning, but growing. New pressures arising from vaccination, humanitarian relief, pandemic health surveillance, nature, adaptation and resilience, debt service, a just green transition and refugees from the Ukraine war are placing the development system under huge strain. As Figure 1 below shows, only a handful of SDGs are on track to achieve even half of their final 2030 target – most are significantly off-track, with some even going in reverse.

This article sets out the trends within the main components of international development finance, demonstrating why they have been unable to accelerate SDG investments.

Trends in international development finance
A number of trends in international development finance can currently be observed. First, the priorities for official development assistance (ODA) are rapidly outstripping the supply of funds. Although ODA did increase in 2020 and 2021, the rise was modest and insufficient to help poor countries recover from COVID-19-induced global demand and supply shocks. Global economic recovery in 2022 is therefore operating at two speeds: advanced economies with ample fiscal space have recovered their pre-crisis economic activity levels and trend growth; while developing countries – especially low-income countries – are suffering from sharply lower levels of gross domestic product (GDP) and worse medium-term outlooks due to depressed levels of investment in human and physical capital over the past two-and-a-half years. Other evidence of stress on ODA includes the fact that pledges responding to March 2021 appeals aimed at staving off major crises in Afghanistan and Yemen only reached the half-way mark, and that COVAX, which in January 2022 hit the milestone of delivering 1 billion vaccine doses, remains underfunded. On top of this, large sums of money must be found to address the humanitarian and reconstruction crises in Ukraine.

Second, climate finance has fallen well short of its targets. An important promise by developed countries to provide US$ 100 billion in annual incremental finance for climate change by 2020 seems to have fallen well short in terms of the volume of funding delivered, and moreover has been disappointing in terms of the composition and concessional nature of the funds that have materialised.

Third, China and other emerging-market economies that had become large players (within their own regions in particular) have scaled back their development finance. Though this trend started from around 2017, much sharper falls have been seen during the pandemic crisis as infrastructure projects have been shelved.
Fourth, private finance for development has proved to be procyclical, with debt distress and debt overhang now threatening further private finance to all but a handful of developing countries. The debt service suspension initiative has ended, but the complementary Common Framework mechanism – designed to address debt overhang issues – is not working well. Without a refresh, the prospects of private capital flows to developing countries are poor. Furthermore, the optimism that accompanied the groundswell of private finance with an environmental, social and governance (ESG) focus is now being tempered by concerns over ‘greenwashing’.

Fifth, the ability of multilateral institutions – the main guardians of sustainable development finance – to continue contributing to the economic recovery as they did in 2020 and 2021, and to jumpstart the green transition agenda, is a concern. Political ambitions to reallocate major portions of the new special drawing rights (SDRs) issued last year by the International Monetary Fund (IMF) have been scaled back, with G20 countries pledging only US$ 60 billion of the US$ 100 billion they promised to reallocate to developing countries from their surplus SDRs, as of April 2022. Moreover, conditionality may dampen demand for the IMF’s new Resilience and Sustainability Trust.

The big picture
In the immediate aftermath of the pandemic, there was considerable alarmism about a ‘sudden stop’ of capital flows to developing countries. While there was an outflow of over US$ 100 billion in private portfolio capital during the first five months of the crisis, the situation proceeded to stabilise. By the end of 2020, most components of capital flows to developing countries had increased compared to 2019: grants, official loans and sovereign lending all rose. Multilateral institutions, in particular, scaled up their financing, nearly doubling the volume of loans to developing countries relative to 2019 levels.

The biggest decline in finance was in the private provision of infrastructure, with investments halving in 2020 compared to the previous year as capital investment projects were scaled back. Overall, the scale of cross-border finance in support of development probably rose from US$ 500 billion in 2019 to US$ 569 billion in 2020.
Even so, this aggregate picture masks considerable differences in the relative impact on developing country groups. Low-income countries benefited from the rapid expansion of grants and credits from both the IMF’s Poverty Reduction and Growth Facility and the World Bank Group’s International Development Association. With official financing providing a solid backstop, smaller private portfolio outflows from low-income countries were seen in 2020, lessening pressure on their balance of payments.

Upper middle-income countries were able to retain their access to private capital markets and raised their borrowing on these markets by some US$ 17 billion in 2020. Lower middle-income countries, however, were hardest hit. In addition to not receiving the same proportionate increase in official capital flows, their access to private capital markets shrank, with US$ 31 billion less borrowed from these markets by lower middle-income countries in 2020 compared to 2019.

**Official development assistance**

Despite most donor countries experiencing a fall in gross national income as they combatted the pandemic, ODA rose in 2020. Many donor countries expanded their aid flows, with France Germany, Norway and Sweden posting above average increases. ODA rose in part due to major multilateral replenishments, including the Green Climate Fund, and also because new rules for how the Organisation for Economic Co-operation and Development’s Development Assistance Committee accounts for ODA came into effect. Under the new rules, countries are accorded a ‘grant equivalent’ amount on their net lending, with the discount rate (and hence size of grant equivalence) set higher for poorer countries. Measured in this way, ODA does not provide an accurate comparison of the budgetary effort made or the cost borne by different countries. A few countries, notably the United Kingdom and Australia, cut their development assistance in 2020.

**Figure 2: Broadly-defined net international development financing contributions (US$ billion)**

- **DAC flows**
  - Grants & credits
  - Loans & equity

- **Multilateral flows**
  - Grants & credits
  - Loans & equity
  - Non-ODA GPGs

- **Non-DAC flows**
  - China
  - India
  - Other grants & credits

- **Private flows**
  - Lending to sovereigns
  - Philanthropy
  - Mobilised private finance
  - Investments in infrastructure
  - Impact investing

Note: Figures refer to sustainable development assistance only and exclude humanitarian, development food aid, administrative costs, and refugee costs.

Figure 3: Change in net financial flows by income group 2019–2020 (US$ billion)

Source: Author’s calculations, based on data from OECD statistics and World Bank International Debt statistics. Includes total grants and credits reported to OECD-DAC, multilateral and bilateral non-concessional loans, and private sovereign lending.

Figure 4: Climate finance provided and mobilised (US$, billions)

Source: OECD, ‘Climate Finance and the USD 100 Billion Goal’, 2021

The issue in 2020, then, was not so much that ODA shrank, but that the priorities for aid increased across the board. There were new requests for aid to deal with debt crises; offset humanitarian emergencies; purchase vaccines and get shots in the arms of the vulnerable; keep promises made to increase climate-related financing for mitigation and, especially, adaptation; finance biodiversity conservation in the face of accelerating species extinction; and – all the while – help countries expand fiscal spending in response to the collapsing global aggregate demand threatening trade, tourism and remittance revenues.
Against this background, many aid recipient countries experienced acute financial pressures that ODA could not adequately respond to. Set against the trillions of dollars that donor country governments spent on their own fiscal stimulus packages, the 2020 ODA increases of less than 0.1% appear modest. As a result, some countries and regions – such as South and Central Asia – received less ODA in 2020 in real terms, and though sub-Saharan Africa received about US$ 3 billion more aid, this must be viewed against the estimated US$ 30–40 billion annual incremental financing the IMF estimates is needed just for the region’s low-income countries to adequately respond to the pandemic shock.4

Climate finance

At the Copenhagen Summit in 2009, rich countries pledged to channel US$ 100 billion in annual climate finance to developing countries by 2020. The latest report from the OECD shows a significant shortfall: climate finance was just above $83 billion (see Figure 4 below) in 2020.1 Most of this came through multilateral channels (attributed to rich countries in proportion to their share of capital in each institution), with significant amounts also recorded for bilateral country programs.

There are several issues with the current climate finance architecture. First, while the financing was originally designed to be additional to existing development finance, the metrics used do not have a baseline against which additionality can be monitored. Second, the amounts include a range of instruments with different degrees of concessionality. There is a concern that even if the headline figure is met, the share of concessional finance will be too low, particularly when it comes to adaptation and resilience finance, which has trailed mitigation financing. In response to this imbalance, vulnerable developing countries have called for a 50:50 split between mitigation and adaptation funding.6

Third, the amounts are too low compared to the large investments the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change believe are necessary. Moreover, it is unrealistic to think that the money will simply come from the private sector. Half the greenhouse gas emissions from developing countries (ex-China) come from countries whose credit rating is below investment grade, meaning they will find it difficult to mobilise private finance without official sector guarantees.

Part of the difficulty in getting greater accountability into climate finance is that the pledged amount is only for an aggregate total. A detailed plan of who is expected to contribute what would add credibility to the process and could encourage lenders to pay closer attention to the mobilisation of private finance.

China and other emerging economy lenders

Over the two decades prior to the pandemic, China and other emerging economies rapidly increased development financing, providing new sources of finance for developing countries – primarily in the form of non-concessional loans and credit lines. China, in particular, has established itself as a major official creditor, with US$ 115 billion in debt outstanding to developing countries in 2020.7 Much of this financing has come under the Belt and Road Initiative (BRI), which currently involves 143 countries.8

BRI financing took off in 2009, peaked in 2014–2016, then began a downward trend. In 2020, investments in BRI declined over 50% from 2019 levels.9 According to the World Bank’s International Debt Statistics, China’s net financial flows to developing country governments dropped to US$ 2 billion in 2020.10 Financing to Africa, which had been a primary focus of Chinese lending, dropped by over 90% from 2016 to 202011, while no new overseas commitments to Latin America were recorded in 2021 from the China Development Bank or the Export–Import Bank of China.12

Much of China’s debt is owed to countries that are now at risk of debt distress.13 China has a long history of rescheduling its loans, often offering short-term cash relief through grace periods and lengthened maturities. Face-value reductions are uncommon (as was also the case for Japanese yen loans to developing countries and European bank sovereign loans to Greece). Most of China’s debt restructurings have taken place through bilateral negotiations.

India, too, has become a major creditor to neighbouring developing countries, largely using lines of credit. Like China, it has started to reduce its exposure and had US$ 8 billion in outstanding loans in 2020. With attention shifting to the country’s domestic economy, Indian official development cooperation fell to modest levels in 2020.

Private finance

Two distinct trends in private finance are pulling in opposite directions. On the positive side, sustainable ESG financing is entering a period of very rapid growth – admittedly still largely concentrated in developed countries but with the potential for developing countries to benefit as well. On the negative side, however, many developing countries have a sizeable debt overhang and face more limited access to capital markets.
ESG finance

The sustainable bond market has grown rapidly over the past five years, with issuances expected to exceed US$ 1.5 trillion in 2022 according to S&P Global Ratings. Much of this growth is attributed to green bonds (the largest market segment) and social and sustainability bonds (the most rapidly growing market segments).

Sustainability-linked bonds are becoming an increasingly common vehicle for linking financing to specific purposes, such as one or more of the SDGs or climate commitments. Though sustainability performance indicators and targets have not yet been standardised, and despite a growing number of investors voicing concerns over ‘greenwashing’, an increasing number of financial institutions and asset holders are making strategic commitments to align their holdings with global priorities. Among these, the Glasgow Financial Alliance for Net Zero is the largest, with US$ 130 trillion assets under management. Sovereign borrowers, utilities and other corporates in developing countries are well positioned to tap into these new supplies of capital.

Emerging debt challenges

One obstacle standing in the path of sustainable financing growth in developing countries is the size of sovereign credit spreads. The largest component of development finance is sovereign borrowing by developing country governments in international capital markets. Such private capital has, however, proved to be procyclical, subject to sudden stops that have left many countries exposed to liquidity shortages and potential debt default. Developing countries now face a far higher cost of capital. Over the course of 2020 and 2021, 44 developing countries had their credit rating downgraded by at least one of the three major ratings agencies, and an additional 28 had their outlook downgraded.

The initial response of the international community to debt service troubles was the Debt Service Standstill Initiative (DSSI), supported by all G20 countries and introduced in April 2020. The DSSI permitted low-income countries to pause their debt service payments. From May 2020 to the end of the programme in December 2021, 48 of the 73 eligible countries participated, resulting in an estimated US$ 12.9 billion of debt service being deferred.

Deep concern over widespread debt crises has re-emerged in 2022, with the world’s 74 poorest countries projected to owe US$ 35 billion in debt service by the end of the year. The DSSI has expired; developing country growth, tax revenues and export projections have been significantly downgraded; inflation and interest rates are rising; and exchange rates are depreciating.

The potential for recovery in sovereign borrowing depends heavily on managing the current debt overhang. The Common Framework has been slow and limited in scope, while a muddle-through scenario carries a high risk of stalled development and even larger future crises. The international financial institutions (IFIs) will likely be called upon to play a greater role, either in preventing debt distress by lending more now, or in managing debt distress once a crisis hits.

International financial institutions

The IFIs provided significant countercyclical financing, amounting to US$ 120 billion, during 2020. This was larger than their response during the 2008 global financial crisis, both in dollar terms and expressed as a percentage of recipient GDP (ex-China). The composition, however, was quite different. Following the 2008 crisis, there was more IFI lending to middle-income countries, while low-income countries got little support. In 2020, by contrast, there was more IFI support for low-income countries, while middle-income countries faced a larger liquidity crunch.

Though countercyclical financing by the IFIs has proved useful, the cycle is turning once again. The multilateral development banks do not have adequate capital to continue lending at current levels and will have to return to amounts closer to their board-approved sustainable lending levels. The World Bank Group has announced another surge of US$ 150 billion over the 15 months between April 2022 to June 2023 but will have to sharply reduce lending starting in the 2024 financial year.

Additional special drawing rights

A significant boost to developing country finances came through the issuance, in August 2021, of an additional US $650 billion worth of SDRs. Developing countries were allocated $219 billion, in proportion to their quota; low-income countries only received about $22 billion, and lower middle-income countries a further $65 billion and the remaining $100 billion were allocated to upper middle-income countries.

The G20 countries proposed to allocate $100 billion of their surplus SDRs to help developing countries, but the pledges actually made by individual countries only total $73 billion as of July 2022. The US Congress removed the proposed US pledge from the Omnibus budget for the 2022 financial year. So far, donors have pledged about US$ 20 billion to replenish the IMF’s Poverty Reduction and Growth Trust, which low-income countries are eligible for, and have agreed to establish an IMF-managed Resilience and Sustainability Trust (RST), accessible to low-income countries, small states and lower middle-income countries, with a
fundraising goal of US$ 45 billion. The RST will have long maturities and low interest rates, making it suitable for sustainable infrastructure and other long-term structural economic transformations. However, lack of clarity over conditionality may decrease demand.

Global public goods

The stresses on the international financial architecture are most visibly apparent in the difficulties faced in finding finance for a range of global public goods. Though IFIs are well positioned to provide such public goods, their business models and operational practices are oriented towards services and support to individual governments. The recommendation of the G20 High Level Independent Panel on Financing the Global Commons for Pandemic Preparedness and Response to increase financing by US$ 15 billion per year has gone unheeded despite the assessment that the costs of a future pandemic are likely 300 times as large as the total additional spending per year such a programme would require. The fund to accelerate the phase-out of coal, a crucial step in climate mitigation, has been established with US$ 2.5 billion – an amount that would not even suffice for the South Africa programme presented at Glasgow. The Green Climate Fund disbursed US$ 590 million in 2020 for climate mitigation and adaptation, far short of IEA estimates that developing country needs will account for upwards of US$ 1 trillion in annual spending.

Conclusion

The major channels for financing sustainable development are clogged. There seems little political appetite to increase ODA and the many short-term priorities currently being serviced preclude serious attention to medium-term development programming. Private capital flows are being withdrawn as developing countries try to weather a deteriorating global economic situation in which their creditworthiness is being downgraded. IFIs lack adequate capital to maintain their countercyclical lending volumes and will soon have to retrench. A system refresh is needed to break the cycle of deferred spending on human capital, sustainable infrastructure and nature. Without innovation and a political impetus towards renewed development financing, the prospects for sustainable development appear grim.

Footnotes

4 International Monetary Fund (IMF), May 2021, ‘Background Note for International Financing Summit for Africa High Level Event’.
5 OECD (note 2).
13 Sebastian Horn, Carmen Reinhardt and Christoph Trebesch, ‘China’s overseas lending and the war in Ukraine’, VoxEU, 8 April 2022, https://voxeu.org/article/china-s-overseas-lending-and-war-ukraine.

Financial flows and climate
Fiscal response to the COVID-19 crisis

By Vera Songwe

Introduction
The COVID-19 pandemic impacted the global economy on a scale not recorded since the Great Depression in the 1930s. Global real gross domestic product (GDP) declined by 5% in 2020, with – aside from a handful of countries, including China – economies across the board registering real GDP contraction. In response to the unprecedented economic crisis, countries responded vigorously and swiftly, deploying a variety of fiscal, monetary and financial policy measures. In contrast to the response during the 2008 global financial crisis, there was wider consensus on the use of fiscal policy – notably utilising discretionary fiscal measures while also letting automatic stabilisers work. In total, the global fiscal response between January 2020 and September 2021 amounted to US$ 16.9 trillion, or 16.4% of global GDP in 2020.¹

This article presents a summary of the fiscal policy measures deployed by different economies, as well as the impact these responses have had on livelihoods and debt. In addition, it discusses the role of the United Nations and multilateral financing in strengthening countries’ response and recovery efforts.

Fiscal responses across economy groups
Fiscal measures included both above-the-line measures, such as additional public spending and foregone revenue, and below-the-line measures, such as liquidity support and contingent liabilities from guarantees and quasi-fiscal operations. At the same time, there were widespread lockdowns and other public health measures imposed in 2020 and 2021 that halted economic activity. For instance, the stringency index, based on the Oxford COVID-19 Government Response Tracker dataset, shows that almost 54% of global economies had strict lockdown measures in 2020, rising to 56% in 2021.²

Yet, the scale of the response has been uneven across country groups. Figure 1 shows the dominance of above-the-line measures and the scale of the fiscal response across economies. Advanced economies accounted for 83.3% of announced global discretionary fiscal spending during 2020 and 2021, compared to 16.5% and 0.3% for, respectively, emerging-market economies and low-income economies.

Figure 2 shows the disparities in the fiscal response across economies. Africa constitutes only a small proportion of the announced fiscal support, with its US$ 89.5 billion (4.4% of the continent’s GDP in 2020) amounting to just 0.5% of estimated global fiscal support in 2020 and 2021. Asia’s announced fiscal stimulus totals US$ 2.08 trillion (7.3% of the continent’s GDP in 2020). Meanwhile, the BRICS (Brazil, Russia, India, China and South Africa) countries issued fiscal stimulus measures amounting to US$ 1.5 trillion (9.5% of their GDP in 2020). A major share of the global stimulus was issued by the G7 group of countries, estimated at US$ 13.9 trillion (about 32% of their GDP), while the G20 countries accounted for some US$ 16.3 trillion (about 19% of their GDP).

The fiscal measures have, however, revived concerns about the transparency and accountability of public financial management systems, and whether governments can ensure their effectiveness and efficiency in meeting
their stated objectives. Related to these concerns are doubts about government capacity. In the developing world, this translates into whether governments can effectively target the intended beneficiaries of stimulus funds in contexts of high informality and weak civil registration systems; and in the developed world, whether governments can monitor such large-scale fiscal responses, which may result in increased levels of irregularity (funds being diverted towards unauthorised purposes or their use being misreported). This has reinforced the perceived necessity of bolstering public financial management systems.
Impacts of the fiscal response on debt and livelihoods

Impact on public debt: Global public debt rose by 15.6% in 2020 compared to its 2019 level, before declining slightly by 2.2% in 2021. The huge surge in public debt was driven primarily by advanced economies, where public debt rose by 19.4% in 2020, followed by emerging-market economies, where the increase was 10.3%. In low-income economies, public debt grew by just 6% in 2020 (see Figure 3).

Public debt in advanced economies reached 119.8% of GDP in 2021, though it is projected to decline to 115.5% of GDP in 2022 on the back of a relatively strong recovery. In emerging-market economies, the public debt is projected to rise from 66.1% of GDP in 2021 to 67.4% of GDP in 2022, driven mainly by China. Meanwhile, public debt in low-income economies reached 49.8% of GDP in 2021 and is expected to rise to 50.3% of GDP in 2022, remaining above pre-pandemic levels.

Figure 3b shows the growth in public debt in selected economic groups during 2019–2022. As can be seen, public debt grew fastest in the G7 and BRICS, at average rates of 4.5% and 3.6%, respectively. Public debt in the G20 grew at an average rate of 2.8% during 2019–2022, while Africa’s average public debt growth was 2.6%. Africa’s public debt rose by 9.3% in 2020, but declined slightly by 0.6% in 2021 and is expected to further decrease by 0.8% in 2022. The growth in public debt mirrors the level of discretionary fiscal support provided by economies, which in turn widened fiscal deficits and led to more debt accumulation.

The debt figures in emerging and low-income economies mask variations between countries when it comes to debt levels and debt risk. Almost 60% of low-income countries were assessed as high risk or in debt distress by the end of 2021, compared to 52% in 2019. Figure 4 shows that the proportion of countries in debt distress increased from 13% in 2017 into 16% in 2021, while the percentage of countries at high risk of debt distress increased from 33% to 43% over the same period. Debt vulnerabilities could worsen as global financial conditions tighten to counteract rising inflation following the pandemic recovery measures, compounded by the Russia–Ukraine crisis. This will further constrain development, potentially leading to increased debt distress.

In Africa, the number of countries at high risk of external debt distress increased from 6 in 2015 to 15 in 2021. Moreover, the debt liquidity indicator shows an increase in the level of debt distress in the continent, with, for instance, the debt service to exports ratio almost doubling from 8.5% in 2015 to 15.1% in 2020, suggesting a deterioration in debt sustainability (see Figure 5a). Debt service payments are expected to remain elevated in the coming years due to the pandemic and the ongoing Russia–Ukraine crisis (see Figure 5b). Debt service increased from about US$ 85 billion in 2019 to US$ 109 in 2020, and is expected to remain at US$ 88 billion in 2023, assuming no new debts are contracted in 2022.

Figure 3: Disparities in COVID-19 fiscal response across economies

(A) (B)

Source: Author’s computation based on IMF, ‘Fiscal Monitor: Database of Country Fiscal Measures in Response to the COVID-19 Pandemic’, October 2021

* BRICS debt-to-GDP ratio based on unweighted GDP
Figure 4: Risk of external debt distress for low-income countries, 2017–2021 (%)

Note: Percentage of Poverty Reduction and Growth Trust-eligible countries

Figure 5: Africa’s debt services, 2015–2025

(A) Debt services, 2015–2020

(B) Africa external debt service, 2015–2025

Source: Author’s computation based on World Bank, ‘International Debt Statistics’, 2021
Impact on livelihoods: The pandemic worsened the extent of global poverty in 2020, with an additional 85 million people pushed into poverty. Despite a slight reversal of this trend in 2021, an estimated 70 million additional people remain in extreme poverty compared to the pre-pandemic level.\(^3\)

While the fiscal measures helped in preventing households from sliding into poverty, their effects were uneven depending on the size of fiscal support and social protection coverage in place. In advanced economies, the share of extreme poverty remained stable during 2019–2021. In emerging economies, by contrast, the absolute number of people in extreme poverty increased by 60 million in 2020, falling to 40 million more people in 2021 compared to the pre-pandemic level. Low-income economies, meanwhile, recorded increases of 24 million and 28 million people (compared to the pre-pandemic level) in 2020 and 2021, respectively. The relatively limited effect of fiscal measures on poverty in emerging and low-income economies can be attributed to modest levels of fiscal support, low social protection coverage and relatively large informal sectors, especially in low-income economies.

Implications for the UN’s role and multilateral financing

The UN system and international financial institutions have been supporting governments and partners during the pandemic by providing health and financial support through emergency financing, debt suspension and liquidity. This has involved delivery of a large-scale, coordinated and comprehensive health response; adoption of policies addressing the devastating socioeconomic, humanitarian and human rights aspects of the crisis; and a recovery process that aims to build back better.

Regional commissions also provided technical leadership and innovative policy options in charting a path to recovery, especially in terms of addressing debt challenges and averting protracted debt crises. For instance, the Economic Commission for Africa launched the Liquidity and Sustainability Facility in order to foster a functioning repo market for African countries on a par with international standards, thereby improving the liquidity of African Sovereign Eurobonds, lowering borrowing costs, and enhancing international investor demand for their bonds. Meanwhile, the Economic and Social Commission for Western Asia launched the Climate/SDGs Debt Swap and Donor Nexus initiative to assist countries in accessing climate finance while reducing their debt burdens.

Multilateral financing increased significantly in response to the pandemic. Under the Catastrophe Containment and Relief Trust, the International Monetary Fund (IMF) provided debt service relief through grants to the 31 poorest and most vulnerable countries. In total, the IMF approved about US$ 170 billion in new financing, covering 90 countries, during 2020/21, with assistance to low-income countries (55 countries) totalling approximately US$ 23.9 billion. Similarly, the World Bank provided a total of US$ 157 billion between April 2020 and June 2021, its largest ever crisis response over a 15-month period.

Regional development banks also responded to the crisis, increasing their lending by 34% to US$ 53.8 billion, including: US$ 20.4 billion by the Asian Development Bank; US$ 11.1 billion by the Inter-American Development Bank; US$ 4.8 billion by the African Development Bank; US$ 4.7 billion by the Asian Infrastructure and Investment Bank; US$ 3.1 billion by the African Export–Import Bank; and US$ 1.6 billion by the European Bank for Reconstruction and Development.

However, the multilateral system has not been sufficiently coordinated or always geared towards international solidarity, as evidenced by prevailing access-to-vaccine inequalities. The effectiveness of measures has been undermined by a lack of resources and pre-existing inequalities. If countries’ recovery efforts are to be adequately supported, multilateral institutions must focus on flexibility and speed when it comes to ensuring the timely provision of emergency financing, including grants. Maximum thresholds should also be increased for countries that have already borrowed in response to the pandemic. Specific measures include:

- quick operationalisation of the IMF’s Resilience and Sustainability Trust (RST), alongside a broadening of its scope and eligibility criteria, including delinking the RST from the need to have an IMF programme;
- recapitalisation of multilateral development banks in order to make available non-conditional emergency financing mechanisms, alongside a flexible approach to balance-sheet risk management to leverage their full capacity;
- at the multilateral level, continued support from nations for efforts aimed at recycling special drawing rights (SDRs);
- extending the Debt Service Suspension Initiative for two years, with maturities rescheduled for two to five years; and
- engaging in serious conversations around debt sustainability and a workable G20 Common Framework.
Conclusion
The unprecedented impact of the COVID-19 pandemic was met by a fiscal response of epic proportions, which depleted the fiscal space in several countries. Unfortunately, the Russia–Ukraine crisis has triggered additional shocks in terms of rising global commodity prices and slow global economic activity, leading to calls for further fiscal support by countries. Most low-income and emerging economies have little remaining fiscal space, however, meaning alternative mechanisms and multilateral cooperation are required.

At the national level, countries need to create fiscal space through improved revenue mobilisation, spending efficiency, debt management and transparency. In view of tightening financial conditions, surging inflationary pressures and uncertainty due to the Russia–Ukraine crisis, the possibility of refinancing outstanding debts is remote. Thus, improving the depth and liquidity of domestic bond markets offers a more realistic avenue for contributing to fiscal and financial resilience.

At the international level, urgent multilateral cooperation is needed to prevent the brewing debt crisis. In the short term, deploying measures that promptly provide additional liquidity – such as debt service relief, debt restructuring, fresh financing and liquidity initiatives, and enhanced SDR re-channelling – are essential. In the medium term, international cooperation on taxation and illicit financial flows could improve revenue levels and create fiscal space. Finally, the global financial architecture should be restructured to work better for all.

Footnotes
2 The index records the strictness of ‘lockdown style’ policies that primarily restrict people’s behaviour. It is calculated using all ordinal containment and closure policy indicators, plus an indicator recording public information campaigns.
Time to stop paying nature’s invoices and invest to reduce them

By Inger Andersen

Nature is sending us invoices, and they are getting bigger by the day. The costs of the COVID-19 pandemic and other zoonotic diseases, linked to how we treat nature, are well-documented. Increasing wildfires and heatwaves, associated to climate change, are costing national economies billions of dollars each year. Pollution and waste are damaging ecosystem services, claiming millions of lives and placing a huge financial burden on healthcare systems.

These impacts and costs – all arising from what we at the United Nations Environment Programme (UNEP) call the triple planetary crisis of climate change, nature and biodiversity loss, and pollution and waste – are only going to increase. This was clearly laid out by the recent reports from the Intergovernmental Panel on Climate Change (IPCC) – which outlined the full consequences of steaming towards temperatures that far exceed the Paris Agreement targets of limiting global warming to 1.5 or 2°C.¹

We cannot afford to keep paying these invoices as they arise. Instead, we must invest now in mitigating and adapting to climate change, protecting nature, and soundly managing chemicals and waste.

As the IPCC recently pointed out, financial flows are currently a factor of three to six below the levels needed by 2030 to limit warming to below 1.5 or 2°C. There is, however, sufficient global capital and liquidity to close investments gaps. It is likely to cost some US$ 60 trillion between now and 2050 to transition to net-zero emissions and climate-resilient economies. COVID-19 showed we can find these levels of investment in moments of emergency, with trillions of dollars going into vaccine development and rescue packages. Make no mistake: the triple planetary crisis is an emergency.

Decarbonisation moving, but adaptation stalling

For nature to do its work, we must decarbonise. It is in this area that most of the financing focus, and progress, has taken place.

The Paris Agreement commits governments to ensuring that all financing – public and private – becomes consistent over time with the long-term Paris objectives. We have seen numerous commitments on net-zero financing, with one example being the United Nations-convened Net Zero Asset Owner Alliance, through which 35 institutional investors with US$ 5.5 trillion in assets under management have committed to net-zero emissions portfolios by 2050.

Meanwhile, 38 commercial banks have, through the Collective Commitment to Climate Action under the UNEP Finance Initiative-led Principles for Responsible Banking, committed to aligning their US$ 15 trillion in assets with a sub-2°C-warmed world.
Though we are largely at the commitment stage on mitigation, with a lot of work still to be done, the private and public sectors are at least leaning in. The same cannot be said for adaptation. Investing in mitigation may reduce the need for adaptation, but it will not end it. The Paris Agreement calls for mitigation and adaptation to be balanced for good reason – we are looking at a world suffering from a climate disaster each day by 2030.

Climate finance from the public and private sectors has increased steadily over the past decade, reaching US$ 632 billion in 2019/20. Adaptation finance, however, accounted for less than 10% of this figure. UNEP’s 2021 ‘Adaptation Gap Report’ indicates that estimated annual adaptation costs could hit US$ 140–300 billion by 2030, rising to almost double that by 2050.2

We know systemic risks to disasters and climate change impacts can be addressed by investing in healthy, well-managed ecosystems and nature-based solutions. Effective ecosystem-based adaptation reduces risks to people, biodiversity and ecosystem services, with multiple co-benefits.

There have been numerous high-level calls to better harness the conservation, restoration and management of ecosystems for delivering climate adaptation, and to significantly scale up financial support for nature-based solutions. Despite this, international public finance for ecosystem-based adaptation is rising too slowly, making up less than 2% of total climate finance flows. Taking a wider view, UNEP’s 2021 ‘State of Finance for Nature’ report estimates the nature-based solutions finance gap will reach US$ 8.1 trillion by 2050.3 If our global climate, biodiversity and land degradation targets are to be met, nature-based solution investments will have to triple over the next ten years.

The resolution adopted on nature-based solutions by the UN Environment Assembly in March 2022 represents a step forward, as having an agreed UN definition of nature-based solutions allows us to develop a common understanding of our aims, mutually reinforce what we do, track our progress and assess the impacts of our collective efforts. While this should help financing flows, it is just one step.

Global funds and institutions play a crucial role in unlocking public and private finance supporting the transition to a net-zero future. Nonetheless, they must move away from a project-based approach, which will never be sufficient to deliver the adaptation financing needed. Only changing the system will get the job done.

The public sector as enabler of adaptation finance

Public financing cannot close the financing gap on its own. Even so, the public sector can enable economy-wide investment in adaptation by setting policy and price signals, and developing the regulatory environment to incentivise investments in climate resilience. Taxing carbon-intensive practices, for example, would help establish a carbon price, thereby guiding investments towards less harmful technologies.

The barriers to governments scaling investment on ecosystem-based adaptation are many and varied: insufficient understanding, knowledge and information; inadequate technical skills to mainstream adaptation into policies, plans and investments; a lack of clear institutional arrangements and collaboration among government departments, institutions and sectors; and an absence of supportive policies and regulations.

Mainstreaming ecosystem-based adaptation into economic development strategies and sectoral strategies has also been challenging. For example, agricultural subsidies amount to well over US$ 500 billion globally every year, but, according to the Organisation for Economic Co-operation and Development, largely distort markets, stifle innovation and harm the environment. Tracking the impact of adaptation financing and course-correcting is also weak. If these barriers can be overcome, progress will be made on financing.

Nudging the private sector to do more

A 2019 UNEP Finance Initiative report noted five broad barriers to scaling up financing for adaptation within the financial sector: 1) inadequate support or incentives to act; 2) weak policies; 3) market barriers; 4) operational gaps at the institutional level; and 5) low technical capacity for climate risk management.4

While there are many good examples of adaptation models that can work, finance and capacity gaps are holding back the scaling up of promising initiatives. The public sector can help de-risk and enable the investment environment through policies and mechanisms that reduce costs, increase investment certainty and support private sector returns.

The financial community is not sufficiently aware of nature’s value and what it means for our planetary health and resilience. As such, they need to be nudged in the right direction.
The Task Force on Finance Disclosures developed a disclosure framework on climate-related finance risks that within two years was supported by 500 organisations. Similar initiatives aimed at ensuring nature is considered an asset on every balance sheet are needed – indeed, one such initiative, the Taskforce on Nature-related Financial Disclosures, is already in the works. UNEP’s Finance Initiative is working to convene the financial community under net-zero platforms to scale up investments and bridge the nature-based solutions finance gap.

**Investing in nature saves money**

There is a strong case for investments in nature offering a way of gaining public and private returns. A 2018 Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services regional assessment report on Africa, for example, found the economic value of investing in mangrove forests for coastal protection to be, respectively, US$ 4,500/km²/year and US$ 5,000/km²/year in West and East Africa.Meanwhile, a global review of the costs and benefits of coastal defences found that salt marshes and coral reefs were 2–5 times more cost-effective at protecting coastlines than engineered structures, and a study by the International Institute for Sustainable Development calculates that using nature in infrastructure projects can save governments and investors US$ 248 billion annually. Nature-based solutions can provide up to 37% of global cost-effective solutions to meet the Paris Climate Agreement targets spanning reduced deforestation and forest degradation. Getting these messages out there will build the case for investment.

**Policy integration is critical**

Closing the adaptation financing gap requires taking an integrated approach in the following three ways: 1) sharing risk and finance between the public and private sectors; 2) designing solutions that deliver mitigation as well as adaptation objectives; and 3) harmonising policies and investments across sectors.

Investing in nature for adaptation would allow policy-makers, donors and practitioners to pursue multiple policy agendas simultaneously, and help governments meet their commitments under almost every international process. Moreover, investing in ecosystem-based adaptation could contribute to countries’ national development strategies and sustainable development agendas by enhancing food, water and energy security; providing opportunities for training and empowerment; creating jobs; improving health outcomes; and reducing disaster risks.

So, either we keep paying the invoices as they arrive until the bank – and the planet – is depleted, or we get money flowing from public and private sources now in order to reduce their size and frequency. The UN has an important role to play in enabling greater understanding of the indivisibility of the environmental challenges we face, and why it makes financial sense to address them immediately.

In the long run, this work is all about safeguarding life on Earth – as well as profits. Investments in climate mitigation and adaptation, in protecting nature, and in reducing pollution and waste are not sunk costs. Rather, they are costs we will get back by keeping governments, businesses and humanity afloat.

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**Footnotes**


The Green Climate Fund’s transformational approach to climate finance

By Yannick Glemarec

The climate crisis
The need for urgent climate action is more acute than ever, with the Intergovernmental Panel on Climate Change (IPCC)’s most recent assessment reports on adaptation\(^1\), mitigation\(^2\) and the physical science of climate change outlining in stark detail both the opportunities and risks that will be encountered over the coming decades.\(^3\)

Despite the 2022 IPCC report on mitigation processes and pledges declaring that it is ‘now or never’ when it comes to limiting a rise in the average global temperature to no more than 1.5°C, it concludes that greenhouse gas emissions are continuing to grow, with potentially devastating consequences. Moreover, the reports warns that we will face multiple climate hazards even if this Paris Agreement goal is achieved.

We are already experiencing the consequences of changes to our climate. The IPCC has asserted that human-induced climate change – including more frequent and intense extreme climate events – has caused widespread losses and damage to nature and people, with droughts, floods, wildfires and marine heatwaves affecting the food security, nutrition and livelihoods of some of the world’s most vulnerable populations.

According to the World Meteorological Organization, the probability that at least one of the coming five years surpasses the 1.5°C limit is now 48%.\(^4\) As recently as 2015, there was zero chance of this happening in the following five years. By 2020, however, the chances of this happening had surged to 20%, then to 40% in 2021, when the global average temperature rose to 1.1°C above pre-industrial levels.

Every additional rise in global temperatures increases the perils – such as water scarcity, malnutrition and heat waves – faced by people across the planet. Here, the developing world is disproportionately affected, particularly the poor and most vulnerable, including women and children. On top of this, businesses will be exposed to physical risks arising from extreme weather events affecting operations and supply chains; market demand risks; regulatory risks; and reputational and legal risks.

The need to invest in climate innovation
Avoiding catastrophic climate change requires accelerating the adoption of existing climate technologies and business models, as well as the development of new technological and business solutions. Innovations in policy, culture, institutions, science, technology, management and finance are all needed if we are to get back on track. The past decade has seen the emergence and diffusion of several transformative climate innovations, which have kept open the window of opportunity to avoid catastrophic climate change.

The costs of solar photovoltaics, wind and batteries, for example, have dropped at an annual rate of close to 10% for several decades. By contrast, the prices of fossil fuels are, after adjusting for inflation, very similar to what they
were 140 years ago. Should renewable energy and storage technologies maintain their current deployment growth rates, they will replace fossil fuels in two decades.

Delivering on the promise of innovation will require significant increases in investment. Indeed, the IPCC estimates that US$ 1.6–3.8 trillion in new climate investments will be needed annually through to 2050 if global warming is to limited to below 1.5°C, with an additional US$ 140–300 billion needed annually to adapt to climate change impacts.

It is clear that climate investment needs far outweigh the availability of public funding. Achieving investment on this scale therefore means capitalising on current and emerging technological innovations by scaling up investments in assets that also maximise the development co-benefits of climate action.

**Barriers to investment in new climate solutions in developing countries**

There are, however, a number of technical, political, regulatory, institutional, market, macroeconomic and infrastructure barriers to investment in new climate solutions, particularly in developing countries. For example, complex, inconsistent or opaque licensing procedures lead to transaction delays and costs. Moreover, even the best new green energy technology in the world will not be competitive if fossil fuels are heavily subsidised. These barriers exist at all phases of innovation – emergence, deployment and widespread adoption – and translate into higher hurdle rates for entrepreneurs and financiers, who will require higher expected returns before investing their time and personal equity. At present, these higher financing costs are negatively affecting the attractiveness of technological and infrastructure climate investments.

In addition, there is a heightened risk perception surrounding climate investments in developing countries. Pricing climate risks is a daunting challenge for investors, who must estimate the likelihood of various climate scenarios and their implications for physical, liability and transition risks at the firm and project levels. The mispricing of risks is compounded by strong home-country preference and global investors’ limited familiarity with developing markets. Research on default rates published in 2020 by the international credit rating agency Moody’s demonstrates that the probability of default attributable to project financing in Africa (0.69%) and Asia (0.7%) is higher than in Western Europe (0.4%), though lower than North America (1.12%).

Moody’s data demonstrates that investing in infrastructure in developing countries is not significantly riskier over the long term than investing in infrastructure in developed countries. Thus, establishing an enabling policy and capacity environment for climate investment; de-risking first-mover climate investment in order to establish a commercial track record; and sharing knowledge regarding commercially successful investments at scale in each geography are all critical to addressing actual and perceived climate investment barriers in developing countries.

**The unique role of the Green Climate Fund**

Working together, the public and private sectors have a critical role to play in overcoming these barriers and closing the financing gap. This is at the heart of what we at the Green Climate Fund (GCF) do.

GCF was established as a pivotal part of the global climate architecture, tasked with channelling finance to developing nations in order to help realise the climate ambitions identified by these countries as critical to their needs. GCF has grown to become the world’s largest dedicated multilateral climate fund, channelling over US$ 10.5 billion in funding to 196 projects, amounting to more than US$ 37 billion in assets under management when co-financing is included. GCF is a partnership organisation, co-investing in climate initiatives originated by over 200 public and private partner agencies and firms, including some of the largest commercial banks. With these partners, GCF aims to catalyse climate finance at scale through four workstreams.

The first of these workstreams involves creating an enabling environment for climate action through supporting integrated climate strategies and policies. According to some estimates, integrated energy, water, urban and transport infrastructure could reduce total infrastructure needs by 40%. Under this workstream, a key GCF priority is supporting developing countries craft green economic stimulus measures to recover from the COVID-19 pandemic and, in doing so, access long-term affordable finance without increasing their debt burden. Depending on their design, COVID-19 recovery packages may either entrench our dependence on fossil fuels or accelerate the transition to net-zero, climate-resilient economies.

The second workstream involves accelerating climate innovation through investments in new and innovative technologies, business models, financial instruments, and practices. GCF supports accelerators and incubators, providing early-stage financing to climate innovators to pilot new climate solutions. For example, GSF is working with the private sector in its US$ 279 million investment in the Amazon Bioeconomy Fund, supporting new bio-businesses across six Latin American countries with the aim of reducing emissions and enhancing climate resilience.
The third workstream involves **de-risking investments** by using blended finance instruments and making first-mover investments in new climate solutions, thereby helping establish a commercial track record and crowd in private finance. While the energy transition remains a key focus for GCF, the fund is increasingly leveraging its capacity to use a variety of financial instruments to make blended finance work better for the most vulnerable by facilitating adaptation and ecosystem-based solutions. Though the intertwined nature of ecosystems, biodiversity and human society creates emerging risks, it also offers opportunities for transformational adaptation interventions.

GCF is, for example, providing up to US$ 125 million of first-loss equity to the Global Fund for Coral Reefs, a US$ 500 million private equity fund with Pegasus Capital Advisors, to encourage investments in the blue economy, including sustainable fisheries and aquaculture, eco-tourism, and productive use of kelp forests. Moreover, through providing essential growth equity to entrepreneurs to help save coral reefs and improve the livelihoods of millions of people across 17 countries, the fund hopes to catalyse several times this amount. If successful, the fund will demonstrate that investing in coral reefs protection is a legitimate investment for both institutional investors and individual savers. In essence, it would create a new asset class – a prerequisite for achieving finance at scale.

The fourth and final workstream involves **strengthening domestic financial institutions**. These institutions can play a critical role in driving climate transformation, which is why GCF is supporting them to mainstream climate risks across their investment decision-making. Through providing these institutions with dedicated credit lines and/or supporting the issuance of green bonds to access capital markets, GCF will enable the financing and widespread adoption of commercially proven new climate solutions.

An example of this work can be seen in the Inclusive Green Financing Initiative (IGREENFIN I), a new project being implemented in partnership with the International Fund for Agricultural Development. IGREENFIN I will provide dedicated credit lines to local agricultural banks, thereby enhancing access to credit and technical assistance for local farmers, farmers’ organisations, cooperatives, and micro and small-sized enterprises. The project is part of the ambitious Great Green Wall initiative to reverse land degradation in Africa.

**Conclusion**

The realities of climate change make it imperative that, despite competing pressures on public budgets, climate action is not postponed, and investment is made in a robust global recovery that deepens climate ambitions. The momentum from COP26 in Glasgow should be accelerated as we prepare for COP27 in Egypt.

Transitioning to low-emission, climate-resilient pathways will require fundamentally overhauling how governments, businesses and societies operate. Together, we can remove barriers to investment in climate change adaptation and mitigation, close the finance gap and work to deliver the paradigm shift needed.

**Footnotes**

Financing the UN normative agenda amidst growing polarisation

By Nada Al-Nashif

On 1 April 2022, the Human Rights Council (HRC) concluded the longest session it had held since being established in 2006. The session took place against an exceptional backdrop of events that placed the HRC at the heart of multilateral diplomacy, at a time when other intergovernmental bodies were in stalemate. In response to rapidly evolving developments following Russia’s invasion of Ukraine, the HRC – taking upon itself a mandate for accountability – called for immediate de-escalation and respect for international humanitarian law.

The urgent debate of 3–4 March 2022 at the 49th session of the HRC led to the formation of an independent international commission of inquiry mandated with investigating alleged human rights violations and abuses, violations of international humanitarian law, and related crimes in the context of Russia’s aggression against Ukraine (with 32 votes in favour of the resolution, 2 against and 13 abstentions). Streamed live on the HRC’s Twitter account, the debate pulled in 3.7 million viewers, with its ensuing resolution re-tweeted over 4,500 times. The resolution was unique in being the first ever to call for an investigation of a permanent member of the Security Council (ie Russia).

Centrality of protection and the Human Rights Council

Since 2014, the Office of the United Nations High Commissioner for Human Rights (OHCHR) has presented close to 50 reports, along with oral updates, to the HRC, providing detailed analysis of alleged abuses and violations of international law in Ukraine. These reports have issued recommendations to all duty-bearers and the international community with a view to preventing human rights violations and mitigating emerging risks.

While Ukraine offers a clear case in point, it is far from the only context where potentially preventive measures anchored in rights have been insufficient to prevent deterioration. The 49th session of the HRC also saw the establishment of a group of experts on Nicaragua mandated with investigating human rights violations and abuses committed since 2018. Moreover, the HRC renewed commissions of inquiry in South Sudan, Syria and Belarus, in addition to extending the mandates of Special Rapporteurs and Independent Experts on the Democratic People’s Republic of Korea, Myanmar, Iran, Occupied Palestinian territories and Mali – contexts that have been under scrutiny by the HRC and the General Assembly for years. Often used as a house of last resort, the HRC early-warning function remains under-utilised by Member States looking to prevent violations.

Polarisation of the human rights agenda and its impacts on the UN regular budget

At this time of global crisis, when the UN human rights system is needed most, entrenched polarisation coupled with resource constraints have profoundly impacted implementation of the UN’s normative agenda. The third pillar of the UN remains severely underfunded, with only US$ 136.7 million – or slightly over 4% of the overall UN regular budget (excluding humanitarian affairs) – allocated to human rights in 2022. Cross-regional initiatives to strengthen this pillar since 2012 have not yet translated into a global commitment. Aside from some...
additional resources allocated in recent years to strengthening treaty bodies and to new mandates established by the HRC, funding for the pillar has seen zero growth.

Despite the level of activity in the HRC testifying to the robustness of the international human rights system, securing regular budget funding for mandated activities has become an uphill battle. The HRC’s 49 session attracted the participation of over 180 dignitaries, with the 35 resolutions adopted requiring an estimated additional funding of over US$ 25 million. Stark divisions, however, have continued to fuel heated discussions at the General Assembly’s Fifth Committee. Even so, the HRC continues to issue mandates with a focus on criminal accountability in order to support prosecutorial and judicial processes that require specialised skills and expertise.

The proliferation of mandates has led to the budget allocation process becoming more complex and uncertain, with increasing demands that OHCHR absorb new capacity requirements. In an unprecedented move, Ethiopia tabled a resolution proposing that no funds at all be given to the International Commission of Human Rights Experts on Ethiopia, in contradiction of the intergovernmental HRC resolution establishing it. The move was rejected.

Moreover, arguments that attempt to politicise the human rights agenda (undermining their universality) continue to polarise states’ positions, despite a lack of any defined fault-line that cuts across issues, whether thematic or geographic. Ad hoc alliances formed around resolutions shift even in situations that present similarities. This uncertainty is reflected in voting patterns, in particular for mandates where the voting margin is very narrow.

Implications of an over-reliance on voluntary contributions

In response to this uncertainty and polarisation, and the budget shortfalls that have arisen as a consequence, OHCHR has come to rely increasingly on voluntary contributions, which now fund more than 63% of its activities. The organisation has benefited from an increase in donor funding in recent years, which reached a record high of US$ 227.7 million in 2021.

Increasing reliance on voluntary contributions from a limited number of Member States to fund the UN normative agenda is problematic. Voluntary funding can be unpredictable, creating financial insecurity and reducing both flexibility and sustainability. In 2021, only 24 of the 89 donors provided voluntary contributions of US$ 1 million or above, pointing to an ongoing funding diversification challenge. Earmarking – contained in 63% of the voluntary contributions OHCHR received in 2021 – leads to higher transactional costs, depriving OHCHR of the flexibility it requires to respond to identified human rights priorities and increasing the perception that its work lacks independence.

In addition, rapid movements of funds have followed the abrupt shifts of attention the international community has displayed towards issues of immediate national interest. OHCHR’s ability to adapt to the COVID-19 crisis meant that it received its highest ever levels of contributions in 2020 and 2021: US$ 224.3 and US$ 227.7 million respectively. Subsequently, donor interest shifted to the crisis in Tigray in 2021. OHCHR received more funds than it expected for its immediate work on Tigray and over US$ 10 million in one month for Ukraine.

Figure 1: Funding needs, income and expenditure (US$ million)

Extriabudgetary requirements, RB, XB income and expenditure evolution 2013–2021

Until 2015, the extrabudgetary requirements (Annual Appeal) consisted of cost plans based on projected income. As of 2016, UN Human Rights introduced a new approach attempting to show the Office’s true requirements, ie a needs-based budget of all the funds the Office would need if it was to respond to all requests of assistance it received that could realistically be implemented within a single year.
By contrast, however, OHCHR has failed to obtain the US$ 7.2 million required to maintain its monitoring presence in Yemen, one of the world’s largest humanitarian crises. In another concerning development, some of OHCHR’s major donors have indicated the Ukraine crisis will impact their ability to maintain current funding levels for 2022. If this indeed comes to pass, it will have a significant detrimental effect on the UN’s ability to fulfil its human rights mandate and for the overall progress in realising the Sustainable Developments Goals (SDGs).

**Leveraging partnerships across the UN and beyond**

Given the capped regular budget allocation and constrained voluntary contributions, it has become more critical than ever to strengthen cross-pillar synergies and leverage partnerships across the UN system. Human rights is central to the success of the development, peace and security pillars, with the COVID-19 pandemic having shown us the power of aligning development and human rights strategies to reinforce national protection systems. The 2030 Agenda for Sustainable Development sets a clear imperative for the UN to promote people-centred development, with a focus on transformative economies and leaving no one behind.

In this context, the UN Sustainable Development Group has since 2012 supported deployment of Human Rights Advisors (HRAs) as resources for UN Resident Coordinators and Country Teams. In countries where HRAs are deployed (54 in 2021), there is a more systematic integration of human rights into development analysis and planning instruments, including in the Common Country Analyses and the UN Sustainable Development Cooperation Frameworks to achieve the SDGs.

To complement this approach, OHCHR has mobilised, through its Surge Initiative, a team of economic and social rights specialists – including macroeconomists – to reinforce human rights in the design and monitoring of national economic policies. This includes long-term investment in public health, education and social protection, in accordance with states’ obligations under international law.

The centrality of protection has also been demonstrated in the context of the UN-led humanitarian coordination architecture and the peace and security pillar. A human rights-based approach to crisis promotes the inclusion and participation of groups left behind. It also reinforces early warning, assists prevention of conflict and its reoccurrence, and aid accountability.

**The Call to Action for Human Rights and Our Common Agenda**

While robust inter-agency and cross-pillar synergy may not be sufficient to address the structural underfunding of the UN’s normative agenda, it does offer meaningful opportunities to leverage overall UN action. In this regard, the Secretary-General has launched two major initiatives that place human rights activities at the heart of the organisation’s collective action.

In 2020, the Secretary-General issued ‘A Call to Action for Human Rights’, emphasising the responsibility borne by the UN system and its partners for human rights. Following this, in his 2021 report Our Common Agenda, he set out a powerful vision for the future of multilateral governance when it comes to tackling global challenges. The report begins with a call for a renewed social contract anchored in human rights – an endorsement of their centrality. It is undeniable that the UN human rights system not only helps us understand root causes and precursors to conflict, but provides authoritative guidance on international law and what solutions exist. The Secretary-General’s initiatives have shifted the narrative to understand rights as problem-solving.

The initiatives also call for more stable and sustainable funding to underpin the financial base of the UN human rights pillar. An increase in funding allocation commensurate with that seen at the 2005 World Summit, which doubled OHCHR’s regular budget in five years, is critical given the centrality of human rights as per article 1(3) of the UN Charter. Moreover, it is needed to help counter the politicisation of human rights activities. The forthcoming 2023 UN Summit of the Future may provide a suitable platform to initiate this conversation.

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Footnotes

1. HRC was established as a subsidiary organ of the United Nations General Assembly in March 2006.
9. UN Secretary-General (note 7), p. 12.
Financing gender equality: The role of the gender equality marker and financial targets

By Anita Bhatia and Aparna Mehrotra

Background
The global outbreak of COVID-19 saw a dramatic backsliding in women’s labour force participation, a deepening feminisation of poverty, an escalating burden of unpaid care work, and an intensification of all types of violence against women and girls (‘the shadow pandemic’). Thus, now more than ever, prioritising gender equality commitments and mobilising financing for gender equality is vital to ensuring that the significant erosion of gender equality gains and women’s human rights is reversed, and that progress towards the Sustainable Development Goals (SDGs) is put back on track. In short, building forward better demands a stronger and more concerted focus on gender equality and empowerment of women and girls.

Significant normative advancements related to gender equality and women’s empowerment have been made across the three pillars of the UN system: development; peace and security; and human rights. Despite this, financing for gender equality continues to fall, in both scale and scope, well below the ambitions of the normative and global financing frameworks in place. In fact, it is an area that remains chronically under-resourced – an issue that extends to gender units and gender expertise across the UN system. A study undertaken in 2017 found that only 2.03% of the UN development system’s expenditure is allocated to gender equality and women’s empowerment; and that just 2.6% of UN personnel work on the issue. Moreover, in humanitarian responses, a mere 1.7% of programming targets gender equality and women’s empowerment; while an unimpressive 2% of all aid directed at peace and security in fragile states and economies addresses gender equality as a principal objective.

These deficits have undermined efforts to deliver on gender equality commitments and priorities, and in part account for the slow and uneven progress in all 12 critical areas of concern contained in the Beijing Declaration and Platform for Action. It is also why the world is estimated to be 132 years away from achieving gender equality and women’s empowerment.

Anita Bhatia serves as the Assistant Secretary-General and UN Women’s Deputy Executive Director since August 2019. Before joining UN Women, Ms. Bhatia has had a distinguished career at the World Bank Group, serving in various senior leadership and management positions, both at Headquarters and in the field. She brings extensive experience in the area of international development, strategy, resource mobilization, strategic partnerships and organizational change management. In various positions, she led teams to deliver significant resources for scaled-up impact, including at the country level, and to craft innovative partnerships to advance development agendas and has made significant contributions to the evolving discourse on development finance. She has led diverse teams, including as Global Head of Knowledge Management, Head of Business Process Improvement and Head of Change Management. In addition to Latin America, she has worked in Africa, Europe, Central Asia and South and East Asia. Ms. Bhatia holds a BA in History from Calcutta University, an MA in Political Science from Yale University and a Juris Doctor in Law from Georgetown University.

Aparna Mehrotra serves as the Director, Division for Coordination of the UN System on Gender Equality and the Empowerment of Women at UN Women. She co-founded, coordinated and led the development and implementation of the UN System Wide Action Plan for Gender Equality and the Empowerment of Women (UN–SWAP). Previously, as Deputy Chief of the Regional Programme Division in the Bureau for Latin America and the Caribbean, she led the UNDP Latin America contingent to the World Women’s Conference in Beijing and co-founded the Women’s Human Rights Campaign focusing on eliminating violence against women. Between 2001 and 2016 she served as the Focal Point for Women in the UN system. Ms. Mehrotra holds undergraduate and graduate degrees from Stanford University and speaks five languages.
Financial flows and climate

Box 1: Financing for gender equality

Financing for gender equality, which is a necessary foundation for achieving not only gender equality but all SDGs, involves increasing the quantity and quality of financial resources for gender equality and the empowerment of women and girls so that normative commitments can be translated into laws, policies, plans, budgets and meaningful implementation. The ultimate objective is to achieve tangible change and results in the lives of women and girls. In order to address current financial gaps, the Secretary-General has committed to strengthening the resource pool for gender equality in the UN system. Follow-up to the Secretary-General’s ‘Our Common Agenda’ report, together with the recommendations presented by the Secretary-General’s High-level Task Force for Financing for Gender Equality, has provided an opportunity to deepen and standardise the implementation of financial tracking tools and financing commitments. This will help ensure the UN is ‘fit for purpose’ to deliver on gender equality as a core priority.

Tracking UN investments on gender equality and women’s empowerment: Financial markers and targets

Tracking financial allocations and expenditures on gender equality and making them public are important tools for identifying gaps between policy and finance commitments; aligning critical development and humanitarian financing flows/interventions with gender equality priorities; and mobilising additional investments/resources for gender equality and the empowerment of women and girls in critical areas.

The Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD-DAC) was the first to introduce a gender equality marker as a tool for qualitatively tracking bilateral donor investments. The gender equality policy marker rates investments – using a three-point scale – on whether gender equality is addressed as a principal objective (usually through dedicated financing) or as a significant objective among a project’s various development goals. The gender equality policy marker is also applied to investments without any explicit gender equality focus to ensure that, at a minimum, they are aligned with ‘do no harm’ principles.

Bilateral official development assistance (ODA) from OECD-DAC members for gender equality and the empowerment of women and girls has been increasing consistently. Much of this growth can be attributed greater prioritisation and mainstreaming of gender concerns within other development objectives. In 2019/20, OECD-DAC members committed 45% of their bilateral ODA (corresponding to US$ 56.5 billion) to gender equality – considered a historically high level. As Figure 1 below shows, much of this gender-related aid in 2019/2020 – US$ 50.2 billion (or 40% of total bilateral ODA) – is not fully allocated to gender equality but to projects that integrate gender equality as one of several development objectives, only 5% of total bilateral ODA targets gender equality as a principal objective. The latter statistic has remained stagnant at this level, underscoring the need for more dedicated financing aimed at addressing the root causes of gender equality.

What the numbers and Figure 1 also highlight is that more than half of bilateral aid – or 55% – does not yet integrate a gender perspective, meaning it may be leading to – however unintended – adverse impacts on gender equality and the empowerment of women and girls.

Initially, the OECD-DAC applied the gender equality policy marker just to bilateral ODA. Subsequently, however, it has been extended to the full range of development financing instruments, including blended finance funds and facilities that span several sectors, such as energy, transport and the environment. The partnership approach taken by blended finance in mobilising additional financing for implementation of the SDGs holds considerable potential for driving gender equality goals.

Beginning in 2010, the UN Development Programme (UNDP), the UN Population Fund (UNFPA) and the UN Children’s Fund (UNICEF), as well as the Peacebuilding Fund, piloted a gender equality marker in response to the Secretary-General’s Seven Point Action Plan. The Plan called for at least 15% of UN-managed funds in support of peacebuilding to be dedicated to projects whose principal objective is addressing women’s needs and advancing gender equality and women’s empowerment. By 2012, the gender equality marker, as well as the setting of financial benchmarks on gender equality at the entity level, had become mandatory standards under the UN System-wide Action Plan on Gender Equality and the Empowerment of Women (UN-SPAN). An equivalent framework launched in 2018, the UNCT-SPAN Gender Equality Scorecard, assesses performance at the UN country team (UNCT) level against a set of harmonised standards on gender mainstreaming, including implementation of the gender equality marker.

Through the UN-SPAN framework, which has transformed how gender equality work is carried out in the UN system, several entities have not only developed gender policies but integrated gender equality into their strategic plans and results-based management systems.
These policies and plans have helped entities better prioritise gender equality in their work through a twin-track approach to gender mainstreaming, which combines dedicated gender equality interventions with integrated approaches in programme portfolios and budgets. Tracking funding for gender equality, therefore, implies identifying not only standalone allocations and expenditures explicitly aimed at gender equality, but also apportioning funds allocated to gender equality in those programmes in which gender equality is not the primary objective.

In 2019, the Secretary-General High-Level Task Force on Financing for Gender Equality recommended the adoption of a harmonised four-point scale gender equality marker embedded in an entity’s enterprise resource planning (ERP), applicable to all financial allocations and expenditures, and extended to UNCTs and inter-agency pooled funds. At one end of this scale are interventions addressing gender equality as a principal objective and at the other end are those not expected to contribute substantially to gender equality. In between are those interventions in which gender equality is integrated within other priorities, either those expected to contribute significantly to gender equality, or those expected to contribute in only a limited way. Financial tracking should be implemented at the activity level from all types of funding sources as this is the level where costs can be more accurately attributed.

As a result, the number of UN-SWAP reporting entities applying or working towards implementing a gender equality marker has grown significantly, from 10 entities in 2012 to 28 in 2021 (see Figure 2). Much of this progress is due to the introduction of a mandatory gender equality marker in the UN Secretariat’s ERP system, which has more than tripled the number of UN Secretariat entities working to implement a financial resource mechanism tracking gender equality allocations and/or expenditures. Another area of noteworthy progress concerns the gender equality marker’s increased application among UN funds and programmes, which doubled from five entities in 2012 to ten in 2021.

**Box 2: Incentivising funding for gender equality: The COVID-19 response and recovery Multi-Partner Trust Fund**

Incorporating a gender equality marker and setting a 30% financial target for gender equality allocations in the second call of the MPTF in the COVID-19 response led to a multi-fold increase in resources allocated to programmes with gender equality as a principal objective. These allocations jumped from 5% of total funding (US$ 1.9 million) in the first call to 64% (US$ 11.9 million) in the second, far exceeding the 30% target.
The combined utilisation of the gender equality marker and specific financial targets has driven increased attention to and resources for gender equality and women’s empowerment. Implementing the gender equality marker has facilitated the establishment of financial benchmarks/targets in UN entities. Although lagging behind the advances made on financial tracking mechanisms, 23 of the 71 entities reporting to UN-SWAP 2.0 in 2022 indicated they had institutional financial benchmarks.

A recent survey found that 37% of the multi-partner trust funds and 48% of the joint programmes active in 2021 had implemented financial targets for gender equality. In this regard, the Peacebuilding Fund has been one of the first inter-agency pooled funding mechanisms to demonstrate that financial targets can incentivise and mobilise additional resources for gender equality and the empowerment of women and girls.16

In addition to the UN-SWAP standards and the recommendations from the UN Secretary-General High-Level Task Force on Financing for Gender Equality, high-level policy directives and technology enhancements have created impetus for increased uptake of a harmonised gender equality marker not only across the UN system but in inter-agency pooled funding mechanisms and at the UNCT level (see Figure 3 below). Integration of the gender equality marker as a mandatory reporting field in UN INFO – a digital planning, monitoring and reporting platform for UNCTs – has improved access to and reporting on resources allocated to gender equality commitments across the SDGs. By the end of 2021, 80 (or 62%) of the 130 UNCTs that had entered their joint work plans into UN INFO had reported the distribution of gender equality marker codes for their funding frameworks.17

Similarly, the Partner Trust Fund Office increased efforts to embed the gender equality marker in the design and implementation of inter-agency pooled funds have succeeded in integrating the gender equality marker in 69% of multi-partner trust funds and 67% of standalone joint programmes, according to the 2021 FMOG Survey on Funding Compact Commitment 14. Moreover, financial tracking has enabled reporting of the fact that 51% of multi-partner trust funds and 71% of standalone joint programmes allocate 15% or more of their resources to programmes targeting gender equality as a principal objective.18

Entities that have been implementing the gender equality and financial targets for several years report that it has not only enabled better tracking and monitoring of gender-related resource allocations and expenditures – targeted
Figure 3: Gender equality marker implementation status in UN entities, UNCTs and inter-agency pooled funds in 2021

<table>
<thead>
<tr>
<th>UN entities</th>
<th>UNCT</th>
<th>MPTFs</th>
<th>Standalone JPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEM</td>
<td>61%</td>
<td>69%</td>
<td>67%</td>
</tr>
<tr>
<td>No GEM</td>
<td>39%</td>
<td>31%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Notes:
1. Of the 71 UN entities reporting against the UNSWAP 2.0 in 2021, 28 entities (39%) reported applying the gender equality marker under Performance Indicator 9 Financial Resource Tracking.
2. In 2021, 80 out of 130 UNCTs had submitted their Joint Work Plans (JWPs) to UN INFO (as of 31 December 2021). Of these, 79% had applied the gender equality marker.
3. Inter-agency pooled funds include multi-partner trust funds (MPTFs) and stand-alone joint programmes.

and mainstreamed – but resulted in improved decision-making, ensured more gender-responsive planning and programming, increased resources, and enhanced institutional accountability for gender equality and women’s empowerment.

**Tracking funding streams and UN system functions**

While there is no widely accepted definition of what normative work is within the UN system, setting, implementing, monitoring and reporting on international norms and standards is intrinsic to the organisation’s work, cutting across the four UN system functions of development assistance, humanitarian assistance, peace operations, and global agenda and specialised assistance. Such work includes facilitating intergovernmental dialogue and coordination; promotion and capacity strengthening in relation to cross-cutting norms and standards; advocacy; and the development and dissemination of normative products.

Thus far, however, UN entities are largely applying the gender equality marker to voluntary non-core contributions (or extrabudgetary (programme) funds). Only a few UN entities – namely the early adopters, UNDP, UNFPA and UNICEF, as well as the Economic and Social Commission for Western Asia (ESCWA) – apply the gender equality marker to most, if not their entire, organisational budget. This covers financial allocations made to/expenditures on normative and programmatic contributions to gender equality and women’s empowerment from voluntary core/non-core contributions, fees and other revenues (if applicable). Most UN-SWAP reporting entities describe partial implementation of the gender equality marker, often limited to extrabudgetary, non-core funds for programmatic expenditure, rather than normative work, which tends to be funded by core allocations.

The UN Secretariat has prioritised linking resources to results for projects funded by voluntary contributions. As yet, its ERP does not financially track other sources of funds, such as assessed contributions, for its contribution to gender equality. Assessed contributions, which primarily support the UN’s normative work, made up 45.3% (approximately US$ 3 billion) of the UN Secretariat’s budget in 2020 (see Figure 4 below).

Excluding assessed contributions, and therefore financial tracking for normative work (including normative advancements on gender equality and women’s
empowerment), from the scope of use of the gender equality marker not only makes it difficult to track resource allocations and expenditures in their entirety, but fails to capture an area of work at the heart of the system-wide gender equality mandate. The UN’s normative work is often tied to staff salaries, which might not directly link to programmatic components or outputs. Financial tracking should include both operations and staff costs to get a complete picture of UN system resources and expenditures.

Further complicating matters around understanding the link between resources and results, particularly for staff funding, is the weakening focus on gender equality and the empowerment of women and girls within gender units across the UN system. In a recent survey on the UN gender architecture, nearly 40% of participating UN entities reported that the remit of their gender unit was expanding to include greater focus on diversity and other inclusion issues. Confirming this trend, the 2022 Secretary-General report on mainstreaming a gender perspective into policies and programmes across the UN system showed that 49% of the gender units in UN entities reported addressing multiple cross-cutting issues, often resulting in a dilution of focus in support of gender equality. While entity size and mandate determine the type of gender architecture UN entities establish internally, the prevalent modality in the UN system involves the use of gender focal points, with an average 20% time allocation to gender equality issues. Strengthening the UN system gender architecture constitutes an essential step in the overall financing of the gender equality mandate.

Conclusion
Gender equality and the empowerment of women and girls is a UN priority and foundational to addressing the root causes of poverty, inequalities and discrimination. Achieving this aim is not only an SDG (SDG 5), but is strongly recognised as a force multiplier across all the other SDGs. Moreover, it is integral to the building and sustaining of inclusive development and peace.

Contributing to the realisation of gender equality and women’s empowerment is therefore a system-wide imperative. Here, UN Women – through its UN coordination, operational and normative mandate – has a critical role to play in ensuring gender-responsive solutions are present at the UN system level, in all processes and policy spaces, including financing for gender equality. All UN entities, UN Country Teams and inter-agency pooled funds are called to contribute to this aim through a strong gender architecture enabling coherence across the system. Although further progress is needed, recent efforts to harmonise approaches aimed at enhancing the gender equality resource base – through financial tracking and financial targets – have yielded positive results and are gaining traction. With the gender equality marker becoming part of the UN System Chief Executives Board for Coordination Financial Data Standards, the UN system will be able to access more comprehensive financial information, allowing entities to better understand the financing requirements needed to realise the normative agenda on gender equality. This in turn will help ensure the UN System is adequately financed and can deliver on the promise of the 2030 Agenda.
Footnotes

1 Normative instruments and inter-governmental agreements that provide the guiding framework for promoting gender equality and women’s empowerment include the Convention on the Elimination of All Forms of Discrimination Against Women (1975); the International Conference on Population and Development (1994); the Beijing Declaration and Platform for Action (1995); the Addis Ababa Action Agenda for Financing for Development (2015); the 2030 Agenda on Sustainable Development (2015); as well as ten UN Security Council resolutions on Women, Peace and Security, including the landmark Security Council Resolution 1325 (2000).


7 The High-Level Task Force on Financing for Gender Equality was established by the Secretary-General’s Executive Committee to review and track UN budgets and expenditures across the system and make recommendations on how to increase financing for gender equality, including by identifying any structural and operational changes required to enable financial tracking. See UN Women, High-Level Task Force on Financing for Gender Equality, https://gendercoordinationandmainstreaming.unwomen.org/building-block/high-level-task-force-financing-gender-equality.

8 The OECD-DMC uses a three-point gender equality marker scale to denote the following: 0 (not targeted); 1 (significant objective); and 2 (principal objective). See: OECD-DMC NETWORK ON GENDER EQUALITY (GENDERNET), Definition and Minimum Recommended Criteria for the DAC Gender Equality Policy; www. oecd.org/dac/gender-development/Minimum-recommended-criteria-for-DAC-gender-marker.pdf. Marker.


15 In 2020, the Peacebuilding Fund approved investments of US$ 173 million in 41 contexts, allocating 40% of this towards improving gender equality, the same share as the previous two years, surpassing its 30% financial target for gender equality. See UN Security Council, ‘Women and peace and security: Report of the Secretary-General’, S/2021/827, 27 September 2021, https://undocs.org/S/2021/827.

16 The numbers cited are drawn from the self-reported data of 71 UN entities submitted through annual UN-UNSWAP reporting in 2021, up from 55 entities in 2012.


19 According to the UN Evaluation Group, normative work in the UN encompasses three dimensions, namely, ‘support to the development of norms and standards in conventions, declarations, regulatory frameworks, agreements, guidelines, codes of practice and other standard setting instruments, at global, regional and national level’; support for the integration of these norms and standards into legislation, policies and development plans; and the subsequent implementation of such legislation, policies and development plans. See UN Evaluation Group (UNEG), ‘UNEG Handbook for Conducting Evaluations of Normative Work in the UN System’, November 2013, p. 5, https://undsg.un.org/resources/ung-handbook-conducting-evaluations-normative-work-un-system.


22 This may be changing, as there are efforts to pilot IPMR on assessed contributions within a few Secretariat entities.

23 Reported through the Strategic Management Application.


25 UN Women, ‘Coordination for gender equality and the empowerment of women’, https://gendercoordinationandmainstreaming.unwomen.org/.

# Quality of UN funding

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**Two steps forward, one step back?**  
The UN Funding Compact at three years old  

By John Hendra

**Introduction**

Unlike previous United Nations reforms, the current reform of the UN development system (UNDS) squarely addresses the imperative of changing how the UNDS is funded in order to ensure it can respond robustly and predictably to countries’ Sustainable Development Goal (SDG) priorities without compromising the multilateral nature of UN support. Through the Funding Compact welcomed in 2019, both Member States and the UNDS recognised the necessity of addressing the sharp imbalance between core and non-core resources. Moreover, there was clear acknowledgement of the need to change funding behaviour, and especially to improve the quality of funding, if the UN is to deliver better results against the ambitious 2030 Agenda.

A 2021 Multilateral Organisation Performance Assessment Network (MOPAN) analytical study on UNDS reform found agreeing to the Funding Compact itself a notable achievement, with all parties recognising the need for mutual accountability and a transformation of financing to achieve the SDGs. Meanwhile, the Dag Hammarskjöld Foundation’s 2021 report, ‘The Way Forward: Fulfilling the Potential of the Funding Compact at the Country Level’, based on a wide number of country consultations with key stakeholders, found that excessive earmarking and fragmentation remain key challenges.

For their part, UN agencies have to date been making very good progress in transparency, visibility, reporting and efficiency. Meanwhile, the positive momentum shown by the UNDS has continued, with recently released data (based on 2020 actual expenditures) showing that of the 36 indicators under the UN Sustainable Development Group (UNSDG)’s 14 Funding Compact commitments, 53% (19 indicators) have already been met or seen rapid progress, 33% (12) have seen medium progress, and only 11% (4) have seen stalled or slow progress, with one indicator showing no data as yet. Importantly, progress has been made in some of the qualitative aspects of Funding Compact commitments, such as programme country governments reporting improved focus on common results among UNSDG entities at the country level.

On the Member State side, there has also been important progress, with the doubling of the share of pooled funding already achieved in advance of the aimed-for target of 2023. The 11.7% of non-core funding for development activities that now goes via pooled funding represents a big jump from the 2017 baseline of 5%. Overall contributions to development-related inter-agency funds totalled US$ 1.5 billion in 2020, an increase of 29% over 2019 and 178% higher than in 2015. Though the Peace Building Fund and the Joint SDG Fund remain short of targeted contribution levels, contributions to global and regional pooled funds were 72% higher in 2020 than in 2019, while contributions to country-level pooled funds, used to accelerate joint action agreed in UN Cooperation Frameworks, increased by 11% in 2020 compared to 2019.
That said, the same set of Funding Compact data shows that of the 17 indicators under Member States’ eight commitments, only 12% (2 indicators) have been met or seen rapid progress, 35% (6) have seen medium progress, and 47% (8) have been stalled or slow progress, with one indicator showing no data as yet. Overall, this tallies to progress on 86% of UNSDG commitments in the last year, compared to just 47% for Member States.

Of particular concern is the current direction of travel, with the latest indicators showing a decline in the core share of voluntary funding for development-related activities from the 19.4% baseline in 2017 to just 17.2% in 2020 – a far cry from the 2023 target of 30%. The same core indicator including assessed contributions also fell from the 2017 baseline of 27% to 26.9% in 2020. While this data only accounts for the first full year of the Funding Compact (2020), subsequent agency-specific data shows that progress on the Compact’s main funding indicators remains slower than anticipated, and is yet to lead to the better-quality, predictable funding of the UNDS that can help deliver demonstrable results at scale.

**What is to be done?**
The continued decline in the share of core/regular funding not only undermines the multilateral character of the UN’s support but hampers the organisation’s ability to rapidly address critical needs, whether this be the COVID-19 pandemic or the food, fuel and finance crises resulting from the conflict in Ukraine. It also weakens the UNDS’s leadership role in helping countries get back on track towards the SDGs and stimulating accelerated action on climate change. Given these funding trends are likely to decline further over the course of 2022 due to huge shifts towards humanitarian support, the diversion of overseas development assistance to pay for the domestic hosting of Ukrainian refugees, and a very challenging fiscal situation, the following question arises: What is to be done?

Although completed before the conflict in Ukraine and current macroeconomic pressures, both the MOPAN analytical study and the Dag Hammarskjöld Foundation’s 2021 report recommend similar courses of action: 1) accelerating Member States’ progress on Funding Compact commitments by translating them into individual country actions and articulating what they can and cannot deliver in practice, thereby adding tangibility for Member State officials and helping strengthen transparency and accountability, including by enabling Member States to better hold one another to account; 2) building ownership and understanding of Funding Compact commitments at every level of Member State administrations – including line ministries and in-country officials; and 3) all UNDS stakeholders using financing mechanisms to their best effect.

In addition, are there not lessons from six years of experience with the humanitarian community’s equivalent to the Funding Compact – the ‘Grand Bargain’ – that can similarly be applied? And is there not more the UNDS itself can do to facilitate greater Member State awareness of the Funding Compact at the country level, as well as drive more integrated approaches in which higher-quality funding is just one, albeit important, key factor?

**Possible lessons from the ‘Grand Bargain’**

At the 2016 World Humanitarian Summit held in Istanbul, a ‘Grand Bargain’ was agreed between 18 donor countries and 16 international humanitarian aid organisations – including UN agencies, the Red Cross/Red Crescent Movement and other international non-governmental organisations – to improve the efficiency and effectiveness of international humanitarian aid. The 51 commitments made ranged from agreeing to publish open data about money flows to saving costs by procuring goods in bulk. Some of the many targets were missed, while others, such as cash-based assistance, have been achieved.

**Instituting an annual, or biannual, independent review**

An important differentiating feature of the Grand Bargain is that its voluntary annual reporting mechanism is supported by an annual independent review, in order to monitor implementation of commitments. The most recent of these reviews (2021) had a double remit: to analyse the progress achieved and challenges faced during 2020; and to review the progress made since the establishment of the Grand Bargain in 2016.

While not perfect, the combination of self-assessment and external public independent review has proven effective in holding (some) signatories to account for their commitments, requiring them to demonstrate the results they are achieving individually and assessing what this means in terms of system-wide progress. Instituting an annual, or biannual, independent review of Funding Compact progress, perhaps conducted by the new UN system-wide evaluation capacity in concert with MOPAN, and then discussing its analysis and recommendations with Member States at the Economic and Social Council’s annual Operational Activities Segment, could be a much-needed instrument at this critical stage.

**Raising the political engagement**

As is the case with development funding and the Funding Compact, many of the longstanding obstacles the Grand Bargain was created to address were political in nature. As the latest independent annual review
of the Grand Bargain by the Overseas Development Institute puts it: ‘These are political actors, making political decisions. Political tactics are thus required to unblock the remaining challenges to change and forge appropriate compromises.’\textsuperscript{11}

As such, a new set-up was proposed for the Grand Bargain, elevating the technical workstreams into a more political arena, and strengthening local actor engagement in negotiations. Political caucuses, or ‘coalitions of the willing’ consisting of high-level, self-appointed ‘champions’, are expected to work together to address some of the toughest barriers to change.\textsuperscript{12} While one or two key donor countries have at different times assumed an informal ‘championing’ role for the Funding Compact, to the furthest extent possible this role should be formalised at a senior political level, and on a rotating basis, enabling more high-level political follow-up of Funding Compact commitments.

**Significantly simplifying the number of commitments**

Like the Funding Compact, one of the key objectives of the Grand Bargain is to secure better-quality funding to support more efficient and effective operations. This key objective has at times struggled to garner momentum – although increasing numbers of humanitarian donors report having met the 30\% target for provision of flexible funding, there has not yet been a substantive system-wide shift in the funding landscape.

Perhaps equally key was the realisation that having such an overwhelming number of commitments within the Grand Bargain had become a distraction to moving the needle on what really matters. Building on consultations among the wider group of signatories, in 2021 the Eminent Person and the Facilitation Group of Ministers and Principals agreed on a revised ‘Grand Bargain 2.0’ for a period of two years to mid-2023.\textsuperscript{13}

The Grand Bargain’s overall objective was subsequently reframed to ensure ‘better humanitarian outcomes for affected populations through enhanced efficiency, effectiveness and greater accountability’. This was complemented by just two new enabling priorities: better-quality funding and improved support to local responders, with increased engagement of affected populations. While concern has been expressed over a number of the original commitments disappearing, many see such prioritisation as tightening the agenda. It may also improve accountability – with so many commitments, agencies and donors tended to cherry pick the issues they wanted to focus on, to the detriment of others.\textsuperscript{14}

This seems a very applicable lesson for the Funding Compact, which would be well advised to simplify its 22 commitments (and 53 indicators) down to those that will really make a difference, such as: increasing voluntary, and assessed, core commitments for the UNDS; providing more predictable funding; expanding the donor/contributor base (in 2020, 34\% of all development-related funding to the UN came from just five countries – the United States, Germany, Sweden, the United Kingdom and Japan); fully funding the UN Resident Coordinator system; ensuring clear funding frameworks for each UN Cooperation Framework; and enhancing efficiency gains across the UNDS.

**Making the Funding Compact relevant at the country level**

There is, as the MOPAN analytical study puts it, ‘a disconnect between what MS [Member States] commit to at the global level and the extent to which they have ownership or demonstrate buy-in to the reform process at a country-level’.\textsuperscript{15} As highlighted in ‘The Way Forward’ and 2021’s *Financing the UN Development System* report, Member States need to better translate their global commitments to the Funding Compact into concrete country-level commitments to the UNDS.\textsuperscript{16} Similarly, Resident Coordinators and UN country teams should engage in strategic dialogues with Member States on how to operationalise the Funding Compact at a country level and co-create strategies for more effective country-level development cooperation.

Some interviewees in the MOPAN study also argued that in cases where pooled funds may be an enabler of coordination, the main impetus for joint work should come from other sources: the UN Cooperation Framework itself, a clear division of labour, and a shared experience of how to respond to country needs. Hence, in addition to proactively socialising Funding Compact goals with partners as part of country-based strategic funding dialogues, it is important that recent momentum towards more integrated UN approaches is sustained.

The first three years of UNDS reform saw great effort expended in developing new tools such as the UN Sustainable Development Cooperation Framework (CF). Intended to be more binding and relevant than previous frameworks, the CF is now embedded in a comprehensive analysis, planning and implementation cycle that should help country teams better develop and advise on integrated policies for tackling change in complex systems.\textsuperscript{17} Overall, such reinvigorated tools place greater focus on gender equality, human rights and the principle of leaving no one behind, which has become the leitmotif for UN support to the SDGs.

In addition, the UN’s COVID-19 pandemic response has demonstrated that there is considerable value in
joined-up approaches developed around clear objectives, with greater attention paid to the provision of quality policy advice. In this regard, the robust global UN framework developed by the UN Development Programme and the Development Coordination Office has become a useful template for national socioeconomic response plans. As countries emerge from the pandemic and the current food, fuel and finance crises, it is essential that all relevant instruments are adjusted to drive an inclusive and sustainable recovery aimed at accelerating SDG implementation. Moreover, while the new CF process in countries covered by the recent UN Office of Internal Oversight Services (OIOS) evaluation appears to have better enabled policy advice, this is not yet systematic. It is therefore vital that the next phase of reform – operationalising coordinated and integrated delivery of policy advice and programmes – results in change across UN entities. The OIOS evaluation found that outcomes were hindered by a number of factors, including disparate agency planning processes, authorities and reporting lines that often favoured UN agency priorities over CF priorities. Funding competition, donor earmarking and bilateral funding arrangements have also undermined coherence.

Another key challenge is SDG integration – this is a particularly demanding and nascent field, where both the UN and other development organisations are struggling to show progress. Hence, it is perhaps unsurprising that a UN ‘systems approach’ with a greater role for integrated policy advice has in reality been more ad hoc than systematic and transformational.

**Conclusion**

While the jury is still very much out as to how successful the Funding Compact will be in improving how the UN is funded, it represents the first serious systemic attempt to change the quality of UNDS funding in over two decades. It is also a much-needed instrument for enhancing mutual accountability and a strategic framework for change. Hence, it is imperative that efforts are maximised to enhance awareness, political buy-in and effectiveness, including at the country level and, based on the experience of the Grand Bargain, Member States and the UNDS consider a number of adjustments to make the Funding Compact more focused and impactful. We may not get another chance.

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**Footnotes**


4. MOPAN (note 2).


6. UN General Assembly and UN ECOSOC (note 5), p. 60.

7. UN General Assembly and UN ECOSOC (note 5), Annex: Funding Compact Indicator Table.

8. UN General Assembly and UN ECOSOC (note 5), p. 60.

9. MOPAN (note 2); pp. 84–5; and Dag Hammarskjold Foundation (note 3).


16. Dag Hammarskjold Foundation (note 3); and John Hendra and Per Knutsson, ‘Maximizing UN leverage where it matters most: At the country level’, in Dag Hammarskjold Foundation and UN Multi-Partner Trust Fund Office (UN MPTFO), *Financing the UN Development System: Time to Meet the Moment* (Uppsala/New York: Dag Hammarskjold Foundation and UN MPTFO, 2021), www.daghammarskjold.se/publication/unds-2021/.


Introduction to humanitarian pooled funding: Saving lives and ensuring prioritised quality funding

By Martin Griffiths

Introduction
Speed, flexibility and accountability lie at the heart of the humanitarian pooled funds managed by the Office for the Coordination of Humanitarian Affairs (OCHA). The creation of the funds – the Central Emergency Response Fund (CERF) and the country-based pooled funds (CBPFs) – date back to 2005, when the reform process aimed at improving humanitarian response effectiveness was initiated. Since then, the funds have become important lifelines for the most vulnerable, between them disbursing US$ 13.7 billion and supporting tens of millions of people.

The emergence of humanitarian pooled funds has coincided with an overall increase in humanitarian requirements. Global needs have reached a peak in 2022, with an estimated 303 million people requiring life-saving assistance and US$ 46.1 billion required for the response. Though donor generosity has been significant, it has failed to keep pace. In 2021, for example, only 53% of global needs were met, leaving millions of vulnerable people without critical assistance. In this context, providing coordinated, prioritised and needs-based funding through the OCHA-managed funds has never been more important.

The unique role of the funds
CERF and CBPFs are multi–donor pooled funds that provide life-saving assistance to people caught up in crises in order to save lives, alleviate suffering and maintain human dignity. CERF, managed by OCHA, covers emergencies anywhere in the world, while CBPFs are hosted in specific crisis countries and respond to needs locally. The funds provide fast and flexible funding to humanitarian responders, enabling them to deliver life-saving assistance where and when it is needed most. The funds are an integral part of the humanitarian coordination architecture and are designed to foster more coherent and timely humanitarian responses, as well as reinforce the leadership of Humanitarian Coordinators (HCs) and Resident Coordinators (RCs). Despite sharing many similarities, the funds have a number of unique characteristics, as explored below.

CERF
CERF’s primary role is to provide fast and strategic funding to UN agencies, allowing them to respond to emerging or escalating crises by delivering coordinated life-saving assistance to the most vulnerable under the strategic leadership of the RC/HC. The fund responds to unexpected crises, the deterioration of existing ones, and underfunded emergencies. CERF also has a US$ 30 million loan facility that can help bridge funding gaps while UN agencies await donor contributions.

CERF is managed by the Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator in the Office for the Coordination of Humanitarian Affairs. Prior to this appointment, Mr Griffiths served as Special Envoy of the Secretary-General for Yemen (2018-2021). He has also served as Adviser to three Special Envoys of the Secretary-General for Syria and as Deputy Head of the United Nations Supervision Mission in the Syrian Arab Republic (UNSMIS) (2012–2014). Mr Griffiths was the first Executive Director of the European Institute of Peace (2014–2018) and founding Director of the Centre for Humanitarian Dialogue in Geneva (1999–2010).

The views and interpretations in this section do not necessarily represent the view of the United Nations.
grants ranging from US$ 70,000 to US$ 24 million. Over the past five years CERF has issued an annual average of US$ 571 million in funding for some 40 countries. Its monitoring and project audits lie with the recipient agencies, alongside oversight from CERF through its Performance and Accountability Framework and related reporting processes.

Country-based pooled funds
CBSFs operate at the country level and are established by the ERC/USG. Currently, there are 19 active country-level funds and one regional fund covering six countries in the Sahel. The core mandate underlying the funds is to allocate humanitarian funding based on priorities identified at the country level to save lives. The funds make resources available for activities by non-governmental organisations (NGOs), UN agencies and other partners identified in humanitarian response plans or other planning frameworks, as well as for unforeseen events. Given the funds’ unique position in supporting local and national actors, in 2021 localisation was officially recognised as their secondary objective.

Over the past five years, the funds have allocated a yearly average of US$ 897 million. Decisions on allocations are made by the RC/HC based on advice from advisory boards composed of representatives from donors, NGOs and UN agencies. Monitoring and auditing is supervised by OCHA at the country and headquarters level, and is guided by local-level accountability frameworks.

Making the humanitarian system more efficient
While the funds primarily focus on life-saving response efforts in some of the world’s most complex emergencies, they also play a role in supporting innovative approaches to humanitarian financing and helping the humanitarian system evolve. The funds have, for example, contributed to the implementation of the ‘Grand Bargain’, an agreement between some of the largest donors and humanitarian organisations, who have committed to working together to ‘get more means into the hands of people in need and to improve the effectiveness and efficiency of the humanitarian action’.

Localisation and ensuring a people-centred response
The funds have placed great emphasis on supporting local actors, thereby ensuring that assistance is tailored to local contexts. In 2021, CBPSFs channelled US$ 268 million directly to national and local actors, making them the largest donors to local actors in countries with CBPSFs. This corresponds to 27% of total allocations, above the 25% global benchmark set at the 2016 World Humanitarian Summit (WHS). While CERF only funds UN agencies, a quarter of its funding is sub-granted to implementing partners, a majority of which goes to local and national actors. In 2020, this amounted to US$ 115 million.

The funds also attempt to strengthen the role played by national and local actors through promoting their participation and leadership in the coordination, prioritisation and delivery of assistance. A 2019 independent evaluation found: ‘CBSFs are fit for purpose to respond to the humanitarian crises of today – both in terms of funding neglected aspects of response, as well as providing life-saving assistance. They are also adaptable and able to accommodate changes in humanitarian priorities and program approaches.’

The pooled funds also ensure that people remain at the heart of the response, and that partners engage with affected communities throughout the programme cycle. Gender-sensitive programming is a key priority, with US$ 91 million going towards gender-based violence/gender programming in 2021.

Providing cash to those affected by crises
Cash as a response modality – giving money instead of goods in kind – is recognised as one of the most efficient and dignified ways to support those in need. In 2021, CERF and CBPSFs between them provided US$ 146.7 million (9.7% of funding allocated by the funds) directly to affected people in form of cash and vouchers, representing an 181% increase since the 2016 WHS. In 2020, CERF also made a special US$ 80 million allocation for cash and voucher assistance (CVA) to help stave off famine in six high-risk countries. In a study commissioned by OCHA a year later, the allocation was considered to have succeeded both in fighting hunger and catalysing funding from other donors for the CVA response.

Anticipatory and early action
In their bid to increase efficiency and ensure a more dignified response, the funds have also promoted early responses aimed at ensuring aid is delivered even before the impacts of crises are felt. Building on growing evidence that acting prior to the onset of a predictable hazard can reduce a humanitarian emergency’s impact and costs, CERF has played a crucial role in advancing the anticipatory action agenda by supporting the establishment of dedicated anticipatory action frameworks in a number of countries. Thus far, CERF has released a total of US$ 60 million for anticipatory action – addressing drought in Somalia and Ethiopia, and flooding in Bangladesh.
**Funding the funds**
The funds are resourced through donors pooling contributions as unearmarked funds to support humanitarian response efforts. In 2021, OCHA’s funds received US$ 1.8 billion in funding. Though this is a significant achievement, it falls short of the targets set for both CERF (US$ 1 bn)\(^9\) and CBPFs (US$ 1.9 bn).\(^{10}\)

Donors channel resources through the funds to support coordinated and prioritised humanitarian action. Pooling of funding allows donors to transfer fund and risk management to OCHA, and to extend support to countries where they lack the independent means to process applications and grants. To date, 139 countries have donated to the funds, in addition to tens of private contributions channelled via the UN Foundation.

**The way forward for humanitarian pooled funds**
The alarming trend of ever-growing humanitarian needs coupled with chronic underfunding mean it is vital that the funds continue increasing their efficiency and enhancing their impact. Ensuring better connectivity with development actors and international financial institutions is particularly critical when it comes to supporting efforts aimed at reducing need, building resilience and contributing to achievement of the Sustainable Development Goals.

![Figure 1: Total pooled fund contributions 2021](image1)

![Figure 2: Top five donors 2021 (US$ billion)](image2)

Source: OCHA Pooled Funds Data Hub

Source: OCHA Financial Tracking Service (FTS)
Footnotes


4 The range for CERF grants is calculated based on the five-year average of smallest allocations and the largest allocations.

5 ‘Localisation’ refers to national and local humanitarian actors taking a greater role in the management and delivery of humanitarian aid and represents a key policy direction for the humanitarian community since the 2016 World Humanitarian Summit.

6 The Grand Bargain 2.0 Framework lays out how the signatories will work towards the overall strategic objective and enabling priorities through four main outcome pillars: 1) flexibility, predictability, transparency and tracking; 2) equitable and principled partnerships; 3) accountability and inclusion; and 4) prioritisation and coordination.

7 The recipient countries were Afghanistan, Burkina Faso, the Democratic Republic of Congo, Nigeria, South Sudan and Yemen.


10 CBPF funding targets are set at 15% of funding received for corresponding humanitarian response plans.
Re-discovering assessed contributions in the UN system: Underexploited, yet full of potential

By Silke Weinlich, Nilima Gulrajani and Sebastian Haug

In May 2022, the World Health Organization (WHO)’s Member States took the historic decision to increase the share of assessed contributions in the organisation’s regular budget from 16% to 50% by 2028. While future budget negotiations will show whether Member States honour their commitments, the political signal is clear. Member States want to provide a more sustainable financial footing for WHO which is currently overly dependent on voluntary earmarked funding, including from private actors. The pitfalls of (certain forms) of earmarked funding have been widely discussed, not least in previous editions of this report. Assessed contributions represent an important alternative route to sustainable financing for multilateralism as they cannot be arbitrarily withdrawn – they are membership fees that all states are obliged to contribute. Assessed contributions can also be re-purposed in line with an international organisation’s mandate and core organisational needs, thereby enabling the organisation to act more effectively, independently and with greater authority.¹

The WHO decision, addressing a well-analysed problem and following 18 months of difficult consultations, is path-breaking for the wider United Nations system. WHO is just one organisation among many where a zero-nominal growth paradigm has been stifling core budgets (since the 1980s), while voluntary (earmarked) resources have grown drastically. Proponents of zero-nominal growth in core resources – mainly the largest contributors – have also opposed assessed contributions being used for new tasks such as securing the funding of the Resident Coordinator system.²

There are good reasons to assume the increase in the assessed contributions share at the WHO during the COVID-19 pandemic is a singular measure, unlikely to be repeated for other UN entities in the near future. Opposition may stem from austerity considerations and/or dissatisfaction with an organisation’s effectiveness and efficiency. Also implicitly at play, however, may be discomfort with a more autonomous international bureaucracy, leading to a desire to limit funds whose use is jointly decided by UN members (as opposed to earmarked funds which give individual providers more leeway).

On the road to the UN Summit of the Future in September 2023, however, assessed contributions – which remain an underexploited instrument for collectively funding global tasks – should not be discarded prematurely. Given current global instability and crises, expanding and reforming their usage could help make UN organisations and multilateral action more effective. Equally important in times of geopolitical upheaval, assessed contributions symbolise a commitment to collectively shared responsibility and a belief in multilateral priority setting, as cumbersome as this may be.
Assessed contributions in the UN system

Previous editions of this report have dedicated considerable attention to voluntary and innovative forms of funding, frequently from non-state actors. By contrast, assessed contributions have rarely been mentioned, perhaps due to the relatively small and stagnating share of total UN resources they constitute.

The overall share of assessed contributions in the UN’s total revenue stood at 21.9% in 2020. Of the 31 UN organisations receiving assessed contributions in 2020, 18 received more than half their total revenues from other sources (see Figure 1). As a general pattern, forum organisations that predominantly set global rules and support decision-making – such as the World Trade Organisation – are funded mainly by assessed contributions. By contrast, organisations like WHO, which also engage in operational activities on the ground, rely to a large degree on voluntary sources of funding (the one notable exception being peacekeeping).

Assessed contributions provide flexible and reliable funds, and can ensure a UN entity’s institutional independence and integrity. Even so, they by no means represent a cast-iron guarantee for a solidly financed multilateral organisation, nor are they a panacea for funding global goods.

Upsides and downsides of assessed contributions

The UN and individual UN organisations have been on the brink of insolvency several times due to Member States withholding their mandatory payments, paying late or failing to pay the full amount due. In April 2022, for example, unpaid assessments to the UN regular budget amounted to more than half the total assessment for that year. While non-payment may be the result of austerity or financial crises, payment morale is often linked to political considerations.

The scale of assessments distributes the costs of UN membership among all Member States. Given that economic power is the most important variable in

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Figure 1: Revenue split for UN bodies’ assessed contributions, 2020

Source: UN System Chief Executives Board for Coordination
determining assessment rates, however, the brunt of the costs is borne by only a small number of countries. In the 2019–2021 assessment period, the five largest contributors alone – the United States (22%), China (12%), Japan (8.6%), Germany (6.1%), and the United Kingdom (4.6%) – contributed more than half of the regular UN budget, paying more than the other 188 Member States combined.

While imperfect, the scale arguably operationalises collective responsibility in a more nuanced way than, for example, the principle of common but differentiated responsibility in the climate regime, which is based on a binary distinction between developing and developed countries. It is noteworthy that the scale of assessments has accommodated the economic rise of large middle-income countries without major disruption, despite the – in both absolute and relative terms – substantive increases in their contributions, particularly in the case of China. Given that all Member States are required to make a contribution, however, there are also ownership advantages of financing via assessed contributions over a wholly voluntarily financed scheme.

Though assessed contributions impose more substantive limits to unilateral influence than voluntary funding, they do not prevent power politics from influencing programmatic and budgetary decision-making. Even if assessed contributions arguably protect global institutions from individual Member State priorities to a greater degree, political controversies – about the value of human rights or the role of civil society, for instance – are carried into budgetary decisions.

Increasing geopolitical tensions further complicate the picture. While China’s future economic growth is difficult to predict, the country could have a regular budget share at the UN matching that of the United States as soon as 2028. On the one hand, China’s growing share of the UN’s regular budget potentially lowers the budget burdens of others. On the other hand, China is expected to make use of its increased financial clout to advance its interests through the UN system.

The way forward

Expanding and reforming the use of assessed contributions

The inherent challenges of the scale of assessments and related budgetary and programmatic decisions notwithstanding, assessed contributions have thus far been an underexploited tool in the UN system and could be allocated a larger space in the overall funding mix. Historically, it seems Member States only agreed to an obligatory funding model because they expected costs to be modest, supporting the work of the UN as a conference organisation. Yet, as outlined by Secretary-General Guterres in his 2021 flagship report Our Common Agenda, the UN needs to become a more meaningful actor in the protection and provision of global commons and global public goods. Several of the UN entities that receive assessed contributions could play a more important role in this regard. An increase in assessed contributions would be one step towards ensuring that they are better equipped for this task.

Linking funding reform discussions and the UN’s desired global functions

While the functional expectations of multilateral organisations will always face political imperatives, the WHO example offers an opportunity to articulate the desired global governance functions of UN entities and the different forms of funding needed to implement them. There is no need to start from scratch – recent conversations around the reform of the UN development system and the funding compact (see John Hendra’s contribution in this report), as well as the process around Our Common Agenda, provide a good starting point. The discussion about UN global governance functions should have a dedicated financial dimension and include a focus on the right match between functions and funding: Do assessed contributions provide the best revenue stream in each case? Where are other forms of funding more appropriate, such as replenishments, fees, negotiated pledges, or soft and hard earmarking?

Making the formula for assessed contributions fit for a world of transnational challenges

While various components of the UN scale of assessments have evolved since the 1940s, for the past 20 years the formula has remained remarkably stable. It weights contributions according to a country’s economic strength and population size, with adjustments made on the basis of income per capita and debt burden, the intention being to ensure fair financing obligations across countries of dissimilar means. The formula’s minimum contribution currently stands at 0.001% of the regular UN budget, while its maximum contribution is 22%.

In order to ensure this basic formula remains fit for purpose in the context of profound global power shifts and existential transnational challenges, Member States should explore the possibility of adding indicators to the scale of assessments for specific UN bodies. Here, the premium on peacekeeping costs paid by the Security Council’s five permanent members serves as a case in point. While a fine balance needs to be struck between mobilising resources and operationalising differences in capabilities and responsibilities, issue-specific dimensions could help in updating the regular budget formulas of individual entities. For example, should a Member...
State’s climate change vulnerability be factored in? Or its carbon footprint? Or its readiness to host large refugee populations?

Such dimensions could also add a merit-based element to the question of who absorbs the costs of global governance. Any change to the formula is likely to be controversial, as it will shift the distribution of costs among Member States at a time of extreme geopolitical sensitivity and fiscal constraint. The review of the formula would also not be complete without asking whether the cap of 22% (the ceiling currently limiting the share of assessed contributions assigned to any given Member State) should not be significantly lowered to reduce dependencies.

**Strengthening mechanisms that penalise arrears**

One of the main challenges of the UN’s current assessed contribution system is that a small but significant number of Member States pay late, partly, or not at all. In April 2022, by far the largest debtor to the UN’s regular and peacekeeping budgets was the United States, followed by China and Brazil. To counter such ‘low payment morale’, a more comprehensive set of mechanisms should be considered to increase timely and full compliance with assessed contribution obligations. As a first step, more transparency across the system could be introduced. System-wide data on arrears – i.e. late payments – should be as easily accessible on the Chief Executives Board’s website as that on funding flows.

The assessed contribution formula itself could be adapted by using a variable that factors in past payment performance when calculating budget allocations. Tightening sanctions for non-payment by lowering the threshold beyond which Member States lose their voting rights at UN assemblies if they do not pay their dues, or do not pay on time, could also be considered. Throughout, a more explicit distinction should be made between an inability to pay – in the case of emergency situations in least developed countries, for instance – and an unwillingness to pay for geopolitical or other strategic reasons.

**Conclusion**

The decision to gradually increase the share of assessed contributions at WHO is good news for multilateralism, which has otherwise suffered many setbacks this year. Despite various controversies, there is agreement that UN organisations provide unique global governance functions, and that all Member States are willing to invest in and strengthen them. The Summit of the Future will provide an opportunity to apply this insight more universally across all UN bodies in receipt of assessed contributions. An honest reflection will require a reassessment of the essential global functions the UN system can play in an increasingly polarised and unstable world.

**Footnotes**

1 For a more comprehensive explanation of why assessed contributions need to be increased and how the new measures will work, see World Health Organization, ‘Rationale for an Increase in Assessed Contributions’, 21 April 2021, https://apps.who.int/gb/wgcf/pdf_files/wgcf7/WGCF_7_INF1-en.pdf.
Scaling up support to address fragility, conflict and violence

By Soukeyna Kane

The global fragility landscape has worsened significantly in the last few years, impacting both low-income and middle-income countries. Violent conflicts have increased to the highest levels observed over the past three decades. In 2021, an estimated 44% of people below the poverty line were in countries on the World Bank’s fragile and conflict-affected situations (FCS) list. The world is also witnessing heightened geopolitical tensions — most notably the far-reaching impacts of the current conflict in Ukraine. Concurrently, the COVID-19 pandemic and its socioeconomic impacts are increasing poverty and aggravating existing fragility, conflict, and violence (FCV) risks, amid a context of rising food insecurity, natural hazards, and climate-related stresses.

The World Bank Group (WBG), comprising the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA), has steadily expanded support for programmes and institutions that boost economic growth, reduce inequalities, and improve the living conditions of people and countries impacted by FCV. The WBG tripled the share of IDA financing for FCS between IDA16 and IDA19, with $30.3 billion going to these countries under IDA19. In fiscal year 2022, the Bank approved $16.3 billion in IDA19 commitments for FCS countries. The IDA20 replenishment, approved in December 2021, builds on this support, allocating over $39 billion for FCV settings between July 2022 and June 2025. Similarly, the share of the IBRD portfolio under implementation in FCS countries has doubled, from US$ 2.8 billion in 2016 to US$ 5.6 billion in 2021. The IFC’s own-account long-term investment commitments in IDA17 and FCS countries stood at 33% of all investments as of FY22 Q2 end, compared to 21–26% over the past five years. MIGA’s FCS portfolio stands at a record US$ 2.24 billion, an increase of 17% over the past ten years.

The World Bank has estimated that by 2030 around half the global extreme poor will live in fragile and conflict-affected settings, meaning collective action on the FCV agenda is critical to ending extreme poverty and achieving the Sustainable Development Goals (SDGs). In addressing this challenge, the scale-up in WBG funding for FCV has proved critical — not only has it served as a catalyst for the change in our FCV approach, but it has also helped us articulate a more tailored response to diverse situations of fragility.

As part of this scale-up, the IDA strengthened its role in preventing the onset, escalation, and recurrence of violent conflict. To this end, we have established the FCV Envelope under IDA19 to enhance support for FCV-affected countries. The FCV Envelope resources serve as top-ups to regular efforts supported by performance-based allocation aimed at developing tailored solutions to FCV drivers and leveraging sources of resilience.

The three distinct categories of the FCV Envelope have facilitated tailored solutions addressing conflict prevention, development gain preservation and transition management. The Prevention and Resilience
Renewal of Multilateralism

about US$ 16 is saved down the road.5 Furthermore, Peace Pathways for joint United Nations–World Bank report, support for preventive action in fragile settings. The achieved, it is vital to prioritise prevention and scale up

Over the years we have learned that, if the SDGs and the WBG’s mission to end extreme poverty are to be achieved, it is vital to prioritise prevention and scale up support for preventive action in fragile settings. The joint United Nations–World Bank report, Pathways for Peace, found that for every US$ 1 invested in prevention, about US$ 16 is saved down the road. Furthermore, we know that conflicts drive 80% of all humanitarian needs. In addition to the devastating human toll, the economic and social costs of conflict are often staggering. Investing in prevention is therefore critical not only to saving lives, but to directing more resources towards sustainable development outcomes (rather than repeated emergency and reconstruction efforts).

Pathways for Peace demonstrates that development policies and programmes must be a core part of preventive efforts. As such, we need to address the exclusion-related grievances – for example, lack of access to power, natural resources, security, and justice – at the root of many violent conflicts today. It is particularly vital that preventive action adopt a more people-centred approach. This entails both addressing immediate challenges such as gender-based violence, and promoting the longer-term policies needed to address the aspirations of, among others, women, and youth – this is vital in effectively preventing conflict and sustaining peace.

The adoption of the FCV Strategy in February 2020 and the establishment of the FCV Envelope under IDA19 demonstrates strong support for preventing and transitioning out of conflict and fragility as a development issue. Across IDA and IBRD countries, the WBG is employing diagnostics and country engagement in its prevention and transition work. Using analytics such as risk and resilience assessments (RRAs), economic and sector analyses, and impact and needs assessments we can identify the drivers of fragility. This information can then be used to ensure country strategies and programming properly address the core grievances fuelling fragility, sustaining conflict, and undermining institutional resilience.

Work on prevention is further reinforced by the IDA19-specific allocations – the previously noted PRA, RECA and TAA – supporting programmes aimed at preventing conflict escalation and promoting turnaround. These dedicated resources have led to deeper dialogues with governments regarding the prevention and transition agenda, as well as stronger collaboration with partners. For example, rapidly increasing insecurity in northern Mozambique led to a rethink of our country engagement. Constructive dialogue with the government, as well as international and national stakeholders, on the country’s conflict risks and resilience (based on the RRA) supported access to the PRA, opening new opportunities for engagement. This led to the IDA programme becoming more tightly focused on supporting conflict prevention. The IFC has also addressed prevention by engaging with excluded groups in rural settings through micro-, small- and medium-enterprise finance and agricultural supply chains, and has worked to enhance engagement with women and youth. Through such approaches, we are actively helping governments address the type of grievances that can potentially lead to violent extremism and conflict.

Support for refugees and host communities

In recent years, we have scaled up our role in addressing one of the most important challenges of our time. With the global number of forcibly displaced people, both internally displaced populations and refugees, having more than doubled in a decade from 41 million in 2010 to over 100 million by the end of 2020 – including large flows of people from and within countries and regions such as Ukraine, Afghanistan, Syria and the Sahel – the international community faces the most significant forced displacement crisis since the Second World War. Given that these populations are often displaced for years – sometimes even decades – this poses both a humanitarian and development challenge. As such, we have taken concrete steps to partner with the UN High Commissioner for Refugees (UNHCR) and others to significantly increase our support to refugees and host communities.

IDA18 introduced the Sub-Window for Refugees and Host Communities (RSW) to support host countries responding to refugee crises. A country is eligible for the RSW if it is hosting at least 25,000 refugees (or at least 0.1% of the country’s population). Moreover, the country must have in place an adequate protection framework and an action plan/strategy containing concrete steps for the protection of refugees. Under IDA18 and IDA19, US$ 3.4 billion of funding under the Refugee Sub-window/Window for Host Communities
and Refugees has been made available, with a further US$ 2.4 billion allocation planned under IDA20. This has led to 50 approved projects in 14 countries. In parallel, the Global Concessional Financing Facility (GCFF), established after the Syrian refugee crisis, has provided concessional financing to help IBRD host countries address refugee crises. GCFF support has benefited Jordan, Lebanon, Colombia and Ecuador, and has helped strengthen the partnership between the Bank and the UNHCR around the humanitarian–development nexus. Following the outbreak of war in Ukraine in 2022, Moldova has applied to join the GCFF as a beneficiary.

**Mobilising private sector support**

Around 90% of jobs in fragile and conflict-affected settings are created by the private sector. As such, the private sector has a key role to play in such settings. However, there are significant barriers to operating in these environments, including poor infrastructure, regulatory and institutional barriers, elite capture, and lack of access to finance. Moreover, high capital risks associated with FCV contexts deter both domestic and foreign investors, as well as hampering access to external markets.

The FCV Strategy, IFC 3.0 Strategy and MIGA’s FY21–23 Strategy all emphasise the critical role of private sector development in resolving FCV situations, as well as the importance of developing integrated solutions. We are not only deepening our financial support but deploying innovative products and additional resources to achieve impact at the sectoral and market level in FCV contexts. Thus, the IFC has increased the share of short-term finance in IDA and FCS, and MIGA is adapting its political risk insurance instrument to FCV settings, which it plans to augment with the newly introduced Trade Finance Product, aimed at accelerating growth in private capital mobilisation with a special focus on FCV. We are also leveraging IBRD, IDA and grant resources to support productivity-enhancing innovation in FCV contexts. In Jordan, for example, World Bank lending has supported private sector jobs and the financial inclusion of refugees. In West Bank/Gaza and the Sahel, meanwhile, the IFC is investing in platforms aimed at increasing financial and insurance services to female-led and owned small enterprises.

One of our main tools facilitating the de-risking of projects in FCS markets is the IDA Private Sector Window (PSW), introduced under IDA18 to create markets and catalyse private investment where fully commercial solutions are not yet possible and the WBG’s other financial instruments are insufficient. The PSW has enabled us to invest in the most challenging FCV contexts. For example, MIGA was able to offer political risk insurance for the Tulu Moye project, an early exploration-stage geothermal energy project in Ethiopia, and for the Escotel project, which provides captive renewable energy to support telecoms infrastructure in Sierra Leone and Liberia, driving digitalisation in both countries.

These types of engagements and operations have mobilised substantial private capital – since FY17, the IFC and the MIGA have respectively mobilised US$ 19.4 billion and US$ 11.4 billion of private capital in IDA and FCS countries.

**Strengthening partnerships**

In the past few years, we have intensified mission-driven partnerships, leveraging the complementary mandates, capacity, and expertise of partner organisations to maximise collective impact. Intensified collaboration and more systematic coordination are taking place regarding joint analyses and assessments of multidimensional risks; coordinated efforts to address forced displacement crises; dialogue on the conflict prevention agenda; and data and information sharing. In addition, working in effective partnerships is becoming part of the core FCV learning modules, to which UN resource personnel are regularly invited, with training slots also allocated for external partners.

In many FCV countries, the World Bank is leading donor efforts on issues of development impact. The Bank works closely with multilateral, bilateral and domestic partners, including the UN, the International Monetary Fund (IMF) and other multilateral development banks (MDBs), the European Union, regional organisations such as the African Union (AU), bilateral partners, civil society organisations, and the private sector. Cooperation with the UN is particularly strong, incorporating both direct and indirect financing, as well as collaboration on policy, operations, and analysis. The World Bank now has a structured partnership with the UN in more than 40 crisis-affected situations. Over the course of FY16–21, US$ 3.72 billion of IDA financing has been implemented with the support of UN agencies. We have also increased cooperation with the IMF and other MDBs to ensure alignment on policy frameworks and reforms, and country programmes.

With COVID–19 bringing new challenges to FCV settings, we have partnered with UN agencies, the Asian Development Bank, and others to strengthen health systems and social safety nets, reaching vulnerable communities in FCV countries such as Papua New Guinea, Haiti, Niger and Yemen. Finally, in 2020, the World Bank formalised an agreement with the International Committee of the Red Cross (ICRC).
Working with entities such as the ICRC has enhanced our engagement in insecure settings where no one else is present, including in parts of Somalia and South Sudan.

Partnerships will remain central to our work in FCV countries, with special attention paid to those that are helpful in crisis preparedness and resilience building. Doing so will facilitate the leveraging of comparative advantages and deployment of complementary technical expertise in fragile settings. Moreover, partnerships will be closely linked to implementation of the IDA20 FCV policy and financial package, as well as the strengthening of regional cooperation in Africa through organisations such as the Intergovernmental Authority on Development, the Economic Community of West African States, and the AU. Finally, we will reinforce our engagement with civil society in FCV settings to strengthen resilience and promote inclusive economic growth.

**Conclusion**

Conflict prevention, reduction and turnaround are complex processes requiring sustained long-term engagement. Countries with deeply entrenched drivers of FCV cannot be expected to transition out of conflict in a short timeframe. Many of the FCV Envelope’s recipients have been in or in-and-out of conflict for many years, if not decades. Thus, engaging in these countries is not a linear process. The flexible and context-driven approach backed by the FCV Strategy and FCV Envelope has enabled us to support countries in their long journeys towards peace and stability. We must now build on the progress made and continue our collective efforts to build hope, opportunity and prosperity for the millions of people still living in the most challenging situations.

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**Footnotes**


2 Numbers may not be directly comparable across years due to change in FCS classification methodology starting in FY20 and the fact that the FCS list is updated annually. IDA and IBRD figures as of December 2021.

3 The IFC tracks its operations in IDA17 and FCS countries as follows: IDA17 countries are those eligible for IDA financing as of 1 July 2016, including blend and gap countries. FCS countries are defined as those on the World Bank’s FCS list in the current fiscal year, plus countries that graduated in the last three fiscal years. IFC data is based on these definitions and referred to as ‘IDA17 and FCS’.

4 When short-term finance is included, the share in IDA17 and FCS reached 56% in FY22 Q2, compared to 31–42% in the past five years.

Costs of delayed development and re-securing the UN’s Development Role in unsettled times

By Kanni Wignaraja

Approaching ‘the nexus’ in unsettled times

These are uniquely unsettling times, with one of the most devastating consequences of the current moment being the erosion of hard-won development gains. The compounded crises of the COVID-19 pandemic, food and fuel insecurity, fiscal collapse, political upheaval, climate shocks and the war in Ukraine have stalled or reversed decades of progress. In such circumstances, the United Nations development system should not be subject to a stop–go edict that further contributes to this erosion while at the same time swelling the humanitarian caseload and costs.

A new way of working – the humanitarian–development nexus – has arisen out of the imperative that ‘the volume, cost and length of humanitarian assistance over the past 10 years has grown dramatically’, with ‘inter-agency humanitarian appeals lasting an average of seven years’ and the size of appeals increasing ‘nearly 400% in the last decade’. Here, it should be noted that the term ‘nexus’ is defined as a connection or series of connections, and speaks to the centrality of continuous combined action. It does not imply a staggered or discontinuous sequence of actions.

Threading the needle in crisis contexts

Afghanistan, Myanmar, Pakistan and Sri Lanka – four countries in the Asia-Pacific region in the grips of very different crises – exemplify the stakes for vulnerable populations in countries that, until recently, had enjoyed an upward development trajectory. Afghanistan has experienced a freeze on choice and opportunities for women and girls, and on local institutions providing basic services. This includes its vast network of health centres, which has been brought to a near standstill. The Afghan economy is in freefall, pushing the country’s 40 million population to near-universal poverty. Meanwhile, Myanmar’s political transition has threatened to upend decades of progress and has brought the country’s civil and public services to its knees, with about half the population now living in extreme poverty; Sri Lanka’s debt catastrophe has put its population at risk of severe shortages of essential foods, medicines and energy; and Pakistan’s rupee is sinking as uncertainty looms. An International Monetary Fund intervention is urgently needed to help stabilise its currency.

The scale and speed of the protracted crises that have arisen across the world has been staggering, directly impacting over 100 million people in the above-mentioned countries alone, albeit unequally. The international community is awake to the urgency but, in the cases of Afghanistan and Myanmar, is working with one hand tied behind its back – for even when the sanctions regimes do not inhibit development assistance to vulnerable populations, development resources are being frozen or redirected. It is essential that a zero-sum game involving humanitarian and development interventions competing for funding is avoided. Both are necessary to save lives under emergency circumstances and for graduating from a situation of aid dependency to sustainable development progress.

Over a billion people are currently living in countries affected by long-term humanitarian crises. Around 274 million people are expected to require humanitarian assistance in 2022, an increase of 14% compared to the previous year. In such dire situations, there is a need to
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Fundamental to the development agenda is the notion that durable return to resilience in institutions are key to unlocking a faster, less costly and the recovery of community capabilities, services and stabilisation of local economies and investment in of supporting development through emergencies. Early through global partnerships is a fundamental premise returning to a locally-determined recovery supported Second World War. Securing development gains and and reconstruction that took place in the wake of the agendas, as acutely demonstrated by the recovery drift away from the core concepts underpinning both 'humanitarian' and 'development' support may represent not only a reductive error, but a significant 'humanitarian' and 'development' activities are at scale. Humanitarian aid does this, and as a term is broadly understood to refer to acute crisis responses – a stopgap that serves immediate needs and averts human disaster while paving the way for conditions conducive to development being restored. These pathways to development are, however, all-too-often delayed. Instead, a political response leads to development support being paused or severely downscaled, resulting in relief operations having to persist, as seen in countries such as the Democratic Republic of the Congo, Sudan, South Sudan, Jordan, Yemen, Syria and Afghanistan. The resource requests ultimately involve billions of dollars being expended in order to continue these costly high-volume relief measures, some of which are over a decade old. Protracted crises beget protracted ‘short-term’ funding. And so the cycle begins again.

By 2030, up to two-thirds of the global extreme poor will be living in fragility and conflict situations. This scenario only seems destined to get worse – on average, poverty rates are stuck at 40% and above in countries with economies facing chronic fragility and conflict. All indications are that, in a world unsettled by successive disruptions, crisis will be our new normal for the foreseeable future. Various calamities appear stacked one atop the other: droughts and floods accompanied by economic collapse and military takeovers, compounded by inflation and increasingly unaffordable essential commodities, leading to a global cost-of-living crisis. An increasing number of countries are now in the grips of multi-fold tragedies, making it harder to predict and plan for the future.

Supporting development through emergencies

Against this backdrop, the bifurcation between ‘humanitarian’ and ‘development’ support may represent not only a reductive error, but a significant drift away from the core concepts underpinning both agendas, as acutely demonstrated by the recovery and reconstruction that took place in the wake of the Second World War. Securing development gains and returning to a locally-determined recovery supported through global partnerships is a fundamental premise of supporting development through emergencies. Early stabilisation of local economies and investment in the recovery of community capabilities, services and institutions are key to unlocking a faster, less costly and durable return to resilience.

Fundamental to the development agenda is the notion that people – their priorities, agency, dignity and empowerment – drive progress. Whatever the prevailing conditions or entry points of the UN’s work, all efforts must lead to supporting people’s ability to choose their futures, and to safeguarding the systems and institutions that preserve their capacity to exercise choice. This is particularly the case for women and girls, who bear the brunt of conflict and in contexts such as Afghanistan have had their basic rights and freedoms curtailed, or, as in parts of Myanmar, fear to leave their homes. There is no human development progress without a woman’s right to learn and to earn. A citizen under the authority of a government that is unrecognised is no less deserving of electricity and a means to support herself. A formal cooperation agreement, drawn up years ago in an office thousands of kilometres away, does her no good. Nor does it serve her simply to wait, hoping her turn to participate in the humanitarian–development–peace continuum will come. Why should she not benefit from a temporary basic income, credit for her business, or local mini-grids that can keep her school, clinic and home functioning with heat and light? Should we not work with whatever viable local systems and peoples’ institutions are to hand and find creative ways to support her?

In responding to these questions, we must acknowledge that, like human life itself, development assistance works best without stoppages or suspensions. When ‘humanitarian’ and ‘development’ activities are driven apart and the latter put on hold due to political expediency, it leads to a million tiny cuts, each representing an individual made more vulnerable. Moreover, it exacerbates and prolongs crises.

Pushing boundaries

There can be no funds provided through states or to individuals who are sanctioned and not recognised by the UN General Assembly. Even so, development cannot be equated with the formalistic conception of ‘development cooperation’. Where situations permit longer-term development cooperation frameworks aligned to national goals and plans led by governments recognised by their people, these can provide a guide, a collaborative platform and discipline to international assistance. As seen during our unsettled times, however, country circumstances differ greatly and the international community must be willing to adopt a more flexible approach, directly supporting people in situations where such development cooperation frameworks are not feasible. Not only has this been shown to work, the UN development system has the instruments needed to proceed in this direction. This is how the UN Development Programme (UNDP) is working in these contexts, with access and capability to directly deliver.
Delivering on the imperative to ‘leave no one behind’ means pushing the boundaries to effect positive change in the lives of the most forgotten and bruised. Today, in cases where policy instruments cannot serve, a ‘stay and deliver’ ground presence and technology can offer a path forward. Digitalisation makes it possible to serve a wider swath of society than ever before through banking services, mobile communication, virtual learning and e-health services. Such capacities and innovations can also connect to local service infrastructure and facilitate financing, markets, jobs and basic services. Moreover, they can contribute to updating the social contract between people and their governing entities at both a local and national level.

Smart adjustments in delivery mechanisms can also make a difference. There is evidence, for example, that applying anticipatory approaches – ie crisis development responses taken in advance – can leave people better off. A 2021 study showed that households in Bangladesh receiving anticipatory cash transfers prior to forecasted extreme flooding had been 36% less likely to go a day without eating during the subsequent flood. On top of this, three months after the flood, these households reported considerably higher food consumption and wellbeing than households that had not received the anticipatory transfers. The results of livelihood schemes, which have a multiplier effect in creating jobs and expanding household income, are convincing.

More broadly, preserving the systems and institutions that empower people to fend for themselves should be made a priority. In Afghanistan, UNDP has joined up with 15 UN agencies and 65 non-governmental and civil society organisation partners in order to support job creation and cash-for-work; reinforce the local banking and finance sector so people can access credit to run their small farms and businesses; stand up renewable energy supply; ensure teachers and medical workers continue to be paid; and see that health and irrigation systems begin to work again. Such development activities not only have an immediate impact in saving lives and livelihoods, in the medium- to-longer term they will go on to save many more.

Humanitarian principles are not stretched or threatened by engaging in development during emergencies. On the contrary, it is these principles that ensure impartiality, access and protection for life-saving interventions irrespective of national authority affiliation. They are embodied in the Geneva Conventions as a powerful underpinning for the work the entire UN system and its partners engage in during times of acute emergency.

A return to development

A return to development is not defined or measured by development cooperation frameworks or the extent of development coordination. It is defined and measured through progress on development results. Today, this means getting back on track with the Sustainable Development Goals, no matter how hard this may be. Delaying development is counter-productive and expensive. Halting development progress – and with it, people’s ability to safeguard their lives and dignities – only adds to the costs of relief interventions.

In an operating context defined by the COVID-19 pandemic, war, global warming and a looming debt crisis, support for people’s opportunities and choice needs to be smarter and more adaptive than ever. The primary ingredients for peace and progress – personal agency and trust in institutions – must be continually supported, notwithstanding the many disruptions that, for the foreseeable future, constitute our reality.

Footnotes

Funding prevention: Four lessons from the world of personal training

By Richard Bailey

Introduction
In 1736, Benjamin Franklin proclaimed that an ounce of prevention is worth a pound of cure. If that statement was true in 1736, it is even more so today in our world of compounding and cascading risks. Despite all the evidence that prevention works, however, we still seem incapable of properly financing it. Why not?

I currently serve as the Chief of the External Relations Section for the United Nations Office for Disaster Risk Reduction (UNDRR), so it could be argued that the solution is for my team and I to work a bit harder in mobilising the necessary funds. Nonetheless, I believe there are more fundamental problems. Despite its great work, UNDRR is funded at approximately US$ 50 million per year, a tiny amount compared to the UN’s humanitarian budget of over US$ 21 billion. Of course, there are many other parts of the UN doing excellent work on prevention outside the UNDRR’s budget, so this doesn’t paint a full picture. Nonetheless, a more general look at funding flows for disaster risk reduction (DRR) suggests that the volume of funding to prevention remains extremely low. According to UNDRR, only 0.5% (amounting to US$ 5.5 billion) of official development assistance funding allocated to disasters between 2010 and 2019 went to DRR. Why such a low figure, and can anything be done?

When thinking about difficult problems there are worse places to start than Plato. In considering what constituted a just individual, Plato started big, looking first at a just city state before applying the same logic to the individual. In order to explain why we don’t properly fund prevention at a national or global level, I propose to inverse this logic by looking first at the individual. A good many years ago, before I began working in international development, I was a personal trainer. My value addition, in those days, was essentially making people do what they wanted but couldn’t quite bring themselves to do – get fit. The hardest part of exercise is often getting out of the house in the first place. You’re glad after you’ve done it, and perhaps even glad when you’re doing it, but somehow getting going is really tough.

Prevention is not dissimilar. It’s a good thing to do and everyone agrees it’s important. We’re glad when we’ve done it, but, despite our best intentions, we just cannot find the resources to do it properly. The consequences of a life spent failing to exercise can be serious: obesity, stress, heart disease, etc. The consequences of failing to enact prevention at the global, national and local level, no less so. Hazards becoming disasters.

So, what can be done? Are there any lessons from my personal training days that can be applied to financing prevention? I think so, as demonstrated below.

Lesson 1
Start with good information
Before starting with a new client, I would want to know who I was dealing with. What hasn’t worked before? What challenges are they dealing with? What are the bottlenecks? It’s the same with financing prevention. In order to ensure we are focusing on and investing in the highest risk areas, we need to build from a good base of data. Fortunately, UNDRR and its partners are doing some great work in this area, including establishing the Risk Information Exchange (RiX). Targeting multiple countries, RiX is designed to be a multi-purpose, one-stop national risk information clearinghouse that aggregates open-source risk datasets.

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The views and interpretations in this section do not necessarily represent the view of the United Nations.
and information. RiX already exists in 9 countries, and we are planning on rolling out to a total of 51 countries by 2024. Given there is already a lot of data out there that is not always easily accessible to end-users, RiX does not have an exclusive focus on creating new data. We hope that RiX will provide decision-makers with easy access to the information they need, when they need it, allowing them to make good decisions on prevention.

Lesson 2
Freedom to choose is freedom to lose

For my second lesson I must again borrow from ancient wisdom, this time from Odysseus, who faced a challenge: how to get home through the straights of Messina with the beautiful song of the Sirens tempting him to steer off course. To achieve his best outcome – getting home safely – he had his crew tie him to his ship’s mast while the rest of the men blocked their ears with wax. It worked and our hero made it back to Ithaca. Likewise, while my personal training clients wanted to get fit, they were always distracted with other priorities. Thus, they committed in advance to a series of sessions and, whether they felt like it or not, on any particular evening they trained or they paid.

Despite knowing that prevention makes sense from a financial and moral point of view – every US$ 1 invested in risk reduction and prevention can save up to US$ 15 in post-disaster recovery – when faced with immediate humanitarian needs, funding for prevention gets squeezed out. To properly fund prevention, therefore, we need to metaphorically tie ourselves to a mast and sign up for a course of ten training sessions and, whether they felt like it or not, on any particular evening they trained or they paid.

Only by making this pre-commitment explicit and transparent will we be able to hold ourselves to account. This isn’t a new idea and has been successfully implemented before. For example, Mexican law mandated that DRR receive a minimum 0.4% of the country’s annual federal budget. Meanwhile, the UN has tried something not dissimilar with the 1% coordination levy applied to its agencies. Given this, might the UN consider committing, ex-ante, to put a certain percentage of its agencies’ budget. Meanwhile, the UN has tried something not dissimilar with the 1% coordination levy applied to its agencies. Given this, might the UN consider committing, ex-ante, to put a certain percentage of its agencies’ budget.

Could donors likewise require that a certain percentage of funding towards prevention within its own agencies? Or perhaps this could be part of a further refined Funding Compact? If we can get this right, it could save billions, if not trillions, of dollars, as well as countless lives.

Lesson 3
Celebrate when nothing happens

Getting fit isn’t necessarily super exciting – it’s about sticking to a programme of action over the long term. The truth is that one training session won’t really make a difference, but commitment over a longer timescale will. Prevention can also be a bit dull – it’s not the photo op in a war zone or the heroic delivery of supplies against all odds. What it is, however, is urban planning done well; the patient articulation and implementation of a set of building codes; consistent work applied over many years. We need a shift of mindset in order to get better at funding and be able to celebrate the mundane: the anonymous bureaucrat working away, whose ultimate success is that nothing ever happens; the bridge that didn’t collapse in a storm; the Tsunami early-warning system that worked; the insurance scheme that kicked in so farmers didn’t have to sell their livestock.

In short, we need to get better at recognising, funding and celebrating these non-events.

Lesson 4
Avoid the creation of new risk

Losing weight is one thing. Not easy, but somehow do-able. What’s really tricky is keeping the weight off – maintaining a new way of doing things over the long term and building in good habits. The development process is the same. There are huge amounts of infrastructure, particularly in developing countries, yet to be built. The Organisation for Economic Co-operation and Development estimates that US$ 6.9 trillion a year is required in infrastructure investments up to 2030 to meet climate and development objectives. How this is done is critical. We need to build in resilience.

New structures can either build in risk through poor design and execution, or reduce it, particularly through incorporating Nature-based Solutions. To help this work, UNDRR is in the process of developing Principles of Resilient Infrastructure, which Member States and the private sector can then apply to their infrastructure investments. The aim is to become net positive on resilience, reducing risks as developments take place.

So, to conclude, if the UN is ever to progress from the couch and transform its middle-aged spread into a finely chiselled six-pack, there are four big things to consider: get the data right; lock ourselves into positive commitments; celebrate when nothing happens; and avoid the creation of new risks. UNDRR stands ready to support such efforts.

Footnotes
As an international financial institution (IFI) and United Nations specialised agency dedicated solely to agriculture and rural development, the International Fund for Agricultural Development (IFAD) is uniquely positioned for resource mobilisation. Its primary role is supporting people living in poverty in rural areas through the provision of loans and grants to member countries. These are no-strings-attached loans with favourable financial terms, such as long lending periods (e.g. a 40-year repayment timeline) and concessional interest rates. Repayment terms depend on the borrower’s capacity to service the loan, while great care is taken to ensure loans are not taken by countries that are unable to repay the principal back. Moreover, borrowers must meet internationally recognised debt distress indicators and projections criteria.

Loan repayments or reflows have, over time, become a key source of renewed financing for IFAD, which can afford to offer favourable loan terms due to the AA+ credit rating – one of the highest possible – that has been granted by two of the global credit rating agencies, Standard & Poors Global Ratings and Fitch Ratings. This rating enables the organisation to borrow funds cheaply by issuing bonds, for example in a private placement offering, then on-lending these funds at slightly higher interest rates.

Another reason that IFAD can offer competitive loans is its preferred creditor status. Globally, IFIs with this highest level of creditor status operate under the widely accepted principle that multilateral entities should be prioritised for debt repayment when borrowers experience financial stress. As such, IFAD is allowed to provide financing lifelines to countries that cannot borrow from domestic or international capital markets because they find it too expensive or have a poor (or no) credit rating.

IFAD was established in 1978, with its current high credit rating testament to the support it has received from the 177 member countries. Contributions are replenished every three years, alongside policy reviews in support of beneficiary countries, rural people and farmers. The replenishment process involves a year-long consultation in which operational and institutional performance is reviewed, new commitments are made and past commitments are assessed. To date, the replenishment sessions have spanned 12 cycles, resulting in more than US$ 10 billion of paid-in capital. The 2021 financial statements show an equity balance of US$ 10.2 billion, making it one of the largest UN agencies in terms of assets.

This resource base gives IFAD a unique opportunity compared to other UN agencies, as it can leverage its assets to benefit its clients. Another unique feature of the organisation is the recent expansion of its charter to encompass investment in the private sector. This means IFAD can now operate its lending business and use risk-management instruments such as guarantees and equity investments to support small-to-medium enterprises, farmer organisations and financial intermediaries.

The 2021 replenishment – the largest to date – is expected to total US$ 1.3 billion, with 25 countries increasing their contributions by 40% or more, 16 countries doubling their contributions and 15 countries that skipped the previous cycle contributing. This has further secured IFAD’s strong financial profile, which will ultimately result in more funding reaching the agricultural sector and those living in poverty in rural areas.
Partnerships, leveraging and scaling up

Scaling up the impact of development and climate interventions
By Johannes F. Linn

Private finance and sustainable development: Welcoming tailwinds, addressing headwinds
By Gavin Power

Baby steps: Advancing the discourse on Financing for Peacebuilding
By the Dag Hammarskjöld Foundation
Introduction
Over the last 50 years there have been a variety of successful efforts to scale up development interventions to a national, regional and even global level. Among public sector-driven initiatives, China stands out for its systematic scaling approach (e.g. the Loess Plateau Watershed Rehabilitation Project), as does India with its large-scale rural development and health programmes, and Mexico’s Progresa-Oportunidades conditional cash transfer programme. Among private sector-driven scaling successes, the IT revolution is perhaps most notable, including such innovations as the M-Pesa mobile payments system in East Africa, while among non-governmental organisation-driven initiatives, the Grameen Bank and BRAC in Bangladesh are prime examples. Moreover, there are external donor-driven cases of successful scaling, such as the Green Revolution; the River Blindness Program in West Africa; the Global Fund-led fight against HIV-AIDS, TB and malaria; global vaccination schemes under the auspices of Gavi; and Global Financing Facility-supported health programmes.

Failing to successfully scale up
Despite the above examples, development interventions have typically either not been scaled up or gone wrong when pursued at a large scale. Everyone engaged in the development arena has tales to tell of promising interventions that have not succeeded in making it to the next level or scaling efforts that have gone off the rails. While not every intervention can or should be scaled up and maximal scale may not be optimal, many such opportunities are passed over or fail due to scaling not being pursued systematically and effectively. This is because:

• there has traditionally been considerable emphasis on seeking out innovations and piloting new interventions, with comparatively little interest in pursuing the seemingly more boring (and demanding) process of scaling – the result is too many ‘pilots-to-nowhere’;

• development actors – governments, entrepreneurs, external partners – focus on one-off, short-term projects and programmes rather than on achieving long-term development impact;

• political and bureaucratic transitions in government, business and external funders lead to frequent priority changes and a lack of continuity in engagement, which clashes with the fact that scaling opportunities often take many years to come to fruition;

• for external development partners and funders, growing fragmentation in the aid architecture and a lack of incentives to cooperate and coordinate with others have added to the problem – as a result, while donor-funded projects are overwhelmingly evaluated as successful, the overall evidence that external assistance helps development remains ambiguous;

• while there is substantial focus on the amount of money to be raised and invested, too little thought goes into whether and how investments are achieving sustainable impact at scale; and
• while the Sustainable Development Goals (SDGs) and the Paris Climate Agreement have set ambitious global targets, development and climate projects do not effectively link up with these goals, even when they have been articulated at the national level.

In short, when it comes to development and climate programmes, there remains a serious gap between aspirations and response – a gap that a more systematic focus on scaling development and climate impact could help close.

The good news is that over the past decade more attention has been being paid to the scaling agenda by the international development community. Moreover, the climate and COVID crises – as well as the global impacts of the Ukraine war – have added a sense of urgency to achieving impact at scale, especially when set against the approaching 2030 target date for the SDGs. This shift in focus is reflected in the development of the global Scaling Community of Practice, which was set up in 2015 and now has some 2,000 members from over 400 organisations. However, while the community’s work has provided a variety of useful principles, lessons, approaches and tools to support scaling, it is also clear that in many cases the scaling agenda remains no more than a mantra. This is because, with a few exceptions, it has not been systematically institutionalised in governments and the civil society organisation community, nor been mainstreamed in external partner operational practice.

**Focusing systematically on scaling**

A systematic focus on scaling would involve programme/project managers addressing the following six interrelated questions when preparing, implementing, monitoring and adapting development and climate programmes:

1. **What is the vision of development or climate impact that the project/programme will contribute to, and how much will its contribution be?** Responding to this question ensures the focus is squarely on the long-term scaling objective and pathway, with the specific project constituting only part of the journey towards an intervention’s ultimate goal. In this way, too, managers can identify a project’s contribution to the SDGs and the Paris Climate goals, measuring its impact as a proportion of the final goal and spotlighting what remains to be done after project/programme end.

2. **Do we have the right intervention to help achieve the vision?** The next critical task is choosing the right intervention to scale, bearing in mind whether it actually produces the expected impact and does so better than the available alternatives. Here, evidence of impact, benefits and costs is essential – hence, piloting interventions and evaluating them with randomised controlled trials (RCTs) is generally recommended to avoid scaling something that does not work or is less effective than an alternative.

3. **Who are the principal actors and stakeholders, and how best can they be engaged?** Project and programme managers must ensure they are engaging actors at the right level – national goals, for example, will likely require national-level leaders. Just as importantly, the right stakeholders – public, private and community level, depending on their role in the scaling pathway – should be involved in the design and implementation of a scaling process. Winners and losers need to be identified, and deserving losers compensated. In addition, partnerships and coordination among actors are a prerequisite. Finally, successful scaling generally requires funders (organisations that provide finance) and intermediaries (to facilitate the process across actors).

4. **What are the systemic opportunities and constraints (‘enabling conditions’) for scaling, and how do we address them?** All development and climate interventions take place in an ecosystem of enabling conditions (ie policies and regulations, institutions, environmental and cultural opportunities and constraints); and all have to reckon with potential fiscal or credit constraints, limited market or community demand, and political opposition. These enabling conditions tend to get more important as an initiative grows in scale. Therefore, while in the initial stages managers may be able to ignore or work around these systemic factors, efforts to change the enabling conditions (ie system change) will take on increased importance as the scaling process proceeds.

5. **How will the scaling process be implemented?** A key lesson from scaling experience is that scaling does not happen by itself – rather, systematic attention to programme design and implementation is needed. Not only does the supply chain require consideration, but demand must be assured, leaders and champions mobilised, and financing structured and sequenced in ways appropriate for each scaling stage. Existing implementation capacity must be strengthened or new capacity created, while digital tools should be developed and deployed. Moreover, information has to be shared, benefits demonstrated, and stakeholders convinced that their interests are being met (or at least not ignored).

6. **What evidence needs to be collected and how should the scaling process be adapted in light of it?** The answers to the previous questions require evidence: evidence in shaping the vision; in identifying and designing the intervention and measuring its impact; in engaging the right actors and stakeholders; in assessing the enabling conditions; and in implementing the scaling process. Measuring and monitoring progress along the scaling pathway – not only impact, but whether the enabling conditions for scaling are created – and adapting the pathway in light of the evidence collected is critical.
Addressing these six questions will go a long way when it comes to focusing effectively on scaling the impact of development and climate action. Though this may appear a burdensome addition to standard programme design and management, it need not be. Not all aspects have to be considered in great analytical detail – such a task can be left to academics, while practitioners should be mindful of avoiding ‘paralysis by analysis’. As such, the key to addressing the six questions is to perform a qualitative scan, then decide which, if any, of the preliminary answers require more detailed assessment. The recent practice of carrying out ever more sophisticated RCTs does not necessarily represent a move in the right direction, with a balanced approach to evidence across the six questions likely more effective.

**Adapting traditional project practices**

In closing, let us briefly highlight how scaling can be more effectively integrated into the project management approach of funders. The traditional project approach has been a barrier to scaling as it has tended to be one-off and time-bound, with a focus on limited project results that are not on longer-term scaling pathways and without consideration of a systematic handover for continued scaling at project end. While jettisoning the project approach altogether is likely not the answer, traditional project practices should be adapted in the following crucial ways:

- in project design, the goal should be not only achieving maximum project impact, but ensuring the potential for sustainable scaling beyond project end is developed – at all times, project impact should be considered in relation to a longer-term scaling vision;
- in project implementation and monitoring, the focus should not just be on delivering impact according to plan, but on building an institutional, financial and partnership platform for sustainable scaling beyond project end, and on learning and adapting while implementing;
- mid-term reviews, which typically focus on meeting project goals by project end, should as a priority consider how sustainable scaling beyond this point can be assured;
- as project end is reached, the necessary conditions for either continued support or exit alongside handover to other partners (government, private sector, external development partners) should be put in place, with the operation and maintenance of existing and future new assets assured; and
- funders’ country strategies should incorporate scaling considerations by focusing on how existing project lines are sustained or handed over, as well as how new project lines build on current or past project lines through learning from their scaling lessons and creating synergies.

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**Footnotes**


5. Linn, ‘Scaling up with aid’ (note 4).

6. For more information on the Scaling Community of Practice, see www.scalingcommunityofpractice.com.


8. Linn, ‘Hardwiring the scaling-up habit’ (note 4).

9. These questions are at the core of the Scaling Principles developed by the Scaling Community of Practice and are underpinned by a set of 21 specific lessons. See Scaling Community of Practice (note 7); and Richard Kohl and Johannes Linn, ‘Scaling Principles’, Working Paper, Scaling Community of Practice, November 2021, www.scalingcommunityofpractice.com/scaling-principles/.

10. These lessons are based on efforts by the author to assist selected development finance agencies develop their approach to scaling, including the African Development Bank, the Eleanor Crook Foundation, GIZ, the Global Financing Facility, Heifer International, the International Fund for Agricultural Development, the International Development Research Centre, the International Development Innovation Alliance, Save the Children, the United Nations Development Programme, USAID and the World Bank.

Private finance and sustainable development: Welcoming tailwinds, addressing headwinds
By Gavin Power

Introduction
In the seven years since the launch of the Sustainable Development Goals (SDGs), we have witnessed a profound trend: the convergence between the worlds of development finance and private finance. Where once these two spheres stood apart – in philosophy, policy and parlance – today there is growing recognition that, even if their core missions fundamentally differ, each needs the other in order to deliver on their strategies and aims.

Beginning with the commercial sector, private sector finance and investment have ‘switched on’ to the sustainable development agenda, including the imperative of climate action. Thinking back to the months prior to the official adoption of the SDGs, this represents a remarkable arc. At the time, the following questions were being asked: Will the private sector really care? Will mainstream investors make the leap from the risk-management paradigm of ‘environmental, social and governance (ESG) investing’ to the outcomes-based philosophy of impact investing? And how helpful will the 17 goals and 169 targets be?

Thus far, the answers to these questions have been hugely encouraging. As the United Nations-supported Principles for Responsible Investment (PRI) state: ‘The SDGs set the global goals for society and all its stakeholders, including investors. A substantial and growing number of investors, including PRI signatories, are now looking beyond how the outside world impacts their portfolios, and seeking to understand and shape their portfolios’ outcomes in the world.’ This uptake is reflected in several globally significant new initiatives, surveyed below.

At the same time, the traditional development community – including UN agencies, multilateral development banks (MDBs), national development finance institutions, and development non-governmental organisations – increasingly recognises the importance of ‘crowding in’ private sector capital in order to achieve greater scale and impact. As a recent journal article observes: ‘It is acknowledged that MDBs do not have sufficient capital to fulfil the SDGs without private capital investment and this funding gap is characterised as "from billions to trillion". To bridge this gap, the UN further confirmed its development commitment in 2015, asking major MDBs through the Addis Ababa Action Agenda to find ways to mobilise long-term capital into infrastructure and Green Finance.’

This public development finance imperative – that is, mobilising greater amounts of private sector capital – is reflected in the expansive activities of the private sector lending arms of major development banks, including the International Finance Corporation, IDB Invest and the African Development Bank. At the same time, agencies such as the UN Development Programme (UNDP) have launched investor-oriented platforms, including the 2021 rollout of the SDG Investor Platform, which contains country maps to help institutional investors find compelling investment opportunities, especially in developing countries and emerging markets.
Even so, these positive breakthroughs are accompanied by a host of challenges and bottlenecks. The COVID-19 pandemic dealt a major blow to many economies and has magnified the SDG investment gap. At the same time, a number of systemic hurdles and market-based problems must be urgently addressed if there is to be any hope of fulfilling the huge potential of public–private investment collaboration.

This article begins with a tour of three ‘tailwind’ developments that are serving to positively advance the broad UN 2030 Agenda, before turning to three ‘headwind’ issues that – in the view of this author – require remedial action.

**The tailwinds**

**Investment community initiatives**

The first tailwind relates to the international investment community. Over the past three years, several globally significant initiatives have been launched aimed at organising interests and helping channel private capital and investment towards the SDGs, including climate action.

In late 2019, the UN Secretary-General officially launched the Global Investors for Sustainable Development (GISD) Alliance, with the objective of mobilising long-term finance, identifying and launching innovative financing facilities, and enhancing the sustainable development impact of private investment. While GISD consists of just 30 significant global financial institutions – asset managers, asset owners and commercial banks – it has produced and is currently developing a number of important outputs designed to help investors and lenders create SDG-aligned strategies. These include establishing a definition of ‘sustainable development investing’, developing a ‘model mandate’ with the International Corporate Governance Network to provide guidance on contractual relationships between asset owners and asset managers in relation to SDG investing, and launching (likely in 2022) a blended finance platform to direct investment towards sustainable, climate-resilient infrastructure projects.

Another UN-originated effort involves mobilising corporate chief financial officers (CFOs) towards SDG investment and finance. Indeed, the UN Global Compact’s new CFO Coalition for the SDGs has ambitious and potentially world-changing goals: mobilising 1,000 CFOs committed to implementing strategies and business plans that will direct corporate investment into critical SDG sectors.

The merit of the CFO Coalition lies in its recognition that corporate finance chiefs have largely sat on the sidelines of the sustainability movement, despite being

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**Figure 1: Sustainable Development Investing Spectrum**

![Figure 1: Sustainable Development Investing Spectrum](image)

Source: UN DESA based on RIAA (Responsible Investment Association of Australasia)

Note: By this definition, SDI is broader than impact investing, as it includes some ESG investing strategies that can demonstrate a measurable positive real-economy contribution to the SDG.
stewards of trillions of dollars of corporate finance. In September 2021, a group of CFOs from 60 supporting companies pledged to invest an initial US$ 500 billion towards the SDGs over the next five years. When one contemplates the notion of 1,000 CFOs making similar commitments, it is clear this movement holds enormous promise.

A third breakthrough effort relates to climate action. The Glasgow Financial Alliance for Net Zero (GFANZ) – launched in April 2021 by UN Climate Envoy Mark Carney – brings together banks, insurers and other asset owners representing more than US$ 130 trillion in private capital. At COP26, GFANZ members committed to achieving net-zero greenhouse gas emissions by 2050 and 50% reductions compared to pre-industrial levels by 2030. While critics question the achievability of these goals, the general direction of travel is undeniably encouraging.

**Sustainability-aligned financial instruments**

A second tailwind relates to the rapidly growing market in sustainability-aligned financial instruments, particularly SDG-oriented bonds. In order to finance their sustainability commitments, increasing numbers of sovereigns and corporates (as well as development banks and other actors) are turning to public markets via the issuance of sustainable, social, green and (increasingly) sustainability-linked bonds. In 2021, total issuance exceeded US$ 1 trillion, with Pacific Investment Management Company (PIMCO) forecasting that the entire sustainable debt market could reach US$ 10–20 trillion during the next five years.

While corporations lead the market in terms of issuance, it is anticipated that growing numbers of UN Member States will issue SDG-oriented bonds over the coming months and years, thereby expanding the market beyond the issuance of sovereign green bonds, which are already well established. These SDG bonds will likely encompass financing needs related to, among other areas, housing, health care, education, and food and agriculture.

**Global policy space**

The third tailwind relates to the global policy space surrounding sustainable investment. In addition to the European Union (EU)’s sweeping Sustainable Finance Action Plan, we now have the G20’s Sustainable Finance Roadmap, released at the G20 ministerial meeting in October 2021. As the G20 asserts: ‘The main purpose of the Roadmap and an important goal of the SFWG [Sustainable Finance Working Group] is to advance international work to help scale up private and public sustainable finance and in so doing, accelerate the implementation of the Paris Agreement and 2030 Agenda.’

The Roadmap and its related action areas focus on a range of critical themes, including aligning investments towards sustainability goals, encouraging more consistent and meaningful sustainability disclosure (by the private sector in particular), assessing and managing climate risks, and encouraging MDBs to crowd in more private sector finance.

Taken together, the G20 themes and action areas are likely to provide policy lift to the global sustainable investing movement, in so doing creating new policy incentives and pathways for partnership and collaboration.

**The headwinds**

We now turn to the headwinds holding back or disrupting progress in relation to financing sustainable development objectives.

**Policy and market failure**

The first headwind relates to what we at PIMCO have called a systemic policy and market failure with respect to unlocking private sustainable development investing at scale. Specifically, the national SDG strategies and documents (including the voluntary national reviews and integrated national financing frameworks), nationally determined contributions (NDCs) and related Member State plans simply do not contain enough relevant and meaningful information for institutional investors to act upon.

By and large, these plans and strategies are written for public policy and development audiences and – despite frequently stressing the importance of private sector finance – contain little or no pertinent information when it comes to concrete investment opportunities or other specifics required by investors. Nor do they refer investors to other sources for this information.

This is glaringly revealed in a recent report entitled ‘Mind the Gap’ by UK insurance company and GISD member Aviva plc. In examining the climate financing needs of 126 developing countries in relation to their NDCs, the study estimates their aggregate financing needs to be in the region of US$ 7.8–13.6 trillion between now and 2030. Such financing needs open up potentially vast opportunities for climate-oriented investors, including GFANZ members and PRI signatories.

However, as the report observes: ‘It is especially important to note that, while some NDCs were constructed based on concrete pipelines of projects and costing estimates, many were built thematically around sectoral targets. This may reflect a lack of resources and technical skills on the ground among the government entities and project developers responsible for designing the projects and policies needed to achieve the country’s NDC commitments. The natural follow-up step to developing an NDC document is to create an investment plan for capital mobilisation and implementation of the NDC. A harmonised approach
and standardised methodology would need to be established so countries can follow the same processes, and measure and report impact.”

In other words, what investors require are better ‘roadmaps for investment’. This issue has been raised within GISP discussions, and indeed the new UNDP SDG Investor Platform mentioned above is helpful in this regard. However, much more can and should be done. Under the auspices of the UN Financing for Development track, a special effort could be launched to bring Member States together with private finance to discuss how best to develop plans that are more investor relevant.

**Questionable legitimacy of investments and strategies**

The second headwind relates to concerns over the legitimacy of sustainable investing and ESG strategies and funds offered by the international investment community. To provide context, the global ESG investing market is now estimated at more than US$ 30 trillion in assets under management, with Bloomberg Intelligence estimating the market could hit US$ 50 trillion by 2025. While many of these ESG funds and investment strategies are making real and good-faith efforts with respect to sustainability criteria, accusations of greenwashing and rainbow-washing (think the SDG colour wheel) are widespread.

A warning shot was fired on 10 February 2022 when Morningstar, the largest fund-research firm, stripped one in five funds (over 1,200) of their ESG label for failing to properly consider environmental, social and governance factors in the investment process. For some the action represented a necessary shake-up of the breakneck ESG investing space, while for others it only elevated concerns around insincere – and illegitimate – sustainable investing strategies. Reflecting such concerns, in February 2022 the EU announced plans to work on a legal definition of ‘greenwashing’.

The broader implication is clear: as more and more investors move into the sustainable development investing space, it will be crucial for all parties – regulators, fund managers, asset owners and other stakeholders – to ensure that sustainable investing strategies are true to form and include credible impact assessments and reporting methodologies.

**Lack of investment to low-income countries**

The third headwind relates to the dearth of portfolio investment flowing to low-income countries, especially the 46 least developed countries (LDCs), where SDG needs and deficits are acute. According to an Organisation for Economic Co-operation and Development survey conducted in 2018, only 8% of the total assets of 36 pension funds were allocated to developing countries, and only 2% of the assets of insurance companies. It is very possible that due to the COVID-19 pandemic and a general retreat for emerging-market investments, these percentages have now fallen even lower.

How best to address this investment imbalance – between developed economies and established emerging-market countries on the one hand, and developing countries (including LDCs) on the other – remains a vexing problem with no magic bullet. One promising pathway is blended finance, including the first-loss guarantees and other de-risking tools and facilities called for by the G20 Roadmap. Relatedly, GISD has initiated a special workstream focused on blended finance and partnering with MDBs.

The global credit rating agencies are also being drawn into this discussion, based on a fairly widespread belief (at least in the developing world) that they are assigning unfair ratings to less developed countries, thereby hampering their attempts to attract foreign capital.

**Conclusion**

In adopting and launching the SDGs in 2015, UN Member States made clear that the 17 goals are global — applying to developed and developing countries — and that no one should be left behind. As the international investment community steps up with new commitments and engages with the public sector and the UN system in exciting new ways, we must strive to keep this spirit alive. In the final analysis, healthy societies and healthy markets go hand-in-hand.

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**Footnotes**

5. CFO Coalition for the SDGs, ‘About the CFO Coalition for the SDGs’, www.cfocofoundation.org/about.
Introduction
A central message of the 2020 Review of the United Nation’s Peacebuilding Architecture (PBA) was the need to secure adequate, predictable and sustainable resources for peacebuilding, with the twin resolutions adopted at the conclusion of the review calling for the convening of a high-level General Assembly (GA) meeting on financing for peacebuilding.¹

In the lead-up to the high-level meeting, which took place on 27 April 2022, significant efforts were made to advance the discourse on financing for peacebuilding. As part of this, four interactive roundtables were convened by the Peacebuilding Support Office (PBSO): 1) funding local peacebuilding; 2) Peacebuilding Fund (PBF) results and resourcing; 3) peace-responsive investing through the private sector; and 4) flexibility of funding for peacebuilding, including in transition settings. These discussions included high-level representatives of Member States, civil society organisations (CSOs), the private sector and UN entities.²

Leadership towards more sustainable financing
In the wake of the 2020 PBA review, several Member States have stepped forward to show leadership in strengthening financing for peacebuilding. Sweden, for example, has led the Good Peacebuilding Financing initiative, which encourages existing donors to recommit to a set of agreed-upon ideals aimed at achieving sustained, adequate and predictable funding and engaging new donors.³ Colombia and Germany have taken strides in advancing ‘innovative financing’ approaches⁴; South Africa has spearheaded a drive towards leveraging private sector investment; and Egypt has fostered engagement in a dialogue on financing in peacekeeping and transition contexts.⁵

Roundtable discussions: Key themes
It was noted in the roundtable discussions that, within and outside the UN system, there are persistent patterns of fragmentation, duplication and lack of coherence in programming and resourcing of peacebuilding efforts at the country level. Participants thus called for the UN peacebuilding architecture to increase its efforts towards system-wide coherence. The PBF has proven itself to be a valuable mechanism in this regard, recognised as a flexible and effective tool that promotes joint programming in support of nationally-owned peacebuilding efforts.

The roundtable discussions saw near-unanimous agreement on the imperative to find new ways to invest in local peacebuilders, with current funding modalities often restricted to short-term interventions, hampered by unrealistic donor expectations and high administrative barriers. There was also acknowledgement of the need to increase transparency and diversity when selecting local peacebuilding partners⁶, providing local actors with opportunities to meaningfully shape the design, implementation, monitoring and evaluation of peacebuilding initiatives, in line with the UN Community Engagement Guidelines on Peacebuilding and Sustaining Peace.⁷

Given resource limitations and international donor requirements, it may not always be possible to fund local organisations directly. In such cases, international donors should develop good partnership standards
and look for CSOs, as well as networks and platforms of local organisations, as intermediaries, based on mutually agreed accountability, visibility and ownership principles. Moreover, roundtable participants underscored the importance of making peacebuilding funding more inclusive and accessible, particularly to youth- and women-led organisations.

The roundtable discussions also focused on alternative funding sources, including how the private sector can more effectively invest in peacebuilding. Such work, however, needs to be done in ways that promote accountability to national, regional and internal laws, as well as in accordance with the Do No Harm framework. In this regard, the Peacebuilding Commission (PBC) was identified as ‘uniquely positioned to facilitate collaboration among the UN, IFIs [international financial institutions] and the private sector to invest in conflict-affected countries with a focus on peacebuilding, and in developing global norms for peace-positive investments’. Finally, it was suggested that more work is needed to structure private sector investments in ways that enable resources to reach local organisations.

In discussing the need for new and strengthened partnerships, participants emphasised that flexibility of funding is critical, particularly in transition settings. Here again, the PBC has an important role to play as a convener of key actors, and in advising the UN Economic and Social Council, Security Council and the GA when it comes to supporting national transitions and international and regional peacebuilding strategies.

Assessed contributions

A critical element of the discussions that took place in the lead-up to and during the high-level meeting involved the viability of securing assessed funding for the PBF. Voluntary contributions have proven insufficient to meet peacebuilding needs, with assessed contributions proposed as one possible solution to narrow the gap. This proposal, first made by the UN Secretary-General in 2018 following the recommendations of the 2015 Advisory Group of Experts convened for the Peacebuilding Architecture review, suggests an allocation of US$ 100 million in assessed contributions – approximately 1% of the peace operations budget – to the PBF. Ahead of the high-level meeting, concerted efforts were made to generate support within the GA for using assessed contributions for peacebuilding. While Russia and China expressed opposition, a cross-regional group of over 100 Member States conveyed support for assessed funding.

What did these meetings accomplish? What happens going forward?

Discussions prior to and at the high-level meeting reflected widespread recognition of peacebuilding’s enduring importance, particularly in relation to prevention, humanitarian aid and the Sustainable Development Goals. If these goals are to be realised, flexible, predictable, sustainable and quality financing for peacebuilding is essential. While this argument is not new, the near-universal consensus can be seen as progress, with the same applying to the call for increased funding for local peacebuilding.

Though the ‘what’ in both cases seems to have been agreed upon, the question of ‘how’ remains a challenge. The key themes requiring further consideration are elaborated below.

Consensus on finding more effective pathways to support local peacebuilders. Fostering local resilience, knowledge and agency requires a paradigm shift that centres the work of local peacebuilders and provides them with sustainable, flexible funding. To enable this, Member States must explore pathways through which local organisations can be funded bilaterally or through instruments such as multi-partner trust funds.

Explore sustainability. The Ukraine crisis has brought into sharp relief the challenge of predictably funding peacebuilding and the over-reliance on a handful of donors. The international community must explore other ways of supporting local peacebuilders in order to ensure their work is not halted when a subset of governments pause their peacebuilding budgets.

Forward movement on the issue of assessed contributions. There has been longstanding tension between Member States on whether assessed contributions should be used to fund peacebuilding. Given that only a small number of donors are currently responsible for the majority of voluntary contributions received by the PBF, assessed contributions would bring in much-needed resources and signal multilateral support for this part of the UN’s mandate.

Engagement of private sector and non-traditional actors. There is considerable scope for strengthening coherence and frameworks on how best to approach private sector engagement. This could increase clarity in which entity – private sector, foundation, government, multilateral – is best positioned to provide what type of funding to whom. The UN is well suited to be a catalytic force in promoting coherence among different...
groups, helping to articulate ethical standards and lessons learned, and serving as a convener of institutions and individuals that rarely interact.

The key outcome of the high-level meeting was that the President of the GA appointed Sweden and Kenya as co-facilitators for a resolution on peacebuilding financing. At the time of writing, they are undertaking regional consultations ahead of negotiations on the resolution, which are expected to conclude in early September 2022. While the scope and comprehensiveness of the anticipated resolution remains open to question, it will at least maintain the momentum achieved thus far when it comes to the discourse on financing for peacebuilding and hopefully in addressing the issues highlighted above.

Footnotes
2 UN, ‘High-Level Meeting of the General Assembly on Financing for Peacebuilding’, www.un.org/peacebuilding/content/high-level-meeting.
9 High-Level Meeting of the General Assembly on Financing for Peacebuilding (note 6), p. 4.
### Acronyms and abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AU</td>
<td>African Union</td>
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<tr>
<td>BRI</td>
<td>Belt and Road Initiative</td>
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<tr>
<td>BRICS</td>
<td>Brazil, Russia, India, China and South Africa</td>
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<tr>
<td>CBPF</td>
<td>country-based pooled fund</td>
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<tr>
<td>CEB</td>
<td>Chief Executives Board</td>
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<tr>
<td>CERF</td>
<td>Central Emergency Response Fund</td>
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<tr>
<td>CF</td>
<td>Cooperation Framework</td>
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<tr>
<td>CFO</td>
<td>chief financial officer</td>
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<tr>
<td>COP</td>
<td>Conference of the Parties</td>
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<tr>
<td>COVAX</td>
<td>COVID-19 Vaccines Global Access</td>
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<tr>
<td>COVID-19</td>
<td>coronavirus disease 2019</td>
</tr>
<tr>
<td>CRS</td>
<td>Creditor Reporting System</td>
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<tr>
<td>CSO</td>
<td>civil society organisation</td>
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<tr>
<td>CTBTO</td>
<td>Comprehensive Nuclear-Test-Ban Treaty Organization</td>
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<tr>
<td>CVA</td>
<td>cash and voucher assistance</td>
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<tr>
<td>DAC</td>
<td>Development Assistance Committee</td>
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<tr>
<td>DESA</td>
<td>Department of Economic and Social Affairs</td>
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<tr>
<td>DIE</td>
<td>Deutsches Institut für Entwicklungspolitik (German Development Institute)</td>
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<tr>
<td>DPA</td>
<td>Department of Political Affairs</td>
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<tr>
<td>DPO</td>
<td>Department of Peace Operations</td>
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<tr>
<td>DPKO</td>
<td>Department of Peacekeeping Operations</td>
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<tr>
<td>DPPA</td>
<td>Department of Political and Peacebuilding Affairs</td>
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<tr>
<td>DRC</td>
<td>Democratic Republic of the Congo</td>
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<tr>
<td>DRR</td>
<td>Disaster Risk Reduction</td>
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<td>DSSI</td>
<td>Debt Service Standstill Initiative</td>
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<td>ECOSOC</td>
<td>Economic and Social Council</td>
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<tr>
<td>ERP</td>
<td>enterprise resource planning</td>
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<tr>
<td>ESG</td>
<td>environmental, social and governance</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FCS</td>
<td>fragile and conflict-affected situations</td>
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<tr>
<td>FCV</td>
<td>fragility, conflict, and violence</td>
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<tr>
<td>FMOG</td>
<td>Fiduciary Management Oversight Group</td>
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<td>GA</td>
<td>General Assembly</td>
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<td>GCF</td>
<td>Green Climate Fund</td>
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<td>GCFF</td>
<td>Global Concessional Financing Facility</td>
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GDP  gross domestic product
GEF  Global Environment Facility
GFANZ  Glasgow Financial Alliance for Net Zero
GISD  Global Investors for Sustainable Development
GNI  gross national income
HIV/AIDS  human immunodeficiency virus/acquired immunodeficiency syndrome
HLCM  High-Level Committee on Management
HC  Humanitarian Coordinator
HRA  Human Rights Advisor
HRC  Human Rights Council
IARC  International Agency for Research on Cancer
IATI  International Aid Transparency Initiative
IBRD  International Bank for Reconstruction and Development
ICRC  International Committee of the Red Cross
IDA  International Development Association
IEA  International Energy Agency
IFAD  International Fund for Agricultural Development
IFI  International Finance Corporation
IFI  international financial institution
IMF  International Monetary Fund
IOM  International Organization for Migration
IPCC  Intergovernmental Panel on Climate Change
LDC  least-developed country
MDB  multilateral development bank
MIGA  Multilateral Investment Guarantee Agency
MINUSMA  Multidimensional Integrated Stabilization Mission in Mali
MOPAN  Multilateral Organisation Performance Assessment Network
MPTFO  Multi-Partner Trust Fund Office
NDC  nationally determined contribution
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-Development Assistance Committee
OIOS  Office of Internal Oversight Services
PAHO  Pan American Health Organization
PBC  Peacebuilding Commission
PBSO  Peacebuilding Support Office
PIMCO  Pacific Investment Management Company
PNG  Papua New Guinea
PRA  Prevention and Resilience Allocation
PRI  Principles for Responsible Investment
PSW  Private Sector Window
QCPR  Quadrennial Comprehensive Policy Review
RC  Resident Coordinator
RCT  randomised control trials
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<th>Acronyms and abbreviations</th>
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<td>RECA</td>
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This eighth edition of the *Financing the UN Development System* report comes at a time when the United Nations system is coping with multiple complex challenges. The process of recovery from the impacts of the COVID-19 pandemic, alongside manifold other crises, signal that the international community and financing must move forward with Joint Responsibilities in a World of Disarray.

The 2022 report gives an overview on how UN resources are generated, allocated and used, while providing a vibrant marketplace of ideas from a wide range of authors. Experts from international financial institutions, the UN system and academia share their perspectives on how ensuring adequate financing and funding quality can help in realising the Sustainable Development Goals, preventing conflict, and meeting humanitarian and planetary needs.

Extraordinary times call for extraordinary measures. This is why the analysis presented within this report aims to inform and inspire evidence-based and innovative policy dialogue and decision making that can really push the envelope in terms of the financing of the United Nations development system.