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Financing the UN Development System Time to Meet the Moment

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Executive summary

The COVID-19 pandemic has reversed development gains across the world. In 2020, the global extreme poverty rate rose for the first time in over 20 years, with hundreds of millions of people pushed back into extreme poverty and chronic hunger.¹ Member States and UN entities have a mutual responsibility to demonstrate proactive and transformational leadership in ensuring an adequate multilateral response, while also looking ahead to strengthen global and regional risk reduction. Such leadership is about investing in more integrated approaches and in global public goods (GPGs) that go beyond what individual states or agencies can achieve.

The Funding Compact, welcomed by both Member States and the UN in 2019, offers a potential framework for changing funding patterns. If utilised to its full potential and empowered by leadership, it can deliver the quality of funding – predictable, flexible and accountable – that enables UN country teams to scale up integrated programming and policy support across mandates, thereby accelerating progress towards the Sustainable Development Goals (SDGs). Pooled funds, in particular, can catalyse integrated programming by establishing transformative criteria for joint planning and effective funds allocation based on priority needs and comparative advantages.

To improve the quality of funding channeled through the UN development system, Member States and UN entities are encouraged to deepen strategic funding dialogues at global and country levels. In preparing for such dialogues at this critical juncture for multilateralism, we hope that the seventh edition of the *Financing the United Nations Development System* report can help enlighten decision-making for a stronger UN. The report not only offers a comprehensive and accessible overview of the current state of UN funding, but provides a marketplace of ideas from thought leaders across Member States, UN entities and research institutions.

For all stakeholders, it is time to ‘meet the moment’ through smart investments and financing for sustainable development, prevention and emergency preparedness, while at the same time managing the COVID-19 pandemic. On top of this, the larger challenge calls for investments addressing climate resilience; the deep inequalities and injustices laid bare by the pandemic; and – through investing in prevention, peacebuilding and sustaining peace – the root causes of conflict.

Scope of the report

In 2019, Member States, regional organisations and the private sector allocated US\$ 57 billion to the UN system. **Part One** of the report breaks down who is providing funding, who is being funded, and how. It also provides a bird’s eye view of UN spending, following the money as it relates to the UN’s geographic and thematic priorities. Finally, it includes two contributions from the United Nations Children’s Fund (UNICEF) on individual giving and innovative financing, as well as a contribution from the UN System Chief Executives Board for Coordination (CEB) on data standards for UN system-wide reporting of financial data.

Due to the COVID-19 pandemic, 150 countries will be faced with lower gross domestic product (GDP) per capita levels in 2021 compared to 2019. **Part Two** of the report provides tangible recommendations as to how Member States can mitigate the disastrous impact of the pandemic and reset for a more sustainable and equitable future, while simultaneously strengthening conflict prevention, resilience building and emergency preparedness. Each contribution strives to connect the dots between, on the one hand, the quality and quantity of financial flows and, on the other, sustainable development results. They also point to several areas where Member States can support knowledge creation and institutional reform, including with regard to the international financial system.

Total revenue of the UN system by entity and by financing instrument, 2019 (US\$ million)
(Table 2 from Part One)

Entity (Entity name)	Assessed	Voluntary core	Earmarked	Fees and other revenue	Total
UN Secretariat (United Nations Secretariat)	3,010		2,607	733	6,350
CTBTO (Comprehensive Nuclear-Test-Ban Treaty Organization)	127		7	4	138
DPO (Department of Peace Operations)	6,998		356	108	7,463
FAO (Food and Agriculture Organization of the United Nations)	489	49	1,108	10	1,656
IAEA (International Atomic Energy Agency)	411		226	11	648
IARC (International Agency for Research on Cancer)	25	0	16	2	43
ICAO (International Civil Aviation Organization)	83		118	26	227
ICC (International Criminal Court)	162		2	1	165
IFAD (International Fund for Agricultural Development)		450	134		584
ILO (International Labour Organization)	386		294	47	727
IMO (International Maritime Organization)	44		15	21	79
IOM (International Organization for Migration)	53	29	1,962	83	2,127
ITC (International Trade Centre)	36	8	78	3	125
ITLOS (International Tribunal for the Law of the Sea)	11		0		12
ITU (International Telecommunication Union)	130		18	45	192
OPCW (Organisation for the Prohibition of Chemical Weapons)	74		17	3	94
PAHO (Pan American Health Organization)	112		123	875	1,110
UNAIDS (Joint United Nations Programme on HIV/AIDS)		179	44	7	231
UNCDF (United Nations Capital Development Fund)		6	137	4	148
UNDP (United Nations Development Programme)		694	3,779	357	4,829
UNEP (United Nations Environment Programme)	224	75	481	32	812
UNESCO (United Nations Educational, Scientific and Cultural Organization)	256		348	55	659
UNFCCC (The United Nations Framework Convention on Climate Change)	33	1	35	16	85
UNFPA (United Nations Population Fund)		373	991	105	1,470
UN-HABITAT (United Nations Human Settlements Programme)	15	5	141	23	184
UNHCR (Office of the United Nations High Commissioner for Refugees)	43	713	3,381	46	4,183
UNICEF (United Nations Children's Fund)		1,170	5,031	211	6,412
UNIDO (United Nations Industrial Development Organization)	76		165	27	268
UNITAID (United Nations International Drug Purchase Facility)		230	19		249
UNITAR (United Nations Institute for Training and Research)		0	37	8	45
UNODC (United Nations Office on Drugs and Crime)	32	5	392	30	458
UNOPS (United Nations Office for Project Services)				1,212	1,212
UNRWA (United Nations Relief and Works Agency for Palestine Refugees)		605	364	32	1,001
UNSSC (United Nations System Staff College)		4	9	0	14
UNU (United Nations University)		34	22	64	120
UN Women (United Nations Entity for Gender Equality and the Empowerment of Women)	10	143	357	17	527
UNWTO (World Tourism Organization)	16	0	5	2	23
UPU (Universal Postal Union)	37		19	21	76
WFP (World Food Programme)		442	7,557	272	8,272
WHO (World Health Organization)	490	92	2,489	44	3,116
WIPO (World Intellectual Property Organization)	18		11	440	469
WMO (World Meteorological Organization)	67	2	22	3	93
WTO (World Trade Organization)	201	23		5	229
Total	13,669	5,333	32,918	5,005	56,925

Source: see page 31

Looking under the hood of most UN agencies, we find incentives, processes and tools geared towards the delivery of programmatic activities funded through grants.

Part Three of the report, however, outlines how UN entities can find new ways of better leveraging private financial flows for the SDGs. This would require UN personnel to both shift mindset and develop additional skillsets. Such changes, while major, are crucial to supporting Member States attain the SDGs.

Critical GPGs should be available to everyone, everywhere. This includes goods with cross-border effects, such as long-term climate predictions and equitable access to COVID-19 drugs, diagnostics and vaccines. However, Member States have struggled to reach agreement on the provision of GPGs, in part due to the financial implications. Part Three of this report outlines how Member States and multilateral institutions can more effectively promote the delivery of GPGs, including examples of funding mechanisms that could be scaled up in support of these initiatives.

Part One: United Nations resource flows

Chapter 1: How is the United Nations funded?

In 2019, the total revenue for the UN system was US\$ 56.9 billion, an increase of US\$ 0.9 billion compared to 2018. Table 2 provides a detailed breakdown of total funding for 43 UN entities in 2019 by financial instrument. In nominal terms, total UN funding has grown steadily over the past decade. In 2010, the UN's total revenue amounted to US\$ 39.6 billion. By 2015, this had grown to US\$ 47.9 billion. The figure of US\$ 56.9 billion for 2019 therefore represents a continuation of this trend. While the increase in UN funding in 2019 was mainly due to actual growth in UN revenue, a small portion can be attributed to improved reporting to the CEB.

Earmarked funding continues to represent the largest funding source for the UN, amounting to US\$ 32.9 billion in 2019. While this represents a slight increase in nominal terms compared to 2018, it shows a decrease in the share of total funding, from 59% in 2018 to 57.8% in 2019. Assessed contributions – which can be regarded as the most consistent source of revenue for the UN, as they are based on membership fees – only represent around one-quarter of the total, or US\$ 13.7 billion. Voluntary core contributions fell to US\$ 5.3 billion, or 9.4% of total UN funding, compared to US\$ 5.7 billion in 2018. The main change compared to previous years is the relatively large increase in fees and other revenue, from US\$ 4 billion in 2018 to US\$ 5 billion in 2019. This represents a shift from 7.1% of total revenue in 2018 to 8.8% in 2019.

Figure 2 illustrates how the composition of UN funding has evolved in the period 2010–2019, showing the relative shares of the four main financing instruments during that time. While assessed and voluntary core contributions have remained relatively stable over the period in nominal terms, the proportion of assessed contributions has fallen due to the growth in earmarked funding. Earmarked contributions have increased both in nominal terms and as a share of total funding, albeit with a slight decrease in 2019.

The UN is largely funded by governments. Almost three-quarters (72%) of total UN revenue in 2019 came from direct contributions by governments. The share of overall UN revenue provided by direct government investment in 2019 remained unchanged from 2018. In 2019, 58% of the total UN funding originated from the 29 UN Member States that are members of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC), with a further 14% from non-OECD-DAC contributors, including China, Russia, Saudi Arabia and the United Arab Emirates. In addition, 15% of total UN revenue in 2019 came from multilateral channels. Much of this funding is indirect government investment via funds, international financial institutions (IFIs) and European Union (EU) institutions.

Taking a closer look at the multilateral channels, EU institutions are fully funded by EU member states, while 94% of all UN inter-agency pooled funds in 2019 were also funded by governments. Figure 6 classifies this type of fund as a multilateral source.² Moreover, owners of, or shareholders in, IFIs are in general national governments. Furthermore, global vertical funds such as the Global Environment Facility (GEF) and Gavi, the Vaccine Alliance, receive the majority of their resources from national governments (although Gavi also receives substantial support from the Bill & Melinda Gates Foundation).

OECD-DAC countries contribute a higher proportion of earmarked funding to the UN system than they do to other multilateral institutions, such as EU institutions, the World Bank Group and the International Monetary Fund (IMF), and regional development banks. The proportion of earmarked funding from OECD-DAC countries to the UN has also grown substantially since 2010. In 2019, the UN received nearly US\$ 26 billion in funding, of which 70% was earmarked, compared to 61% in 2010.

Figure 9 shows the ten largest Member State contributors to the UN system in 2019, including funding channelled through inter-agency pooled funds. In addition, the figure relates funding to the size of each country's gross national income (GNI), shown as a percentage.

Distribution of total UN system funding, by financing instrument, 2010–2019

(Figure 2 from Part One)

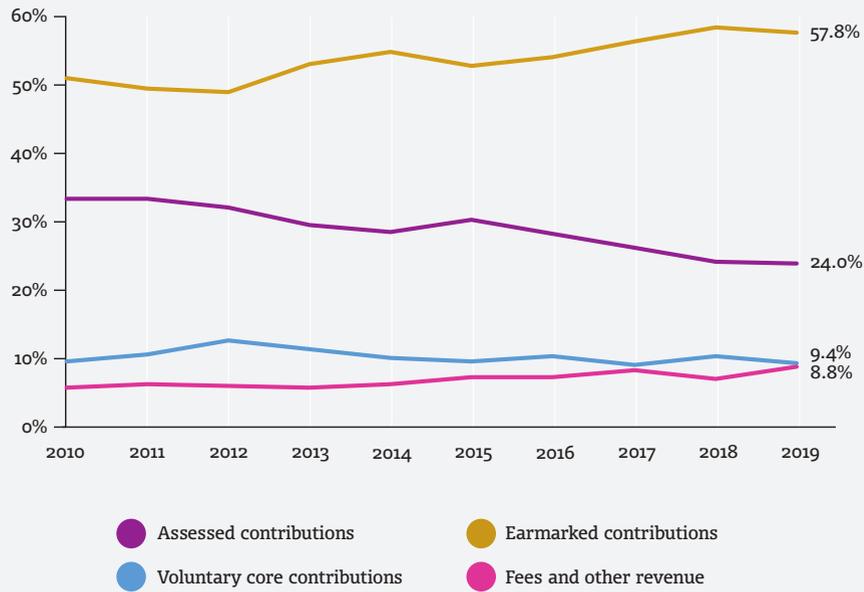


Figure 2

Source: see page 32

Funding sources for the UN system, 2019

(Figure 6 from Part One)

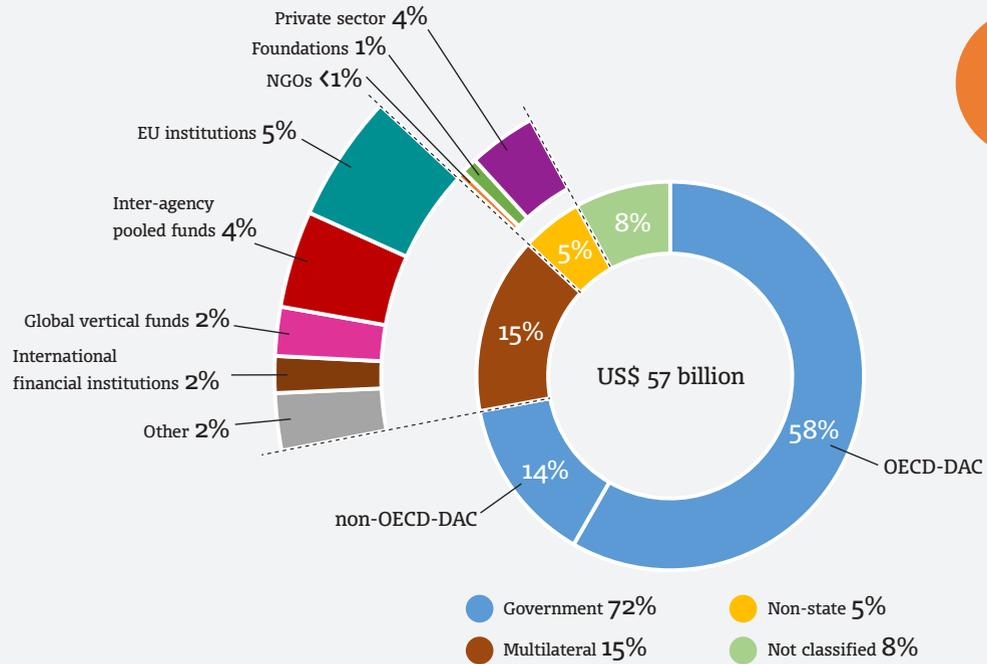


Figure 6

Source: see page 38

As mentioned above, the United States is by far the largest contributor to the UN in volume. However, if we relate contributions to the size of each Member State’s economy, countries such as Norway and Sweden (both of which provide approximately 0.3% of their GNI to the UN) stand out. China has also emerged as a significant contributor to the UN and is now among the five top Member State contributors, and the second-biggest contributor of assessed contributions to the UN. Despite being a large economy, China’s contribution as a percentage of its GNI is the lowest among the top ten countries.

Figure 17 shows that by 2019 the share of inter-agency pooled funds for development purposes had grown to 9%. The gap between the share of inter-agency pooled funds for development and humanitarian purposes is shrinking. A total of 11% of earmarked financing for humanitarian assistance was allocated to inter-agency pooled funding in 2019.

Chapter 2: Where is UN funding allocated?

UN expenditure is usually divided into four main activity areas:

1. Development assistance
2. Humanitarian assistance
3. Peace operations
4. Global agenda (and specialised assistance)

Figure 23 shows the proportion of UN expenditure devoted to each of these four areas in 2019 and over the past four years. Expenditure on humanitarian assistance and development assistance – which together constitute what is commonly referred to as UN operational activities for development (OAD) – were roughly equal in 2016, but by 2019 the UN’s expenditure on humanitarian assistance (38% of total expenditure) was notably larger than spending on development assistance (33%). Nevertheless, OAD accounts for almost three-quarters of the total expenditure in the UN system.

Channels of total multilateral assistance from OECD-DAC countries, core and earmarked, 2010 and 2019 (US\$ billion)

(Figure 22 from Part One)

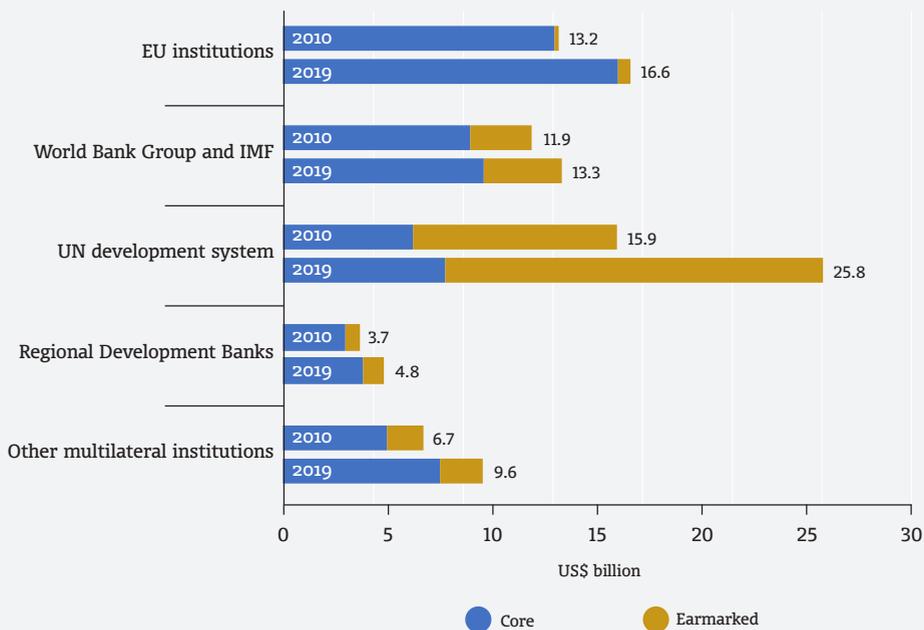


Figure 22

Source: see page 56

Top ten Member State donors to the UN system, 2019 (US\$ billion and percentage share of GNI)

(Figure 9 from Part One)

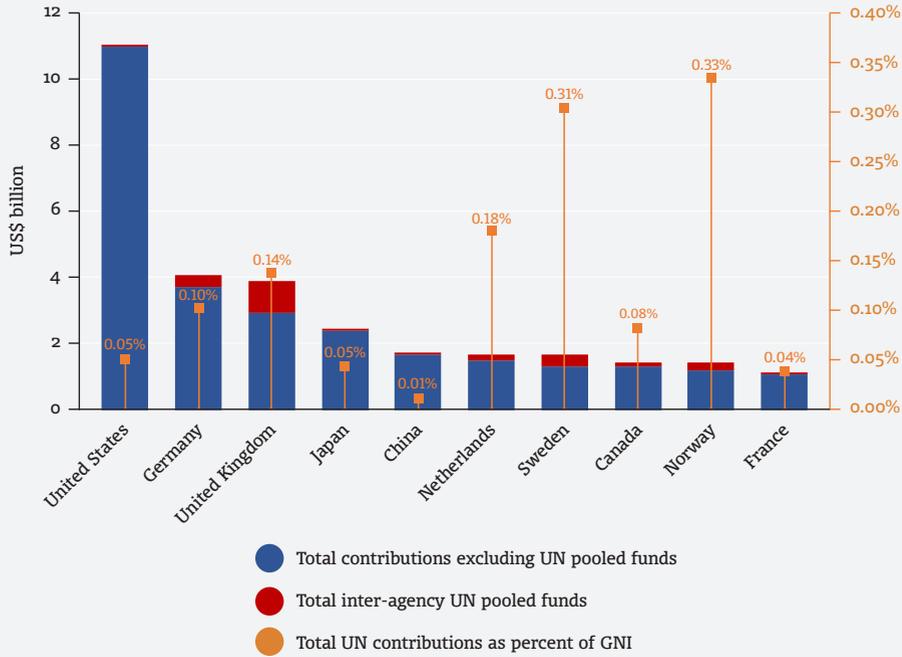


Figure 9

Source: see page 43

Deposits to UN inter-agency pooled funds 2010–2019 (US\$ billion)

(Figure 17 from Part One)

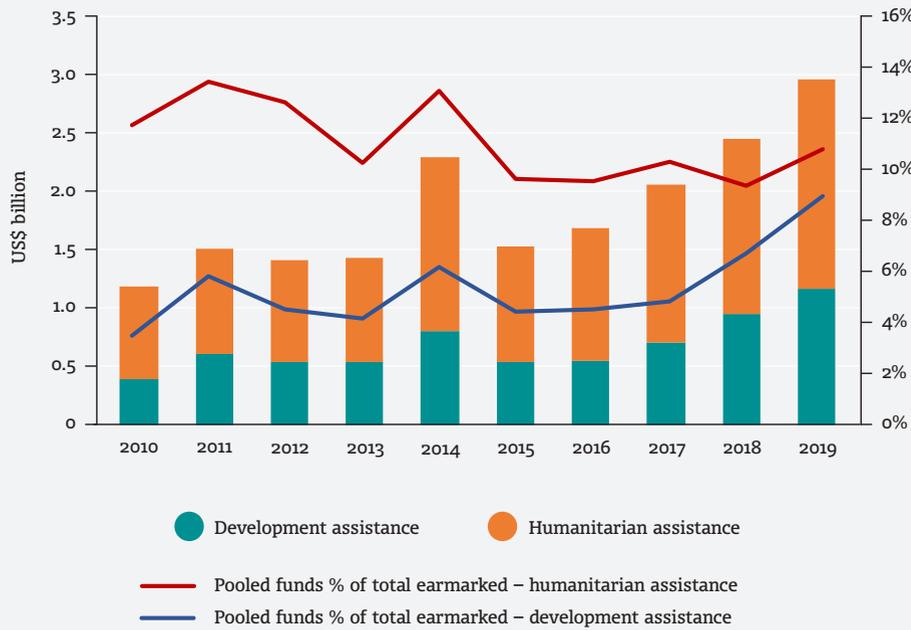


Figure 17

Source: see page 51

Peace operations expenditure (17% of total expenditure in 2019) includes investments in peacekeeping and other UN activities aimed at creating the conditions for lasting peace in conflict-affected countries. The UN’s peacekeeping activities are implemented through a global partnership that brings together the UN Secretariat, troop- and police-contributing countries, and host governments in a combined effort to maintain international peace and security.

Expenditure on the global agenda (and specialised assistance) (12% of total expenditure in 2019) covers activities such as global norms, standards, policy and advocacy that are not directly linked to any of the other three functions. It also includes development activities in non-UN programme countries. It is still difficult to draw conclusions on, for example, the level of UN normative work, due to the variety of activities included in this category.

Figure 24 shows how the UN’s expenditure on humanitarian assistance and development assistance has evolved in nominal terms over the past ten years. Expenditure on humanitarian assistance has more than doubled (135% growth), while development assistance has only increased by 17% during the period 2010–2019.

Humanitarian assistance surpassed development assistance in 2016 and 2018, and the gap widened in 2019 when humanitarian assistance amounted to US\$ 21 billion compared to US\$ 18.4 billion for development assistance.

The growth in resources allocated to humanitarian assistance is mainly connected to expenditure in a number of crisis-affected countries, including Lebanon, Somalia, South Sudan, Syria and Yemen (see section 2.4 on page 63). However, it should be noted that the historical data presented in Figure 24 have changed due to the adoption of the new data standards in 2018. In addition, unlike in previous years, the figures for 2019 include expenditure by the International Organization for Migration (IOM).

In 2019, 16 of the 43 UN entities submitting data to the CEB reported their expenditure towards the SDGs, compared to just 11 entities in 2018. Figure 27 shows the aggregated SDG-related expenditure of 17 UN entities, including the 16 reporting entities and one other entity from which data was collected directly.³ The total SDG-related expenditure of US\$ 28.4 billion by these 17 entities in 2019 corresponds to 51% of total overall UN expenditure and 70% of all contributions to the UN OAD segment.

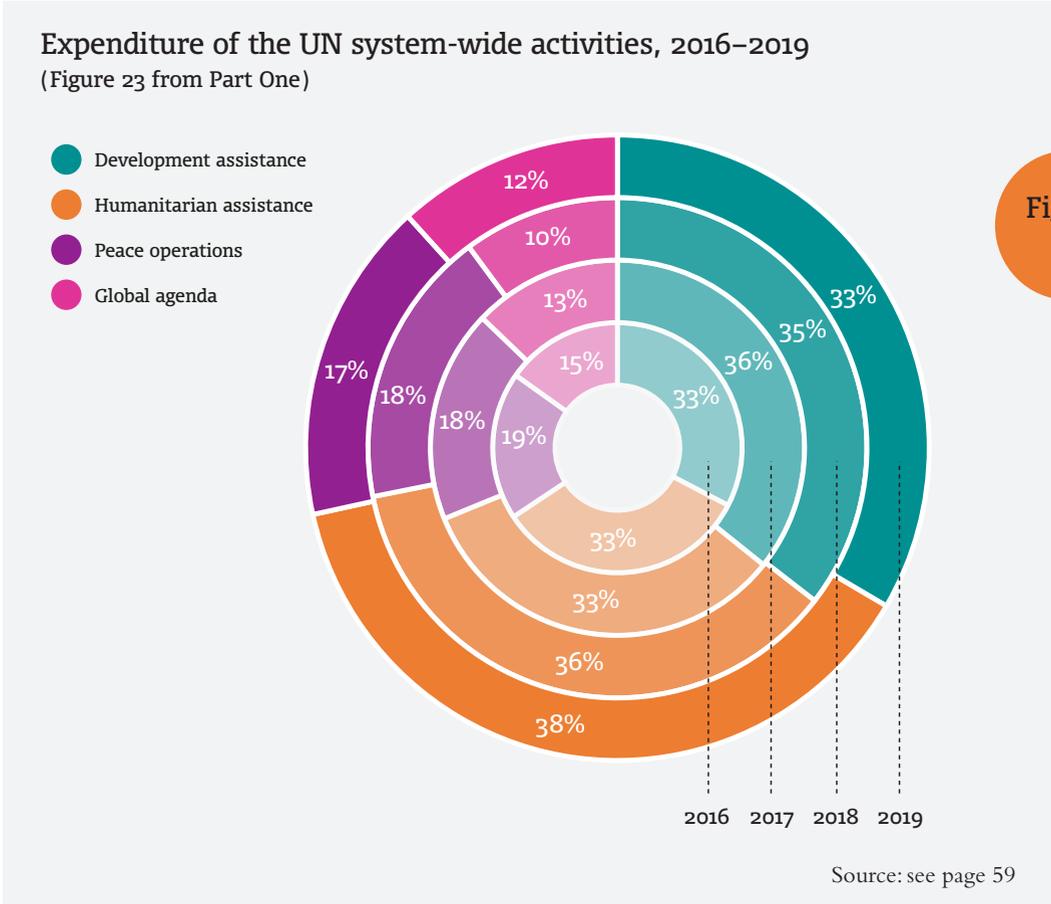


Figure 23

Total expenditure for development and humanitarian-related UN operational activities, 2010–2019 (US\$ billion)

(Figure 24 from Part One)

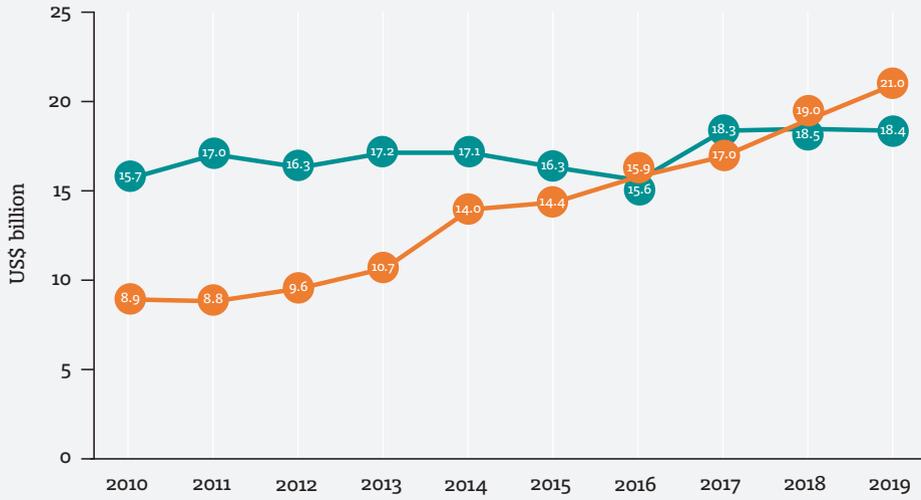


Figure 24

Source: see page 59

Aggregated UN expenditure linked to the SDGs as reported by 17 UN entities, 2019 (US\$ billion)

(Figure 27 from Part One)

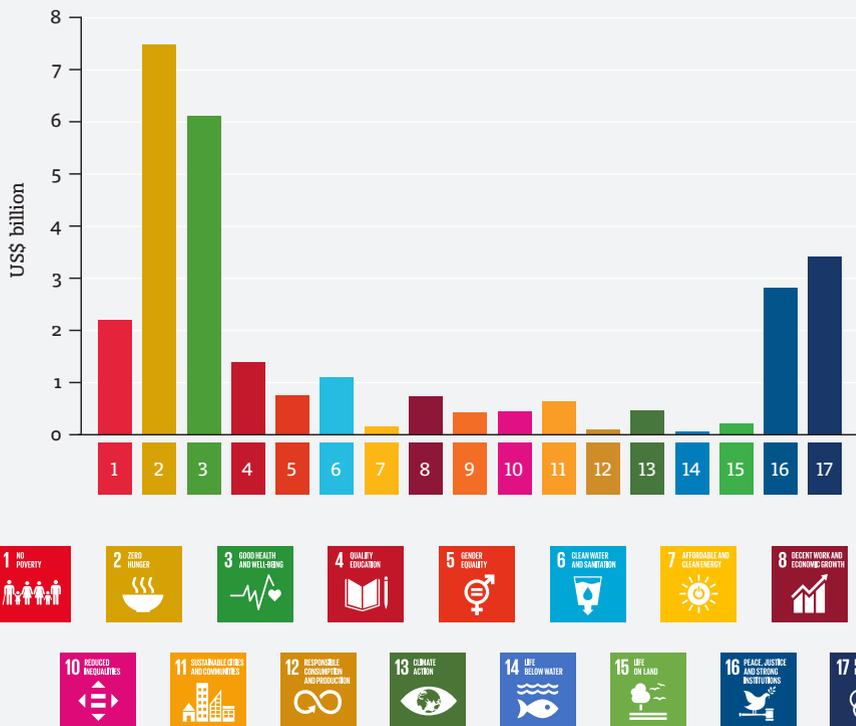


Figure 27

Source: see page 62

Figure 30 shows the different expenditures over time in the 36 crisis-affected countries where 2019 UN expenditure exceeded US\$ 100 million. Over the 2010–2019 period, the share of humanitarian allocations for these countries has grown, mainly from 2013 onwards, while expenditure on development and peace activities have been fairly constant. The shift since 2013 was largely due to the effects of the escalating crisis in Syria and neighbouring Lebanon which, in addition to its own challenges, hosted many Syrian refugees. The escalation of the crises in South Sudan and Yemen have also contributed to the steady growth in humanitarian expenditure. In 2019, Yemen surpassed South Sudan as the crisis-affected country receiving the most funding. Yemen, South Sudan, the Democratic Republic of Congo, Lebanon and Somalia remain the top five countries in terms of allocated resources, accounting for 21% of all UN system-wide expenditure.

Chapter 3: Progress in improving data quality

Chapter Three is a contribution from the UN System Chief Executives Board for Coordination (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 (HLCM) 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. From 2022, all six data standards will be mandatory, including those with a three-year transition period. This means that the UN system could, for the first time, have a comprehensive view of what is being spent in support of a specific SDG in a specific location, with the added dimension of whether these outflows refer to development-, humanitarian-, peace- or global agenda-related interventions.

UN operational and peace-related expenditure in 36 crisis-affected countries, 2010–2019 (US\$ billion)
 (Figure 30 from Part One):

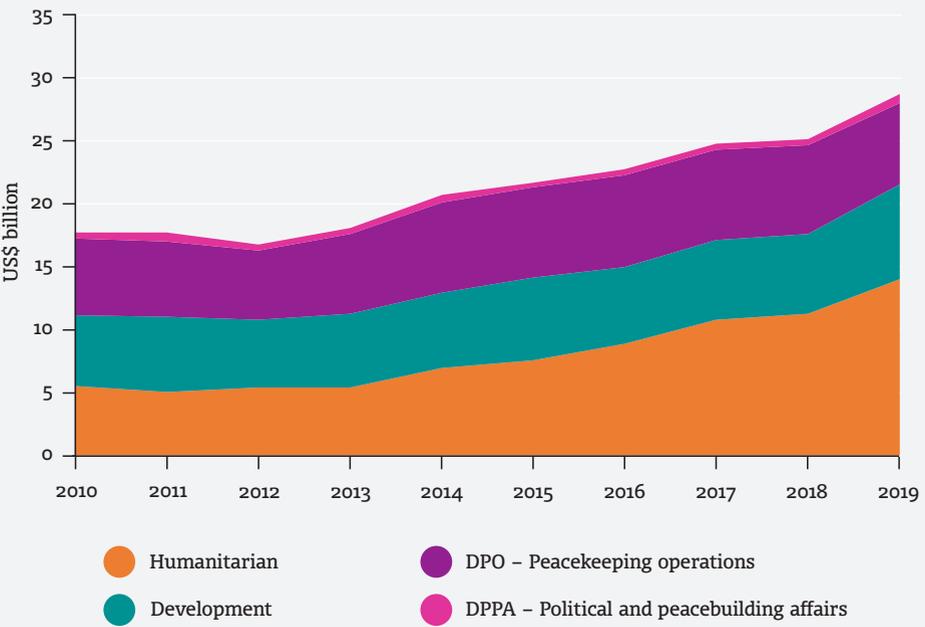


Figure 30

Source: see page 67



Part Two: Financing of the Sustainable Development Goals

Part Two takes a big picture approach to the financing required to achieve the SDGs, manage human impacts on the Earth's ecosystems, and respond to the COVID-19 pandemic.

In the first piece, **Homi Kharas and Meagan Dooley** emphasise that **progress towards the SDGs has faltered, and that 150 countries will see lower GDP per capita levels in 2021 compared to 2019**. Moreover, the COVID-19 pandemic has aggravated existing inequalities between high- and low-income countries due to their differing capacities when it comes to providing adequate fiscal responses. To get the SDG agenda back on track in 2022, the International Financial System is encouraged to provide more ambitious lending, additional liquidity, and renewed support for much-needed reforms of the international financial architecture.

Next, **Pedro Conceição** describes how **human action is impacting the biosphere and ecosystems in the Anthropocene**. A concept that was initially proposed as a new geologic epoch in which human activity is changing processes at the planetary scale, the Anthropocene is now increasingly being used to describe our current reality. More knowledge is needed on how to account for the risks of the Anthropocene, as well as the value of the biosphere as a service provider. This knowledge should inform the development of indicators that can be used by financial actors and their supervisory authorities to ensure that financing is fit for purpose in the Anthropocene.

Directing our attention to the COVID-19 pandemic, **Bruce Aylward** stresses that the pandemic has exposed serious shortfalls in global emergency preparedness. Currently, **multiple virus variants are emerging and there are insufficient funds to scale up COVID-19 tools and vaccination programmes, particularly in low- and middle-income countries**. Although US\$ 14.1 billion has so far been made available, another US\$ 19 billion will be required in 2021, in addition to long-term sustainable investments in national health systems.

Against this background, **Leen Meulenbergs and Brian Elliott** reveal that **the World Health Organization (WHO) is facing a serious shortfall in funding for its 2022–23 programme budget, with less than 45% of the resources forecast as being required to be made available**. At the same time, the proportion of flexible and assessed contributions has shrunk to only 17% of the total

programme budget. To address these issues, the WHO Executive Board has set up a working group to identify principles for what should be funded sustainably, how much funding should be provided, and who should provide this funding.

According to **Nada Al-Nashif**, human rights constitutes another area where the UN faces a substantial mismatch between its vast mandate and limited resources. **Despite the human rights-based approach being integral to UN activities in both mission and non-mission settings, in 2021 only 4% of the regular UN budget (excluding Humanitarian Affairs) was allocated to the human rights pillar**. Improving on this situation is essential if the UN is to implement crucial human rights activities and fulfil the shared promise of protecting and advancing human rights.

In the following piece, **Jake Sherman** argues that **Member States may consider reinvesting a portion of the savings generated by the ongoing downsizing of peacekeeping into the UN's conflict, prevention and peacebuilding capabilities**. Despite preventing and ending conflict being a primary motivation for the establishment of the UN, the organisation's existing capacities in support of this goal – particularly outside of peacekeeping environments – rely on a mix of unpredictable funding mechanisms. Much of this capacity is either voluntarily funded or dependent on the size and number of peacekeeping operations.

Finally, **Christoph Heusgen**, former Permanent Representative of Germany to the UN, emphasises that **it is essential to complement traditional funding for peacebuilding with blended finance, which in turn can support employment generation, economic inclusion and more equitable access to social services**. As such, it is important that new options are explored at the upcoming High-Level Meeting on Financing for Peace, and that efforts towards adequate and predictable funding for peace are renewed.

Part Three: Renewal of multilateralism and the re-emergence of global public goods

Part Three builds on Part Two's broad analysis to take a deep dive into two spheres that have often been highlighted in previous editions of this report: UN renewal and UN leverage at the country level, and the re-emergence of global public goods (GPGs).

Part Three begins with a contribution by **John Hendra** and **Per Knutsson**, who take stock of progress on joint strategic planning among UN agencies at the country

level, and whether this is leveraging both a more dynamic UN offer and more effective UN funding at the country level. With the Secretary-General's UN development system reform, a new UN Sustainable Development Cooperation Framework has been introduced to promote shared analysis and planning, as well as a clearer value proposition. Nonetheless, **a discrepancy remains between UN country team joint planning at the strategic level, and the high proportion of single-agency funding provided by Member States at the project level.**

Next, the **Dag Hammarskjöld Foundation** notes that **the UN has the potential to unlock catalytic capital for peacebuilding through engagement with the private sector. Nonetheless, the organisation may consider developing adequate guidance, standards and best practices to ensure positive contributions to peace.** Towards this ends, the authors identify five types of private sector funding engagement: 1) the UN Global Compact and Business for Peace (B4P) paradigm; 2) corporate social responsibility (CSR); 3) entrepreneurship; 4) socially responsible investments (SRI); and 5) innovative tools, such as social impact bonds.

Moving to the country level, **Aanchal Bhatia** conveys lessons learned from a pilot blended finance facility for peacebuilding in Colombia. The Resident Coordinator's Office (RCO) designed this project alongside the Peacebuilding Fund as the funding partner. To scale up this pilot facility with reduced transaction costs, **the UN may consider developing new policies, tools and processes adapted to blended financing, including those related to conflict analysis, legal agreements, monitoring and evaluation, and procurement.**

Based on lessons learned from the UN Joint SDG Fund and the SDG Partnerships Platform in Kenya, **John Hendra** and **Arif Neky** argue that **the UN could leverage its convening power and normative mandates to create enabling environments for increased private sector investments towards the SDGs.** Utilising this approach, the SDG Partnerships Platform facilitated more than US\$ 200 million of investments in health care and food security. At the global level, the UN Joint SDG Fund is rolling out programmes to leverage significant private sector financing towards the SDGs.

Next, Part Three proceeds into the partially uncharted territory of GPGs, which are commonly defined as goods and services that are 'non-rival' and 'non-excludable' in consumption – that is, one person's use of the good does not stop another person using the good, and one person cannot prevent another person from using the good.

John Hendra and **Silke Weinlich** emphasise that **GPGs are essential to mitigate climate change, reduce biodiversity loss and prevent global pandemics.** They also describe how the UN can contribute to the delivery of GPGs.

According to **Kanni Wignaraja** and **Swarnim Waglé**, **universal access remains the fundamental challenge facing the global COVID-19 vaccine drive.** They emphasise that if a substantial number of people continue to go unvaccinated, a reservoir of hosts will remain within which the virus can recoup. Therefore, it is crucial to establish cooperation protocols; ensure affordability; maintain an efficient logistics system; and take strategic decisions on the prioritisation and sequencing of public health and public financing policy. These actions will be key to ensuring the miracle of vaccine production is matched by the miracle of universal reach.

Finally, **Johannes F. Linn**, **Anthony Rea**, **Markus Repnik** and **Laura Tuck** explain how weather and climate observations constitute a GPG, with annual global benefits that potentially amount to US\$ 162 billion. To support developing countries in making surface-based weather observations, the Alliance for Hydromet Development has developed a proposal for a new financial mechanism: the Systematic Observations Financing Facility (SOFF). **SOFF may lead to longer-term opportunities of GPG financing, as – by providing grants in exchange for data of global significance – it potentially paves the way for similar funding initiatives where data delivery (or other GPG contributions) are expected.**

Footnotes

- ¹ United Nations, *The Sustainable Development Goals Report 2021*, 2021, <https://unstats.un.org/sdgs/report/2021/The-Sustainable-Development-Goals-Report-2021.pdf>.
- ² Note: Given the vast majority of inter-agency pooled funds were being funded by governments in 2018, the 2020 edition of *Financing the United Nations Development System* categorised inter-agency pooled funds as government funded rather than being funded by multilateral sources (as seen in Figure 6).
- ³ The 17 UN entities that have reported their allocations linked to the SDGs are: CTBTO, IARC, IFAD, ILO, OPCW, UNDP, UNFCCC, UNFPA, UNHCR, UNICEF, UNIDO, UNITAID, UNOPS, UN Women, WFP, WHO, WTO.

Introduction

“It has been said that the United Nations was not created in order to bring us to heaven, but in order to save us from hell. That sums up as well as anything I have heard both the essential role of the United Nations and the attitude of mind that we should bring to its support.”

Secretary General – Dag Hammarskjöld, 1954¹

The above statement by Dag Hammarskjöld still rings true today, as we continue to face global challenges that cannot be ignored. The effects of climate change and outbreak of the global COVID-19 pandemic constitute a new reality for a world that was already falling short in implementing the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). More than ever, the world is dependent on multilateral solutions aimed at both addressing today’s existential challenges and preventing, mitigating and adapting to future risks. The increasingly devastating impacts of a changing climate – wrought by storms, heat waves, intense drought, rising sea levels, melting glaciers and warming oceans – pose a fundamental threat to the planet, its biodiversity and to people’s livelihoods. At the same time, we are increasingly dependent on global political leadership and effective multilateral cooperation to coordinate a worldwide response to the COVID-19 pandemic, which has now cost more than 4 million lives.

While it would be an immense understatement to say that saving humanity from hell is a tall order, there remains no alternative other than to, as suggested by the sub-title of this year’s report, ‘meet the moment’. Knowledge, capacity and financial resources must be made to serve not only national interests, but global needs, norms and commitments. Recognition of this is manifested in the multilateral system and its multilateral agreements, at the core of which sits the United Nations system.

However, for the UN to succeed, it will need both strong leadership and adequate resources.

The COVID-19 pandemic has reversed development gains across the world. In 2020, the global extreme poverty rate rose for the first time in over 20 years, with hundreds of millions of people pushed back into extreme poverty and chronic hunger.² Member States and UN entities have a mutual responsibility to provide leadership and ensure a multilateral response, while also looking ahead to strengthen global and regional risk reduction. Such leadership involves investing in more integrated approaches and in global public goods (GPGs). Moreover, it requires improved funding predictability and flexibility, as well as sufficient core resources to ensure the multilateral nature of UN support.

To improve the quality of funding channelled through the UN development system, Member States and UN entities are encouraged to deepen strategic funding dialogues at both a global and country level. In preparing for such dialogues, we hope that this seventh edition of the *Financing the United Nations Development System* report can provide a wealth of useful information and enlighten decision-making for a stronger UN. Not only does the report provide a comprehensive and accessible overview of the current state of UN funding, it includes a marketplace of ideas from thought leaders across Member States, UN entities and research institutions.

For all stakeholders, it is time to ‘meet the moment’ through smart investments and financing for sustainable development, prevention and emergency preparedness, while at the same time managing the COVID-19 pandemic. On top of this, the larger challenge calls for investments addressing climate resilience; the deep inequalities and injustices laid bare by the pandemic; and – through investing in prevention, peacebuilding and sustaining peace – the root causes of conflict.

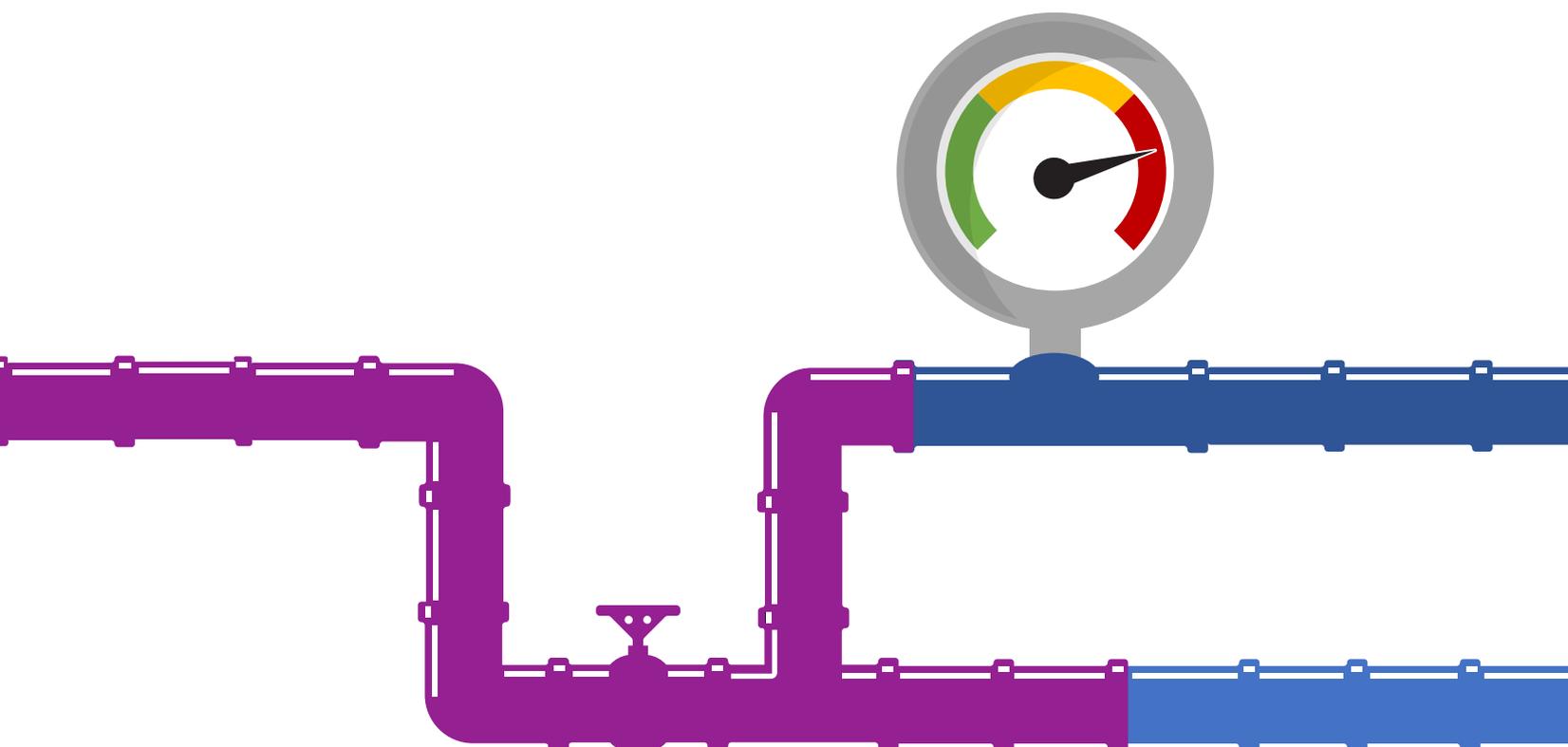
Funding the UN and our multilateral response should be seen as an essential *investment* in coming generations, rather than merely being regarded as the *cost* of mitigating current shocks. For example, the climate change we are experiencing today is caused by a 48% increase in the concentration of carbon dioxide in the Earth’s atmosphere, which has accumulated since the Industrial Revolution.³ We are responsible for this dramatic change and, similarly, our actions today will shape our shared future over the coming decades. By funding the UN development system in a more effective manner *now*, Member States can pave the way for a better tomorrow.

The multilateral system is currently subject to both unprecedented expectations and demands. At the same time, one of the main contributors to the UN system has announced substantial reductions in its voluntary contributions to UN agencies, funds and programmes. These reductions exacerbate an already vulnerable financial situation, given that the UN system relies on voluntary contributions for more than three-quarters

of its total revenue. Moreover, approximately half this revenue is provided by just ten of the 193 Member States.

To reverse the longstanding trend towards higher proportions of earmarked funding, Member States and UN entities are encouraged to demonstrate leadership and make progress on implementing the Funding Compact. This instrument, welcomed by the UN Economic and Social Council (ECOSOC) in 2019, contains a framework for accountability and change, including voluntary commitments to increase the proportions of core, pooled and predictable funding to the UN development system. Should Member States fulfil the potential of the Funding Compact, this would enable UN country teams to scale up integrated programming and policy support across mandates, thereby accelerating progress towards the SDGs being achieved. Pooled funds, in particular, offer the potential to catalyse integrated programming by establishing transformative criteria for joint planning and effective funds allocation, based on priority needs and clear comparative advantages.

In addition to adequate, flexible, pooled and predictable funding, the UN is encouraged – in partnership with governments, civil society and the private sector – to advance new policies, tools and processes for more effective delivery. Moreover, the UN may consider supporting financial actors and their supervisory authorities in developing methods that ensure financial investments account for the biosphere’s value as a service provider. Member States also may consider negotiating on



how best to structure and finance GPGs, such as global weather forecasts and long-term climate predictions.

Scope of the Report

In 2019, Member States, regional organisations and the private sector allocated US\$ 57 billion to the UN system. **Part One** of the report breaks down who is providing funding, who is being funded, and how. It also provides a bird's eye view of UN spending, following the money as it relates to the UN's geographic and thematic priorities. Finally, it includes two contributions from the United Nations Children's Fund (UNICEF) on individual giving and innovative financing, as well as a contribution from the UN Chief Executives Board (CEB) on data standards for UN system-wide reporting of financial data.

Part One aims to establish a point of departure for forward-looking conversations on funding of the UN development system. This includes conversations on how the UN system ought to be funded, and how required changes might be implemented. For example, given what we know of UN expenditure across Member States and across themes, what are the best ways of allocating UN revenue in support of the 2030 Agenda?

Due to the COVID-19 pandemic, 150 countries will be faced with lower gross domestic product (GDP) per capita levels in 2021 compared to 2019. **Part Two** of the report provides tangible recommendations on how Member States can mitigate the disastrous impact of the pandemic, while at the same time

strengthening conflict prevention, resilience building and emergency preparedness. Each contribution strives to connect the dots between, on the one hand, the quality and quantity of financial flows, and, on the other, sustainable development results. They also point to several areas where Member States can support knowledge creation and institutional reform, including with regard to the international financial system.

Looking under the hood of most UN agencies, we find incentives, processes and tools geared towards the delivery of programmatic activities funded through grants. **Part Three** of the report, however, outlines how UN entities can find new ways of better leveraging private financial flows for the SDGs. This would require UN personnel to both shift their mindset and develop additional skillsets. Such changes, while major, are crucial to supporting Member States attain the SDGs.

If the pandemic has taught us anything, it is that critical GPGs should be available to everyone, everywhere. This includes goods with cross-border effects, such as long-term climate predictions and equitable access to COVID-19 drugs, diagnostics and vaccines. However, Member States have struggled to reach agreement on the provision of GPGs, in part due to the financial implications. Part Three of this report outlines how Member States and multilateral institutions can more effectively promote the delivery of GPGs, including examples of funding mechanisms that could be scaled up in support of these initiatives.

Footnotes

- ¹ While this quote is usually attributed to second United Nations Secretary-General Dag Hammarskjöld, he in fact paraphrased the United States Ambassador to the UN at the time, Henry Cabot Lodge, Jr, who stated: 'This organization is created to prevent you from going to hell. It isn't created to take you to heaven.'
- ² United Nations, *The Sustainable Development Goals Report 2021*, 2021, <https://unstats.un.org/sdgs/report/2021/The-Sustainable-Development-Goals-Report-2021.pdf>.
- ³ World Meteorological Organization, *State of the Global Climate 2020*, 2021, https://library.wmo.int/doc_num.php?explnum_id=10618.



United Nations resource flows

Chapter One:

How is the United Nations funded?

Chapter Two:

Where is UN funding allocated?

Chapter Three:

Progress in improving data quality

Overview

Today's United Nations includes a wide range of organs, organisations, agencies, funds, programmes and other bodies. Each UN entity has its own mandate and sources of funding. The sheer number of these sources – which together comprise the UN's funding architecture – reflects the diverse nature of the UN's activities. While the financing of the UN may at first appear complex, it is quite straightforward. This report aims to explain how this funding architecture works, and how it is used across the UN system. As will become clear, funding approaches that serve the functions that are significant for the UN system are crucial to achieving results for people and the planet in line with the 2030 Agenda for Sustainable Development.

Part One of the report describes how UN resources are generated and allocated. Using the most up-to-date and reliable data available, it provides answers to a series of straightforward questions: How and by whom is the UN funded? Where and for what purposes are the UN's resources allocated? It also focuses on the quality, types and sources of UN funding: Is there a difference between funding for humanitarian purposes and financing for development assistance? What about trends in inter-agency pooled funds? What changes can be identified in funding from non-governmental contributors?

The global crisis caused by the COVID-19 pandemic has placed a huge stress on the entire multilateral system. It has tested the UN's ability to adjust and respond adequately to changing and emerging socio-economic needs. But it has also affected the UN's financial flows. One thing to bear in mind when reading Part One of this year's report is that 2019 is the most recent year for which UN system-wide data is available. Therefore, while some preliminary data for 2020 has been published, the majority of the figures and tables in Chapters 1 and 2 are based on pre-COVID-19 funding levels. A more thorough analysis of how UN financial flows have been affected by the pandemic will be possible in 2022, when the full 2020 dataset becomes available.

Data sources and definitions

The figures and tables in Part One are based on data from a number of UN sources and partner organisations. Two main UN system datasets have been used. The first is maintained by the UN System Chief Executives Board for Coordination (CEB), which collects and publishes on its website data from 43 UN entities that have committed to reporting their data collectively.¹ The second dataset is produced by the UN Department of Economic and Social Affairs (UN DESA) as an annex to the annual report of the Secretary-General on the implementation of the Quadrennial Comprehensive Policy Review (QCPR) process.² The UN DESA dataset is based on the CEB dataset but only includes data on the UN development system (UNDS) and the UN operational activities for development (OAD) segment.³

The data on revenue and expenditure analysed in Part One is presented in two specific ways. First, it presents UN system-wide data, including financial data for all UN entities. Second, it focuses on the UN entities that are part of the UNDS. The UNDS is defined as ‘entities that carry out operational activities for development to support countries in their efforts to implement the 2030 Agenda for Sustainable Development’.⁴ In this context, OAD refers to activities that fall under either ‘development assistance’ or ‘humanitarian assistance’.

A third dataset referred to in the report is annual data produced by the Organisation for Economic Co-operation and Development (OECD) on the sources and uses of official development assistance (ODA). The OECD’s Development Assistance Committee (DAC) – a major coordination forum for donor countries – defines ODA as ‘government aid that promotes and specifically targets the economic development and welfare of developing countries’.⁵ The UN also collects more disaggregated data on UN inter-agency pooled funds in a separate database, which allows for a deeper analysis of this type of flexible, non-core funding.

These four datasets, together with information gathered from other sources, form the foundation for the analyses presented in *Financing the United Nations Development System*. Over the seven years that the report has been produced, various actors have made efforts to improve the financial data generated by the UN system. Recent developments in implementing the UN data standards and improvements in UN data quality are described in Chapter 3.⁶

United Nations reform and the Funding Compact

The reforms instituted by UN Secretary-General António Guterres in January 2017 – which together encompass the organisation’s work on development, management, and peace and security – interact with and affect the financing of the UN system.⁷ There is general agreement that a shift in UN funding patterns is needed to better support the implementation of these reforms and enable the UN to support Member States in reaching the Sustainable Development Goals (SDGs). The COVID-19 pandemic has further emphasised the need for coordinated approaches using innovative financing instruments.

In 2019, to address the need for a funding structure that is fit for purpose and effectively funds a repositioned UNDS, the UN and Member States formulated a Funding Compact.⁸ The Compact contains a series of commitments by Member States and UN entities to increase the quantity and quality of funding for development assistance. It goes beyond promoting core and flexible ‘core-like’ funding, emphasising collective partnerships and strategic planning to deliver coordinated and integrated results, respond quickly to national priorities, and leverage development and climate finance.

How is the United Nations funded?

This chapter explores the revenue the UN received in 2019 from the various financing instruments available to fund the UN system. It compares this data with data from previous years. It examines the ways in which different funding channels are used and how overall funding has developed over time.

1.1 Financing instruments in the UN system

The way in which the UN is financed affects its ability to operate and perform its functions. Broadly speaking, the UN system can make use of five types of financing instrument:

Table 1: The spectrum of UN financing instruments

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

- 1) assessed contributions
- 2) voluntary core contributions
- 3) earmarked contributions
- 4) fees and other revenue
- 5) negotiated pledges.

With the exception of negotiated pledges, all of these revenue streams can be found in the UN system today. Each instrument has different characteristics, providing varying levels of flexibility and accountability for individual UN entities. For definitions and characteristics of the five instrument types see Table 1 (on the previous page).

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'.⁹

The formula for the regular UN budget is based on gross national income (GNI) plus debt burden adjustments for middle- and low-income countries and adjustments for low per-capita income. There is a minimum contribution rate and two maximum rates, one for least-developed countries and one for other countries.¹⁰

The formula for peacekeeping operations also takes into account the fact that the five permanent members of the Security Council (the P5) pay a larger share due to their special responsibility for maintenance of international peace and security.¹¹

These two formulas are adjusted by the UN General Assembly and Member States, normally for three years at a time. Assessed contributions and voluntary core contributions form the core funding for UN entities.

Voluntary core contributions

Voluntary core contributions, also called 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 entities' core functions in line with determined 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 that are tied to specific projects, themes or locations. While voluntary, such contributions are restricted in terms of how they can be used by the receiving entity.

Earmarked contributions are widely used in the UN system, but the actual extent of the earmarking varies. Some funds may be tightly connected to a specific project or programme, while others may form 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, there is a push for more predictable and flexible UN funding by Member States and the UN system alike.¹² See section 1.5 for an overview of the different instruments for earmarked contributions.

In 2019, the UN introduced a levy of 1% on tightly earmarked development funding.¹³ The levy can be applied in specific situations, including contribution agreements on development-related activities, and contributions from a single donor earmarked to a single-entity project or programme. The levy is a predetermined fee that provides a flexible pool of resources to manage the large number of highly earmarked projects.

Fees and other revenue

The fourth revenue stream for the UN – fees and other revenue – covers a variety of income from both state and non-state actors generated through public services, knowledge management and product services. This revenue stream accounts for almost 9% of the UN's overall funding in 2019.

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. For example, the World Bank has used negotiated pledges for the replenishment of the International Development Association (IDA).

1.2 UN revenue

In 2019, the total revenue for the UN system was US\$ 56.9 billion, an increase of US\$ 0.9 billion compared to 2018. Table 2 (on page 31) provides a detailed breakdown, by financial instrument, of total funding for 43 entities in 2019.

In nominal terms, total UN funding has grown steadily over the past decade. The total revenue of the UN in 2010 was US\$ 39.6 billion. By 2015, total revenue amounted to US\$ 47.9 billion. The figure of US\$ 56.9 billion for 2019 represents a continuation of that trend. While the increase in UN funding in 2019 was mainly due to actual growth in UN revenue, a small portion can be attributed to improved reporting to the CEB. For example, the International Tribunal for the Law of the Sea (ITLOS) reported

its revenue (of US\$ 12 million) to the CEB for the first time in 2019. Meanwhile, the 2019 data for the UN Research Institute for Social Development (UNRISD) was included in the CEB figures for the UN Secretariat, whereas in both 2017 and 2018 it reported US\$ 2 million in revenue as a separate entity. As shown in Figure 1 and Table 2, earmarked funding continues to represent the largest funding source for the UN, amounting to US\$ 32.9 billion in 2019. This is a slight increase compared to 2018 in nominal terms but a decrease in the share of total funding, from 59% in 2018 to 57.8% in 2019. Assessed contributions – which can be regarded as the most consistent source of revenue for the UN, as they are based on membership fees – only represent around one-quarter of the total, or US\$ 13.7 billion. Voluntary core contributions fell to US\$ 5.3 billion, or 9.4% of total UN funding, compared to US\$ 5.7 billion in 2018. The main change compared to previous years is the relatively large increase in fees and other revenue, from US\$ 4 billion in 2018 to US\$ 5 billion in 2019. This represents a shift from 7.1% of total revenue in 2018 to 8.8% in 2019.

The UN entity with the largest increase in 2019 was the World Food Programme (WFP), which received an additional US\$ 903 million in funding. Other entities recorded smaller increases in nominal terms but substantial growth in relative terms. For example, the International Fund for Agricultural Development (IFAD) received 32% more funding in 2019 than in 2018, an increase entirely generated through voluntary core contributions. The UN Office for Project Services (UNOPS) data shows a 29% increase over the same period. This growth is part of a longer-term trend for both entities. IFAD's

revenue grew by 85% in the period 2015–19. During that time, IFAD developed its capacity to leverage investments in the agricultural sector and engage with private actors. UNOPS' revenue increased by 77% over the same period. UNOPS has improved its financial footing by transforming its operating principles and introducing new pricing and risk management tools. This has enhanced its reputation as an organisation that efficiently implements complex projects in some of the world's most challenging environments.

Meanwhile, the United Nations Children's Fund (UNICEF) and United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) reported fewer voluntary core contributions, resulting in a total decrease in UN voluntary core contributions. The increase in fees and other revenue, which we explore further in section 1.3, can mainly be attributed to UNOPS, WFP and the Pan American Health Organization (PAHO).

Table 3 (on page 32) shows the development of total revenue over time for seven UN entities. This is one of the few tables in the report that reflects revenue figures for 2020. WFP stands out from the six other entities, with revenue growth of US\$ 4 billion (81%) during the period 2015–20. This growth can be explained by the increased need for emergency response in conflict-affected countries and the escalating number of climate shocks.¹⁵ Funding for UNICEF and the World Health Organization (WHO) showed remarkable growth, both in nominal and relative terms, during the same period. In 2020, WHO revenue increased by 38% due to voluntary contributions in response to the COVID-19 pandemic.¹⁶

Figure 1: Overview of the total funding of the UN system by financing instrument, 2019



Source: Chief Executives Board for Coordination (CEB)
For notes – see page 79

Table 2: Total revenue of the UN system by entity and by financing instrument, 2019 (US\$ million)

Entity (Entity name)	Assessed	Voluntary core	Earmarked	Fees and other revenue	Total
UN Secretariat (United Nations Secretariat)	3,010		2,607	733	6,350
CTBTO (Comprehensive Nuclear-Test-Ban Treaty Organization)	127		7	4	138
DPO (Department of Peace Operations)	6,998		356	108	7,463
FAO (Food and Agriculture Organization of the United Nations)	489	49	1,108	10	1,656
IAEA (International Atomic Energy Agency)	411		226	11	648
IARC (International Agency for Research on Cancer)	25	0	16	2	43
ICAO (International Civil Aviation Organization)	83		118	26	227
ICC (International Criminal Court)	162		2	1	165
IFAD (International Fund for Agricultural Development)		450	134		584
ILO (International Labour Organization)	386		294	47	727
IMO (International Maritime Organization)	44		15	21	79
IOM (International Organization for Migration)	53	29	1,962	83	2,127
ITC (International Trade Centre)	36	8	78	3	125
ITLOS (International Tribunal for the Law of the Sea)	11		0		12
ITU (International Telecommunication Union)	130		18	45	192
OPCW (Organisation for the Prohibition of Chemical Weapons)	74		17	3	94
PAHO (Pan American Health Organization)	112		123	875	1,110
UNAIDS (Joint United Nations Programme on HIV/AIDS)		179	44	7	231
UNCDF (United Nations Capital Development Fund)		6	137	4	148
UNDP (United Nations Development Programme)		694	3,779	357	4,829
UNEP (United Nations Environment Programme)	224	75	481	32	812
UNESCO (United Nations Educational, Scientific and Cultural Organization)	256		348	55	659
UNFCCC (The United Nations Framework Convention on Climate Change)	33	1	35	16	85
UNFPA (United Nations Population Fund)		373	991	105	1,470
UN-HABITAT (United Nations Human Settlements Programme)	15	5	141	23	184
UNHCR (Office of the United Nations High Commissioner for Refugees)	43	713	3,381	46	4,183
UNICEF (United Nations Children's Fund)		1,170	5,031	211	6,412
UNIDO (United Nations Industrial Development Organization)	76		165	27	268
UNITAID (United Nations International Drug Purchase Facility)		230	19		249
UNITAR (United Nations Institute for Training and Research)		0	37	8	45
UNODC (United Nations Office on Drugs and Crime)	32	5	392	30	458
UNOPS (United Nations Office for Project Services)				1,212	1,212
UNRWA (United Nations Relief and Works Agency for Palestine Refugees)		605	364	32	1,001
UNSSC (United Nations System Staff College)		4	9	0	14
UNU (United Nations University)		34	22	64	120
UN Women (United Nations Entity for Gender Equality and the Empowerment of Women)	10	143	357	17	527
UNWTO (World Tourism Organization)	16	0	5	2	23
UPU (Universal Postal Union)	37		19	21	76
WFP (World Food Programme)		442	7,557	272	8,272
WHO (World Health Organization)	490	92	2,489	44	3,116
WIPO (World Intellectual Property Organization)	18		11	440	469
WMO (World Meteorological Organization)	67	2	22	3	93
WTO (World Trade Organization)	201	23		5	229
Total	13,669	5,333	32,918	5,005	56,925

Source: Chief Executives Board for Coordination (CEB)

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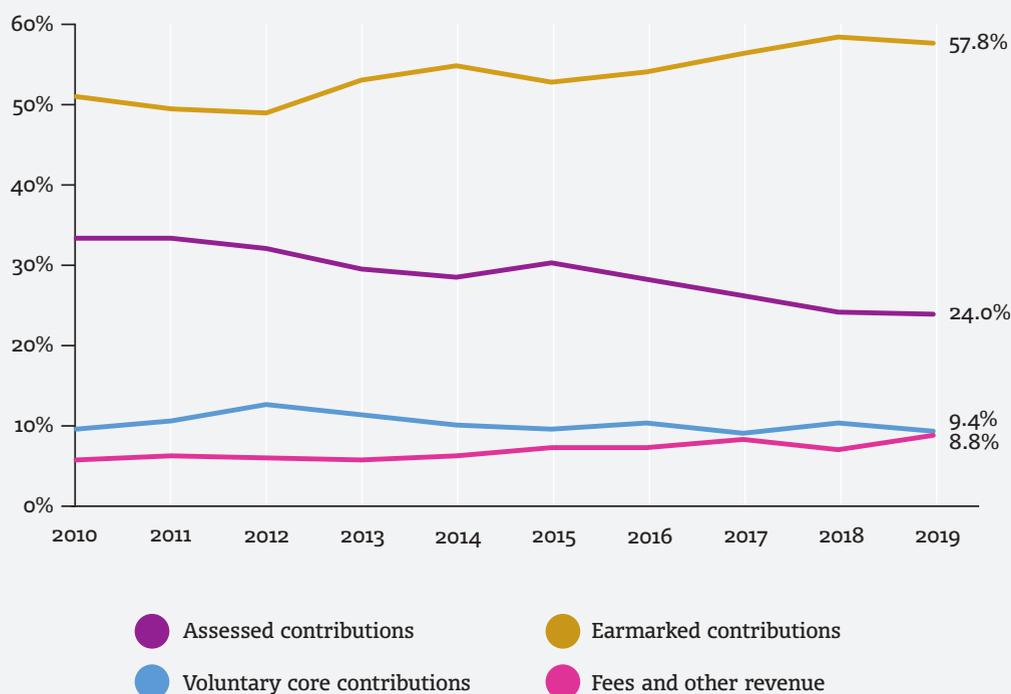
Table 3: Total revenue of seven UN entities 2015–2020 (US\$ million)

Entity	Total revenue			Percentage growth rate	
	2015	2019	2020	2019–2020	2015–2020
UNDP	4,820	4,829	6,504*	35%	35%
UNFPA	1,037	1,470	1,382	-6%	33%
UNHCR	3,582	4,183	4,892	17%	37%
UNICEF	5,010	6,412	7,548	18%	51%
UNRWA	1,213	1,001	983	-2%	-19%
WFP	4,911	8,272	8,904	8%	81%
WHO	2,475	3,116	4,299	38%	74%

* In line with International Public Sector Accounting Standards (IPSAS), United Nations Development Programme (UNDP) financial statements and data reported to CEB since 2019 reflect the full value of funding agreements as revenue when signed. However, UNDP management reports present revenues aligned with past cash revenue recognition policies.

Source: Chief Executives Board for Coordination (CEB)
For notes – see page 78

Figure 2: Distribution of total UN system funding, by financing instrument, 2010–2019



Source: Chief Executives Board for Coordination (CEB)
For notes – see page 79

Figure 2 illustrates how the composition of UN funding has evolved in the period 2010–2019, showing the relative shares of the four main financing instruments during that time. While assessed and voluntary core contributions have remained relatively stable over the period in

nominal terms, the proportion of assessed contributions has fallen due to the growth in earmarked funding. Earmarked contributions have increased both in nominal terms and as a share of total funding, albeit with a slight decrease in 2019.

1.3 The instruments used to fund the UN entities

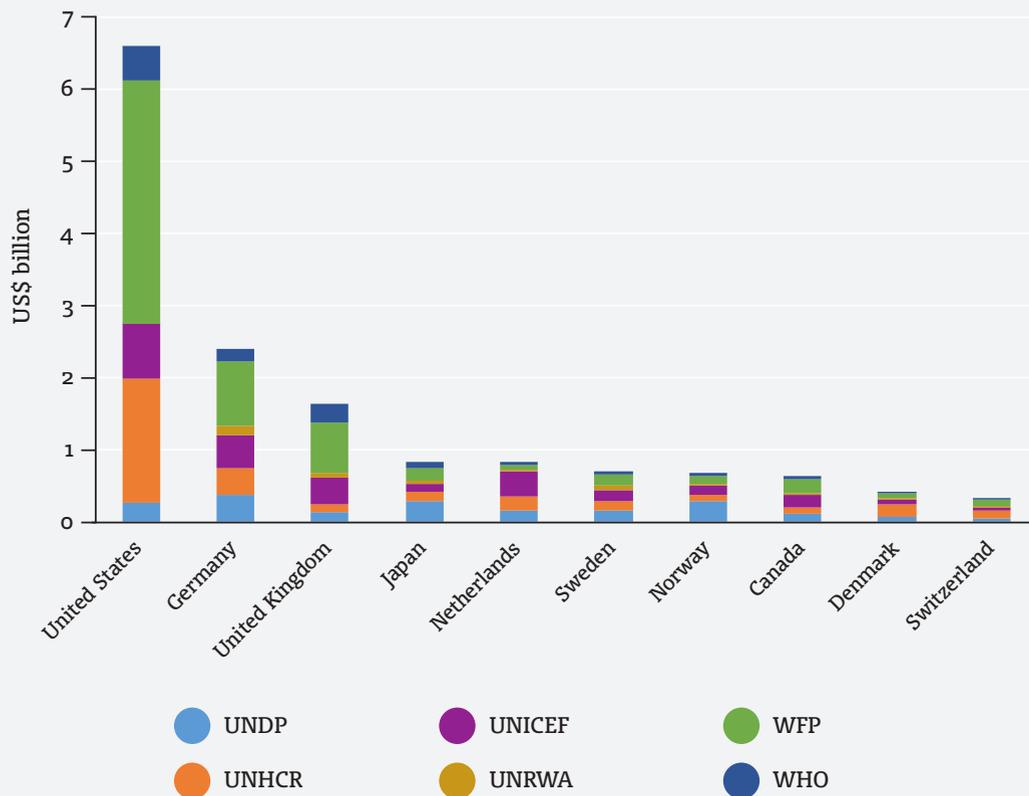
The degree to which UN entities are funded, via the four main financial instruments, varies partly due to the nature of their mandates but also their funding sources. This section explores the choices made by contributors to select UN entities. As will be seen, while some entities receive core or earmarked contributions, others have fees as their main source of income. The CEB dataset on annual funding flows from 2010 to 2019 provides a visualisation of the way in which the top ten Member State contributors to the UN have chosen to distribute their funding between

UN agencies over time.¹⁷ This aspect of UN financing is further analysed in section 1.4.

In this section a distinction is made between members of the Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD-DAC) and non-OECD-DAC contributors.¹⁸

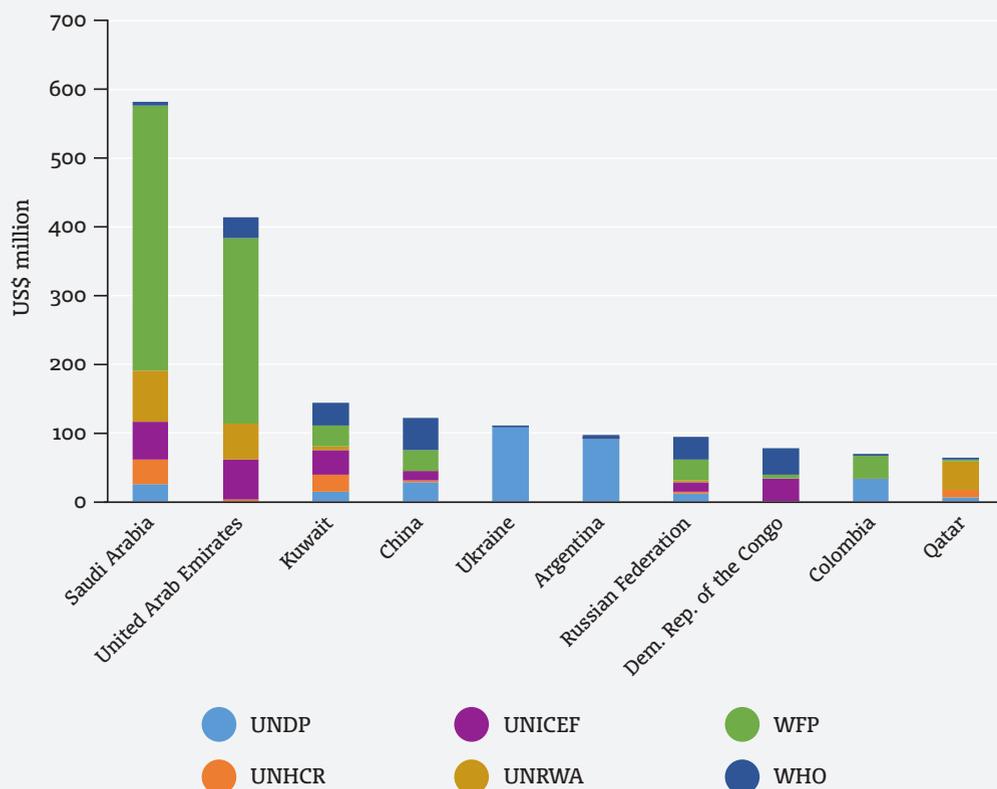
Figure 3 and Figure 4 show the total contributions in 2019 to six UN entities by the top ten OECD-DAC members and the top ten non-OECD-DAC contributors, respectively. Taken together, these two figures point to a varied set of funding patterns.

Figure 3: Total contributions from top ten OECD-DAC countries to six select UN entities, 2019 (US\$ billion)



Source: Chief Executives Board for Coordination (CEB)
For notes – see page 79

Figure 4: Total contributions from top ten non-OECD-DAC countries to six select UN entities, 2019 (US\$ million)



Source: Chief Executives Board for Coordination (CEB)
For notes – see page 80

For example, in 2019 the United Nations Development Programme (UNDP) received a large share of the overall funding provided by two countries, Japan and Norway, while Germany was the largest contributor in volume to UNDP. Germany, the United Kingdom and the United States provided large shares of their funding to WFP, the United Nations High Commissioner for Refugees (UNHCR) and UNICEF – three UN entities with humanitarian mandates.

For the top non-OECD countries, the profiles are diverse but more focused. WFP receives the majority of the funding provided by Colombia, Saudi Arabia and the United Arab Emirates. Meanwhile, Argentina and Ukraine channel almost all of their funding to UNDP, predominantly through local resources in support of their countries' own development frameworks.

Assessed contributions to UN entities

In general, UN programmes and funds are financed through voluntary rather than assessed contributions,

while specialised agencies that are independent international organisations are funded by both assessed and voluntary contributions. Table 4 (on the following page) shows the evolution of assessed contributions over the past 15 years.

In addition to the UN Department of Peacekeeping Operations (DPO), which is funded almost entirely by assessed contributions, many small and specialised UN entities with clear technical and regulatory mandates rely heavily on predetermined, membership-based funding. For example, the Comprehensive Nuclear-Test-Ban Treaty Organisation (CTBTO), the International Criminal Court (ICC) and ITLOS all receive more than 90% of their funding from assessed contributions. Another eight small entities listed in Table 4 each receive more than 50% of their funding from assessed contributions. In contrast, some of the larger UN entities rely exclusively on voluntary funding. Examples include UNICEF, WFP and UNDP – three of the five largest UN entities in funding terms.

Table 4: Assessed contributions to the UN system by entity, 2005–2019 (US\$ million)

Entity	2005	2010	2015	2018	2019	Percent of total 2019 revenue
UN Secretariat	1,828	2,167	2,771	2,487	3,010	47%
CTBTO				128	127	92%
DPO	4,394	7,828	8,504	7,286	6,998	94%
FAO	377	507	497	499	489	30%
IAEA	278	392	377	413	411	63%
IARC				25	25	58%
ICAO	59	77	68	73	83	37%
ICC				166	162	98%
IFAD	190					0%
ILO	265	409	401	387	386	53%
IMO	36	43	45	40	44	55%
IOM	33	38	43	52	53	2%
ITC	26	35	37	37	36	29%
ITLOS					11	98%
ITU	98	135	128	127	130	68%
OPCW				71	74	78%
PAHO	92	98	106	103	112	10%
UNEP	62	221	223	247	224	28%
UNESCO	305	377	341	336	256	39%
UNFCCC				35	33	39%
UN-HABITAT	9		17	14	15	8%
UNHCR		40	49	39	43	1%
UNIDO	91	103	78	78	76	29%
UNODC			29	34	32	7%
UN Women			8	8	10	2%
UNWTO	11	16	15	16	16	70%
UPU	27	37	36	37	37	48%
WHO	429	473	467	501	490	16%
WIPO	13	18	18	18	18	4%
WMO	48	66	66	66	67	71%
WTO	128	202	198	199	201	88%
Total	8,798	13,283	14,520	13,522	13,699	24%

Source: Chief Executives Board for Coordination (CEB)

For notes – see page 79

Overall assessed contributions have remained stable, at around US\$ 14 billion per year, from 2010 onwards. In historical terms, the largest increase in total assessed contributions – more than 50%, between 2005 and 2010 – was mainly connected to increased assessed contributions to DPO. The budget for peace operations is mandated by the UN Security Council and funded by

Member States according to a predetermined formula that differs slightly from the formula used for the UN general budget. In 2018 and 2019, DPO also saw the most important change in assessed contributions, with decreases of US\$ 567 million and US\$ 288 million, respectively, due to an overall reduction in the number and size of UN peacekeeping missions.

Earmarked contributions to UN entities

The volume of earmarked funding for the UN system has increased remarkably over the past 15 years. Table 5 (on the following page) shows that total revenue from earmarked funding has doubled, from US\$ 15.2 billion in 2005 to US\$ 32.9 billion in 2019. The increase is largely connected to four UN agencies – the International Organisation for Migration (IOM), UNHCR, UNICEF and WFP – that have humanitarian mandates and a high percentage of earmarked funding. In total, earmarked revenue for these four agencies grew by US\$ 11 billion in 2005–19.

Three agencies – IOM, the UN Capital Development Fund (UNCDF) and WFP – received more than 90% of their funding from earmarked contributions in 2019, making them the agencies with the greatest share of highly earmarked funding. Another seven agencies received more than three-quarters of their revenue from earmarked funding sources.

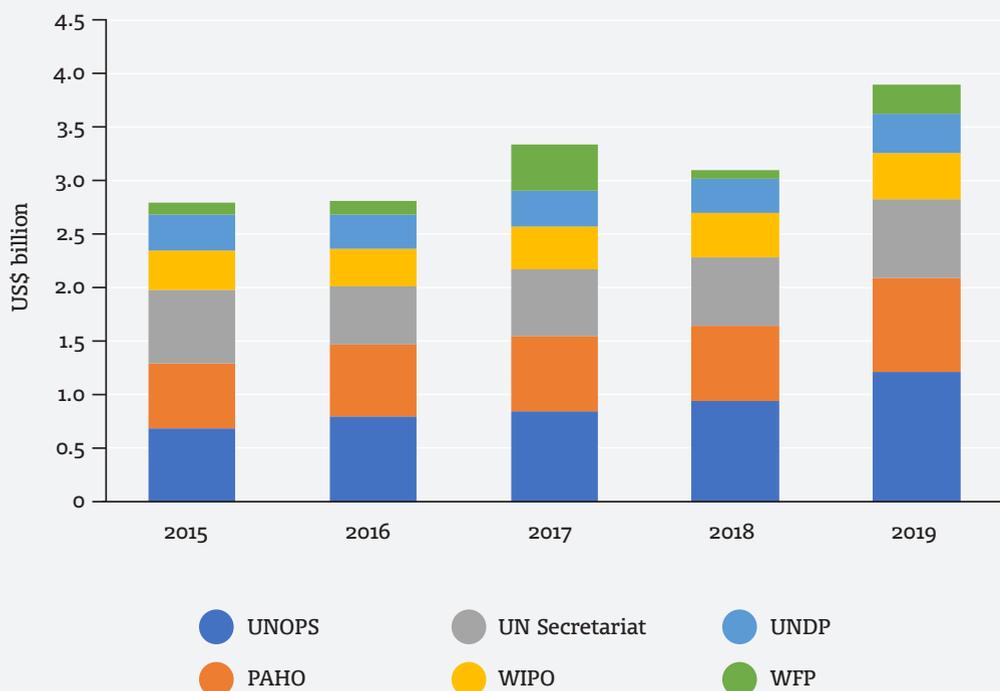
When the dominant portion of an entity’s revenue come from earmarked funding, the type of earmarking

specified by the funder becomes important. Each type of earmarking provides a specific level of flexibility. While there is great variety between agencies, most have a high degree of project- or programme-specific funding. Others receive more diversified types of earmarked funding. UNCDF, UNDP and the WHO all receive a considerable share of their funding from inter-agency pooled funds, single-agency thematic funds and global vertical funds, which provide more flexibility to allocate resources and adapt to changing needs. This development is explored in section 1.5.

Fees and other revenue

The fourth main type of financial instrument used in the UN system – fees and other revenue – refers to revenues that are not considered contributions. This includes fees for services performed as well as other income, such as financial gains related to investments or exchange rates. The total revenue in the UN system from this type of instrument grew from US\$ 4 billion in 2018 to US\$ 5 billion in 2019. Figure 5 shows the total revenue from fees and other revenue for six UN entities from 2015 to 2019.

Figure 5: Fees and other revenue within the UN system, 2015–2019. Six select entities (US\$ billion)



Source: Chief Executives Board for Coordination (CEB)
For notes – see page 80

Table 5: Earmarked contributions to the UN system by entity, 2005–2019 (US\$ million)

Entity	2005	2010	2015	2018	2019	Percent of total 2019 revenue
UN Secretariat	848	1,361	2,094	2,898	2,607	41%
CTBTO				3	7	5%
DPO	23	33	195	363	356	5%
FAO	364	891	744	1,067	1,108	67%
IAEA	124	202	236	240	226	35%
IARC				18	16	37%
ICAO	154	129	106	135	118	52%
ICC				2	2	1%
IFAD	39	80	93	161	134	23%
ILO	179	248	225	243	294	40%
IMO	14	11	8	12	15	19%
IOM	962	1,051	1,397	1,768	1,962	92%
ITC	32	40	25	53	78	62%
ITLOS					0	2%
ITU	16	12	6	18	18	9%
OPCW				14	17	18%
PAHO	65	741	651	518	123	11%
UNAIDS	26	34	23	30	44	19%
UNCDF				56	137	93%
UNDP	3,609	4,311	3,726	4,523	3,779	78%
UNEP	79	174	432	422	481	59%
UNESCO	349	323	352	297	348	53%
UNFCCC				46	35	42%
UNFPA	199	357	581	877	991	67%
UN-HABITAT	125	166	156	154	141	76%
UNHCR	1,089	1,521	2,779	3,614	3,381	81%
UNICEF	1,921	2,718	3,836	4,867	5,031	78%
UNIDO	157	229	250	92	165	61%
UNITAID				3	19	8%
UNITAR	16	19	24	20	37	82%
UNODC	124	238	234	350	392	86%
UNOPS						0%
UNRWA	528	13	611	431	364	36%
UNSSC				7	9	67%
UNU	20	37	61	17	22	18%
UN Women			171	235	357	68%
UNWTO	3	8	3	6	5	22%
UPU	6		21	18	19	24%
WFP	2,963	3,845	4,469	6,882	7,557	91%
WHO	1,117	1,442	1,857	2,264	2,489	80%
WIPO	5	10	10	12	11	2%
WMO	19	25	5	18	22	24%
WTO	21	31	21			0%
Total	15,196	20,298	25,403	32,754	32,918	58%

Source: Chief Executives Board for Coordination (CEB)

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Of the six entities listed in Figure 5 (on page 36), UNOPS had the largest nominal growth in the period 2015–19. UNOPS is a self-financed organisation that relies entirely on fees from project implementation and other services covering infrastructure, project management, procurement, financial management and human resources. UNOPS is also the entity with the highest amount of revenue from fees: US\$ 1.2 billion in total in 2019.

PAHO, the second largest UN entity listed in Figure 5 in terms of volume of fees and other revenue, receives 78% of these revenues, totalling US\$ 0.9 billion, from procurement services. Through international bidding, it purchases vaccines, public health supplies and equipment on behalf of Member States and international institutions at affordable prices. The services provided by PAHO are examples of the UN’s contribution to global public goods. However, to capture the myriad ways in which the UN system creates global public goods, there is a need to further develop system-wide reporting.¹⁹

The World Intellectual Property Organization (WIPO) is a third entity that relies mainly on fees: 94% – US\$ 0.4 billion – of its income in 2019 came from fees

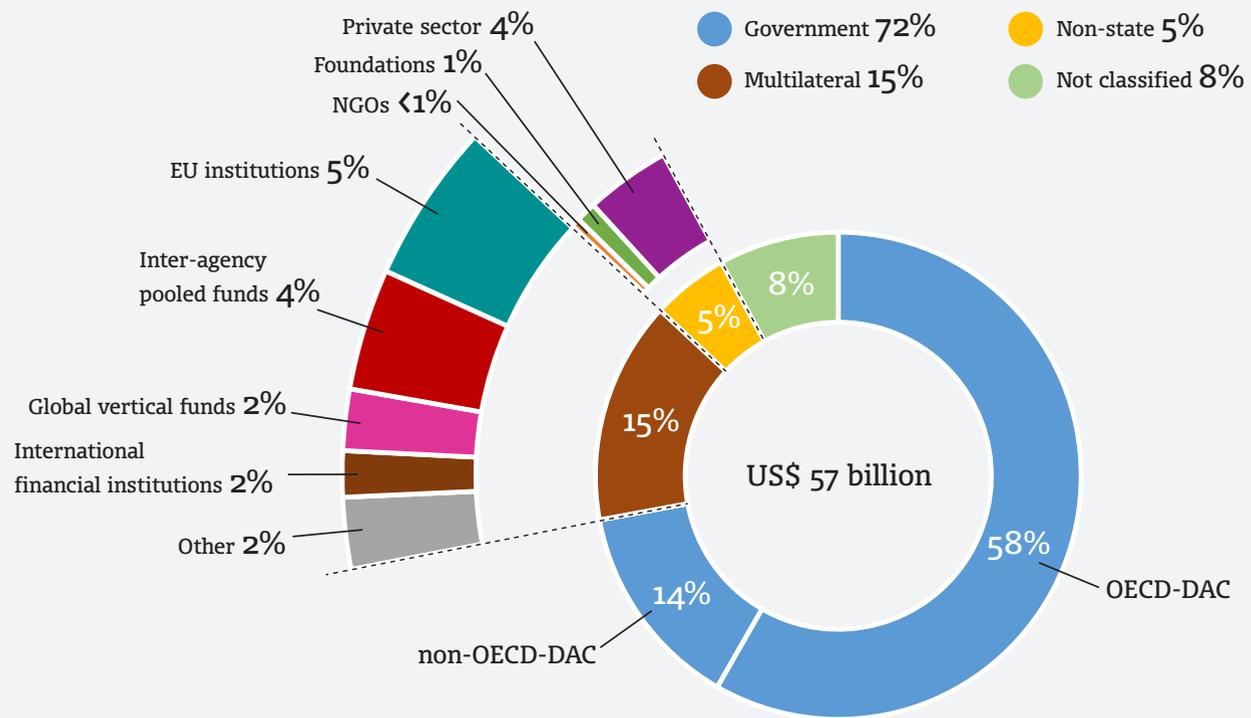
paid by users of its intellectual property services for patents, trademarks and industrial designs.

For UNDP, WFP and the UN Secretariat, fees and other revenue constitute a small part of their total revenue. The UN Secretariat earns additional revenue by providing software support, training and consultancy services to external parties, and by selling publications. UNDP earns some income through training, payroll services, fund management and administration, and from services provided by the UN Volunteers programme. WFP earns revenue from air operations and through the provision of goods and services by the UN Humanitarian Response Depots.

1.4 Funding sources for the UN system

The previous section examined the channels via which funding flows into the UN system. The next question is: Where is this funding coming from? Figure 6 shows that the UN is largely funded by governments. Almost three-quarters (72%) of total UN revenue in 2019 came from direct investments by governments. The share of overall UN revenue provided by direct government investment in 2019 remained unchanged from 2018.

Figure 6: Funding sources for the UN system, 2019



Source: Chief Executives Board for Coordination (CEB) and UN Pooled Funds Database
For notes – see page 80

In 2019, 58% of the total UN funding originated from the 29 UN Member States that are members of the OECD-DAC, with a further 14% from non-OECD-DAC contributors, including China, Russia, Saudi Arabia and the United Arab Emirates.

In addition, 15% of total UN revenue in 2019 came from multilateral channels. Much of this funding is indirect government investment via funds, international financial institutions (IFIs) and EU institutions.

Taking a closer look at the multilateral channels, EU institutions are fully funded by EU Member States, while 94% of all inter-agency pooled funds in 2019 were also funded by governments. Figure 6 classifies this type of fund as a multilateral source.²⁰ Moreover, owners of, or shareholders in, IFIs are in general national governments. Furthermore, global vertical funds such as the Global Environment Facility (GEF) and Gavi, the Vaccine Alliance, receive the majority of their resources from national governments (although Gavi also receives substantial support from the Bill & Melinda Gates Foundation).

In conclusion, when considering where the funding originates, an estimated 85% of total UN revenue comes from the governments of UN Member States. Of the remainder, 2% comes from other multilateral sources, 5% comes from non-state actors – including the private sector (both individuals and enterprises), foundations and non-governmental organisations (NGOs) – and 8% is not classified by reporting UN entities. The relatively high percentage of unclassified revenue is partly due to the fact that entities are not obliged to report fees and other revenue resources against contributor type.

Revenue from non-state actors

The 2030 Agenda has underscored the need to engage all parts of society in financing sustainable development. UN funding from non-state actors is still relatively small but growing, especially from the private sector. In 2019, total contributions from non-state actors amounted to US\$ 2.9 billion, a slight increase from US\$ 2.8 billion in 2018. More than half of these contributions were mobilised via voluntary private donations by individuals. Of the total amount of non-state contributions, the total share of private sector contributions grew two percentage points to 74% in 2019. The remaining revenue originated from foundations (18%), NGOs (7%) and contributions from institutions whose main purpose is academic, training and research (1%). The Bill & Melinda Gates

Foundation is by far the largest contributor to the UN among the foundations, contributing US\$ 276 million in 2019, with WHO being the most important recipient of its funding.

For most UN entities, non-state revenue constitutes a small part of their total revenue. One exception is UNICEF, which relies entirely on voluntary funding, receiving US\$ 1.5 billion (23%) of its total funding from non-state actors in 2019 (see Boxes 1 and 2 on the following page). Other agencies that receive a significant portion of their funding from non-state actors include WHO (19% in 2019) and UNHCR (10%). The growing share of private sector funding is partly a result of a strategic approach by some UN entities to mobilise more resources from foundations, private individuals and companies. In times when earmarked funding is increasing, non-state revenue – and especially funding by individuals – constitutes ‘core-like’ funding that provides consistency in funding and flexibility in use of funds for the UN entity.

Figure 7 (on page 41) provides a breakdown of the non-state revenue of six UN entities.

In 2019, UNICEF mobilised US\$ 1.2 billion (83% of its private funding) through 33 national committees working locally to raise funds from the private sector. Individual giving, an important part of UNICEF’s revenue, continued to increase in 2020 due to a shift towards television and digital media outreach in the context of the COVID-19 pandemic. Private donations are equally important for UNHCR, which makes a distinction in its reporting between individual giving and donations by foundations, companies and philanthropists. Individual donations made up 72% of UNHCR’s non-state income in 2019.

WHO is the second largest recipient of non-state revenue overall, mainly from philanthropic foundations. In 2020, WHO established its own foundation to facilitate contributions from individuals and corporate partners. The United Nations Population Fund (UNFPA) and UNDP also received most of their non-state revenue from philanthropic foundations. In 2019, to increase its revenue from the private sector, UNFPA launched a digital individual giving programme with the aim of mobilising US\$ 100 million per year in donations from individuals by 2030. Another agency that receives a substantial and growing part of its income from the private sector (7% in 2019) is the UN Entity for Gender Equality and the Empowerment of Women (UN Women).

Box 1: UNICEF individual giving strategy

Individual giving at UNICEF: A new donor signs up to support UNICEF every 30 seconds!

Irwin Fernandes, UNICEF

UNICEF is seeking to change the world for children through the voices and donations of 100 million people, of whom 11 million will donate US\$ 1.35 billion in 2021 and have donated over US\$ 5 billion in the last four years.

UNICEF has active individual giving operations in over 60 markets across the world and a new regular donor signs up to support UNICEF every 30 seconds! While a large percentage of gross revenue comes in from generous supporters based in countries such as Germany, Japan, South Korea, Spain and the United States, growth rates in emerging economies are rising rapidly. More than 50% of UNICEF's new donors are now being signed up in programme countries, signalling the creation of a larger and more diverse donor base.

The individual giving fundraising operation is built around growing sustainable revenue through donors who choose to make small but regular contributions. The income comes in through multiple mass-marketing sources, ranging from face-to-face fundraising, direct response TV, telemarketing, telethons and digital sources.

The diversity of sources, the geographic spread and the large supporter base contributes to the creation of a resilient, predictable and reliable source of non-earmarked revenue.

Historically, most of UNICEF's new regular givers were recruited via face-to-face channels. However, COVID-19 and its impact on 2020 have driven a significant shift in fundraising models. Increased investment in digital fundraising has seen digital channels emerging as the largest source of donors. In the next few years, individual giving will drive a transition to a digitally enabled fundraising model, while continuing to take a supporter-centred approach, prioritising engagement with supporters to drive value.

At the heart of UNICEF's fundraising programme is an investment in the building of trusting, long-term relationships with donors, where donors are more aware of what they are helping to achieve for children.

This belief in developing long-term relationships with supporters is increasingly supported using digital and marketing technology. Investments in technology give UNICEF the ability to take a more nuanced and segmented approach to providing donors with tailored content and a more fulfilling experience, resulting in greater loyalty and increased resources to achieve the maximum sustainable impact for children.

Box 2: UNICEF World Bank bond: Innovative financing for investment in accelerated fundraising

Capital markets invest in UNICEF to accelerate fundraising and results for children in emerging markets: An innovative partnership with the World Bank

Gary Stahl, UNICEF

The need to invest

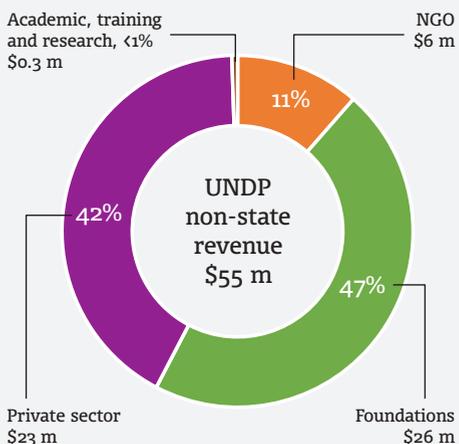
UNICEF is seeking to change the world for children with the support of 11 million individual donors globally, of which 1.4 million are from emerging market countries – mostly Asia and Latin America – where UNICEF carries out fundraising activities. These markets have grown 20% per annum over the past decade, and these markets can grow further and engage more people in our work towards accelerating results for the SDGs. To reach more individuals we must invest more. To invest more, UNICEF needs a more sustainable source of financing, other than the unrestricted resources approved by the Board.

The solution is a partnership with the World Bank, which has issued a US\$ 100 million bond on the capital markets using the Capital At Risk (CAR) programme. The World Bank issues bonds regularly as part of their business but this is a first for UNICEF and for the UN in general. Half of the proceeds will be used for the World Bank's general purposes aligned with SDGs, and the other half will provide pre-financing

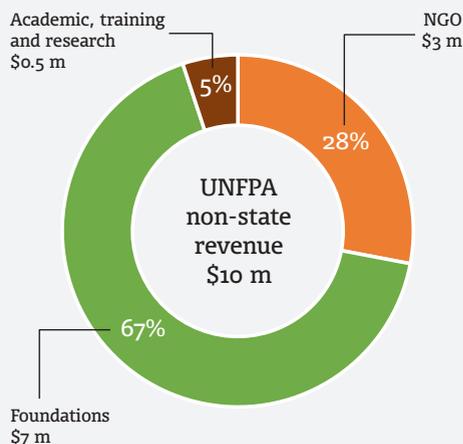
for UNICEF's fundraising operations in emerging markets. While the World Bank is nominally rated AAA and provides a guaranteed return to investors (for its US\$ 50 million), as a voluntarily funded agency UNICEF cannot incur this liability. Private investors have agreed to assume the risk for UNICEF's portion – US\$ 50 million – on grounds of its solid track record and projections on fundraising. The institutional and private investors who have purchased the bond consider it to align with their values, especially with the SDGs, and environmental, social and corporate governance, and will receive impact reporting on results achieved in these countries using the additional funds. Investors are entitled to biannual interest payments and the principal payment at the end of the five years of the bond, but there is no other recourse to UNICEF other than the future donations raised. The funds invested will produce between four and five times their initial investment over the five-year term of the bond, thus allowing UNICEF to use the proceeds to fund country programmes, remit globally unrestricted resources and repay the bond.

Figure 7: Non-state revenue of six select entities, 2019 (US\$ million)

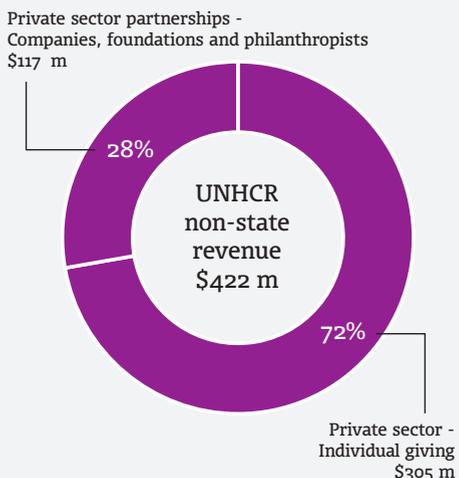
UNDP non-state revenue, 2019
(1% of total revenue)



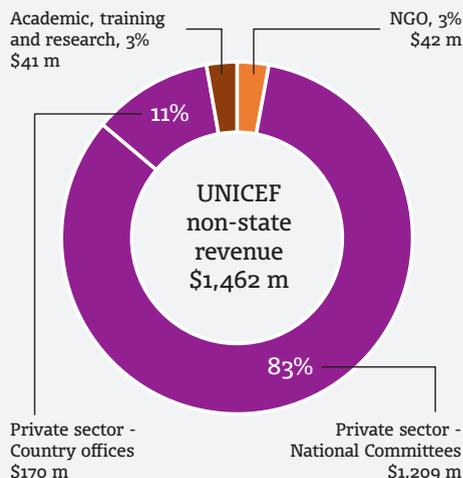
UNFPA non-state revenue, 2019
(1% of total revenue)



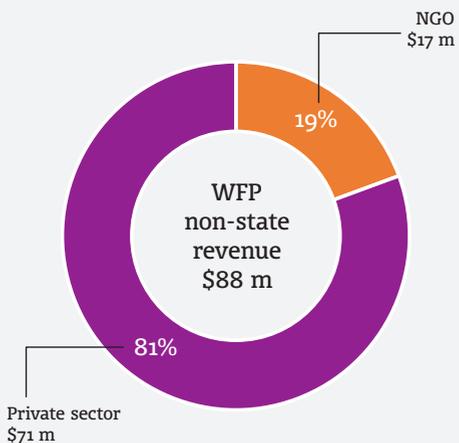
UNHCR non-state revenue, 2019
(10% of total revenue)



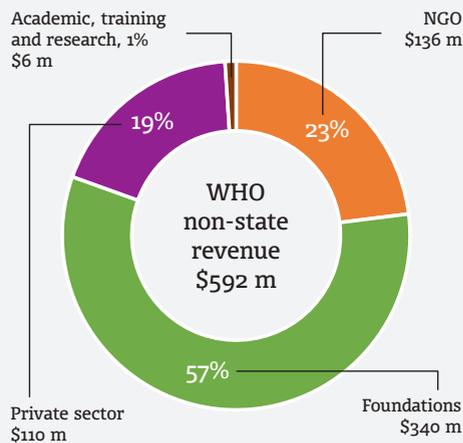
UNICEF non-state revenue, 2019
(23% of total revenue)



WFP non-state revenue, 2019
(1% of total revenue)



WHO non-state revenue, 2019
(19% of total revenue)



Source: Chief Executives Board for Coordination (CEB), UNICEF and UNHCR
For notes – see page 80

Revenue from state, multilateral and other contributors

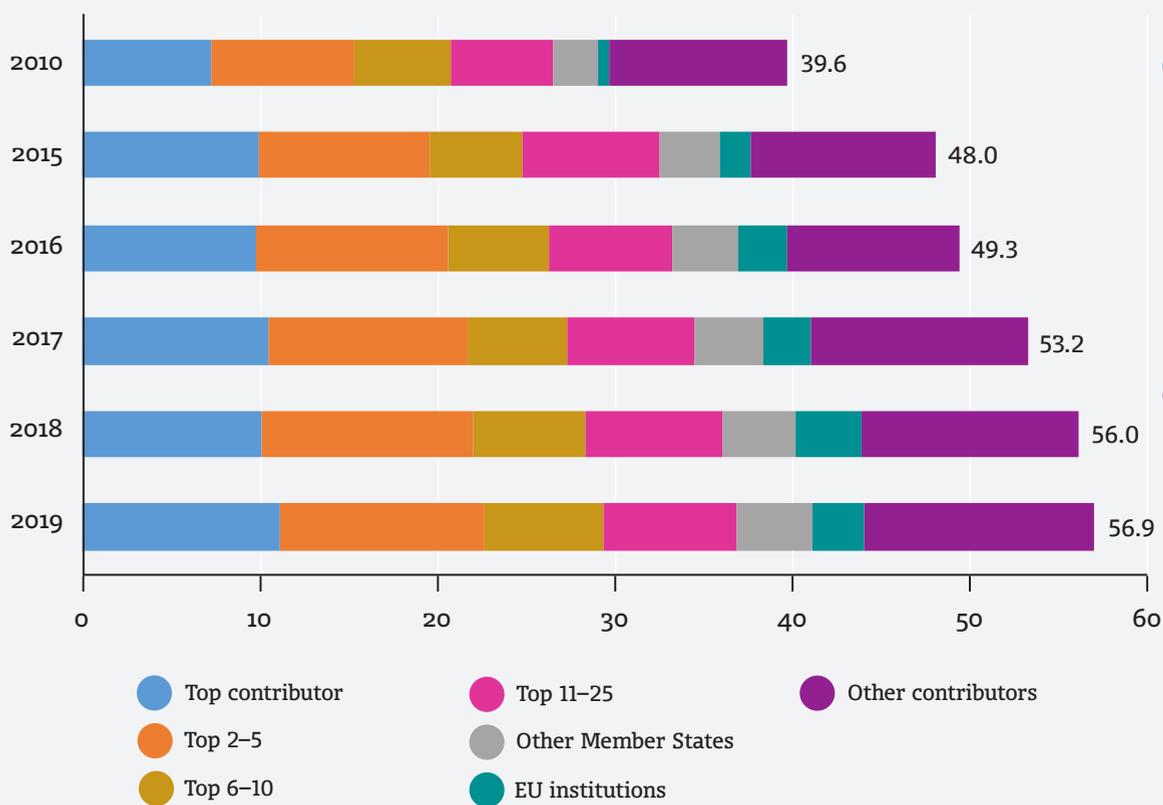
How is UN funding spread between its Member States and in relation to other public and private actors? Who are the top contributors to the UN system? Figure 8 below explores just how much funding is provided by top government contributors, the EU as a government-funded institution and other contributors.

Funding for the UN system remains heavily concentrated among a limited number of Member State contributors. The top donor, the United States, has provided 18–21% of total UN funding every year since 2010. During the same period, ten Member State contributors have consistently provided more than 50% of the UN’s funding, suggesting that diversification of the donor base has been limited. The most remarkable change among the categories over the years is the growth in contributions from EU institutions. They are now the fourth-largest contributor to the UN system, having provided US\$ 2.9 billion in 2019 compared

to US\$ 0.7 billion in 2010. This represents a growth in its share of contributions from 2% in 2010 to 5–7% in 2016–19.

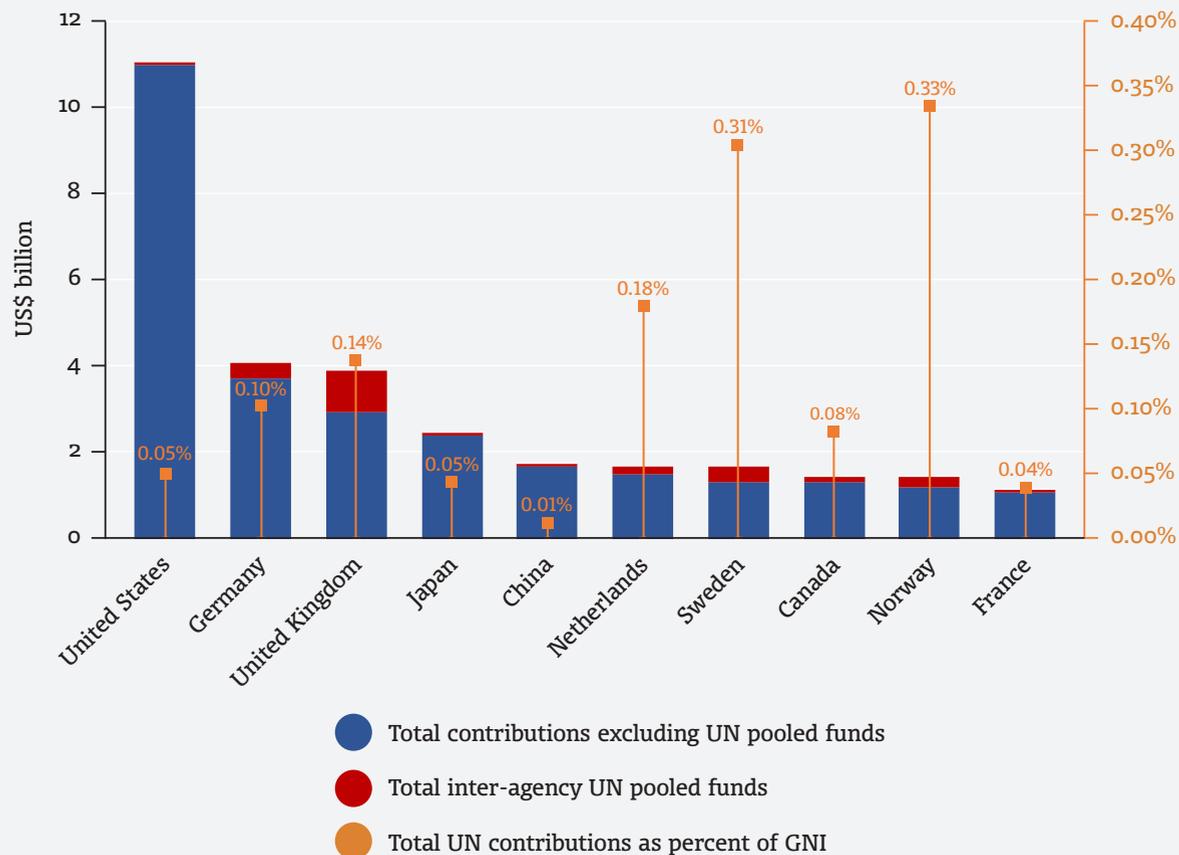
Figure 9 (on the following page) shows the ten largest Member State contributors to the UN system in 2019, including funding channelled through inter-agency pooled funds. In addition, the figure relates funding to the size of each country’s GNI, shown as a percentage. As already mentioned, the United States is by far the largest contributor to the UN in volume. However, if we relate contributions to the size of each Member State’s economy, countries such as Norway and Sweden (both of which provide approximately 0.3% of their GNI to the UN) stand out. China has also emerged as a significant contributor to the UN and is now among the five top Member State contributors, and the second-biggest contributor of assessed contributions to the UN. Despite being a large economy, China’s contribution as a percentage of its GNI is the lowest among the top ten countries.

Figure 8: Contributions to the UN system by Member States and other contributors, 2010–2019 (US\$ billion)



Source: Chief Executives Board for Coordination (CEB) and Report of the Secretary-General (A/64/220/Add.1)
For notes – see page 80

Figure 9: Top ten Member State donors to the UN system, 2019 (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 80

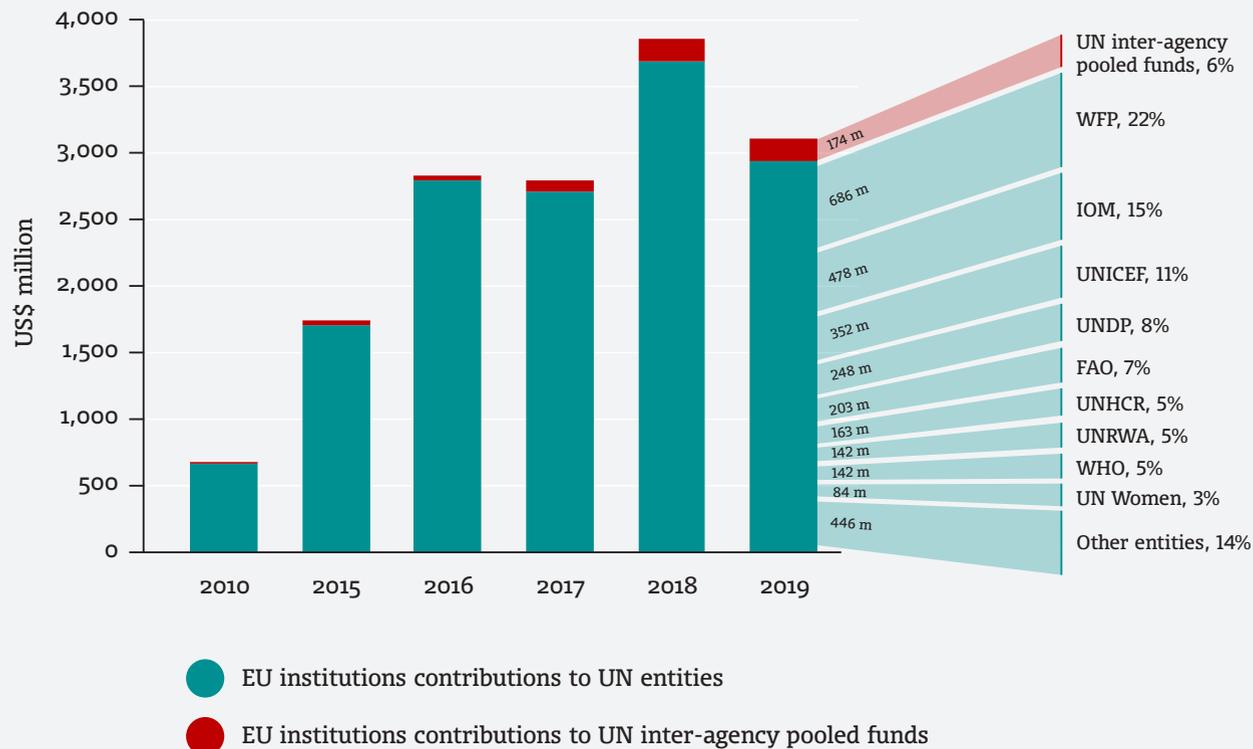
The CEB's data visualisation of the top ten contributing countries to the UN system from 2010 to 2019 illustrates how the composition of countries and their rankings have changed over time.²¹ The United States has remained the top donor over the years, with Germany, the United Kingdom and Japan making up the top four. Sweden, Canada, Norway and France have consistently been among the top ten donors, while other OECD-DAC members such as the Netherlands, Italy and Australia have moved in and out of the top ranking. Looking at the non-OECD-DAC countries, Saudi Arabia and Brazil were both among the top ten contributors in 2014. However, the most remarkable change is that China, ranked tenth in 2015, had by 2019 become the fifth-largest donor. At the same time, the overall funding landscape remains highly concentrated among a limited and fairly consistent group of donors. This makes both UN funding and the UN system's capacity to function vulnerable to changes in prioritisation by the top donors.

Revenue from the European Union

The EU is a hybrid intergovernmental organisation with a supranational function and enhanced observer status in the UN. Taken together, the EU institutions are now the fourth-largest contributor to the UN. Figure 10 shows that the EU institutions' contributions, including inter-agency pooled funds, have grown rapidly over the past ten years, from less than US\$ 0.7 billion in 2010 to US\$ 3.9 billion in 2018 and US\$ 3.1 billion in 2019.

Compared to UN Member States, the EU does not pay assessed contributions, and is often unable to provide for voluntary core contributions. Consequently, only 4% of its total funding in 2019 was core funding. Instead, funding to single-agency thematic funds and inter-agency pooled funds have increased, greatly facilitated by EU and UN efforts to ensure consistency and alignment between the UN approach to pooled fund arrangements and EU contractual systems.

Figure 10: EU institutions funding to the UN system including inter-agency pooled funds, 2010–2019 (US\$ million)



Source: Chief Executives Board for Coordination (CEB) and UN Pooled Funds Database
For notes – see page 80

Contributions to the Spotlight Initiative Fund for the elimination of violence against women and girls were a driving factor behind the growth in inter-agency pooled funds from 2017. EU institutions funding for inter-agency pooled funds grew from 2.1% in 2015 to 5.5% in 2019. In addition, EU institutions provided substantial funding in 2019 to inter-agency pooled funds in crisis-affected countries such as Somalia, Syria and Yemen. Figure 10 above also breaks down funding by EU institutions in 2019 to individual UN agencies. Three agencies – WFP, IOM and UNICEF – received nearly 50% of the total funding from EU institutions in 2019.

1.5 Funding mix and degrees of earmarking

As discussed in section 1.4, a small group of donors provide the majority of contributions to the UN. The continued growth in UN funding levels has mainly derived from earmarked funding. The UN and its Member States have set goals for more predictable and flexible funding to support the UN’s ability

to work efficiently, with the capacity to adjust and provide support in times of crisis. During the course of the COVID-19 pandemic, it has become evident that flexible funding has made it possible for the UN to redirect funds and respond quickly to new needs precipitated by the pandemic.

In order to understand how different types of earmarked funding contribute to greater predictability and flexibility on the part of the UN, this section explores how earmarked funding is distributed across the UN system. It also examines the funding mix of the top contributors to the UN Operational Activities for Development (OAD) segment and the funding patterns of the two segments of UN OAD: development assistance and humanitarian assistance.

Since the introduction of the new UN data standards for reporting on UN financial data, it has been possible to make a distinction between six different flows of earmarked funding (see Box 3 on the following page).

Box 3: Definitions of voluntary non-core (earmarked) contributions²²

UN inter-agency pooled funds

Co-mingled contributions to multi-entity funding mechanisms that are not earmarked for a specific UN entity. Funds are held by a UN fund administrator and fund allocations are made by a UN-led governance mechanism.

Single-agency thematic funds

Co-mingled contributions to single-entity funding mechanisms that are designed to support high-level outcomes within a strategic plan. A single UN entity is the fund administrator and takes the decisions on fund allocations.

Revenue from global vertical funds

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.

Local resources

Contributions from programme countries financed by government resources for use in support of their own development framework.

Project- or programme-specific contributions

Grants earmarked by the contributor to a specific programme or project, provided they do not fall within the above-mentioned voluntary non-core categories.

In-kind earmarked contributions

Revenue transactions recorded for donations, or goods and services (in accordance with the accounting policies of the organisation) that are earmarked by the contributor to a specific programme or project.

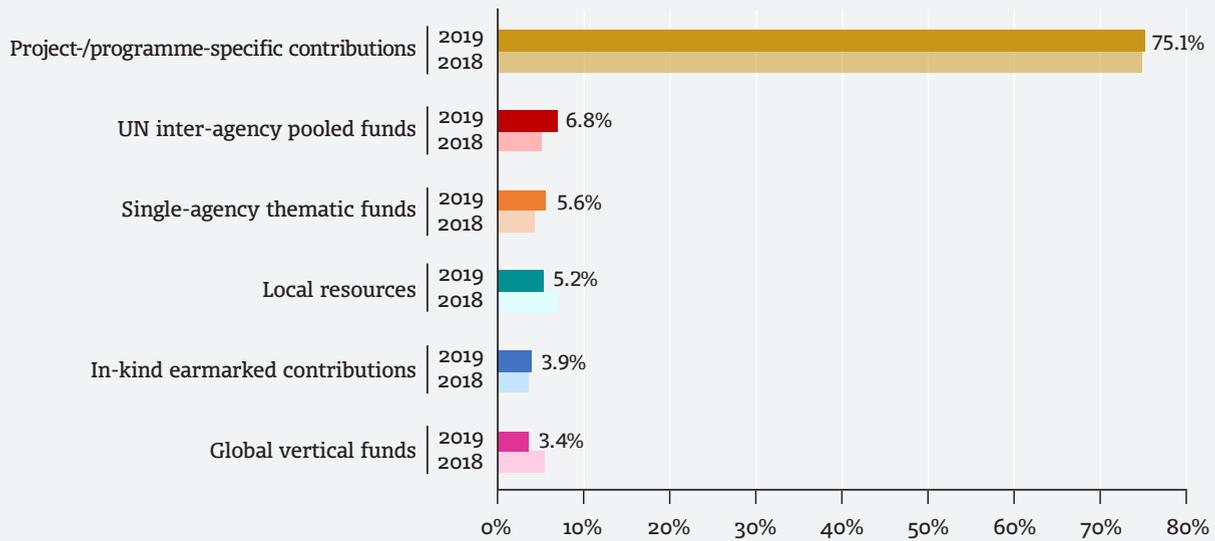
Figure 11 (on the following page) shows that three-quarters (75%) of earmarked contributions to the UN in 2019 were project- or programme-specific, which indicates that a majority of funds are more tightly connected to certain project or programme outcomes. Although less common, other types of earmarking – including inter-agency pooled funds, single-agency thematic funds and global vertical funds – can in general be applied more flexibly in supporting high-level outcomes relating to a certain thematic area, or to a UN Sustainable Development Cooperation Framework (UNSDCF) at the country level.

The Funding Compact sets targets for the overall percentage of inter-agency pooled funds and single-agency thematic funds in the total earmarked contributions for development. The purpose of these targets is to increase the quality of funding and promote coherence and flexibility in delivery of results. Since 2015, there has been an upwards trend in inter-agency pooled funds (see section 1.6).

Of the remaining types of earmarked funding, local resources are supplied by programme countries in support of their own development frameworks. The high total for local resources in 2018 was primarily due to a large contribution by Brazil for a programme to increase the number of doctors in its domestic primary care system. In-kind earmarked contributions comprise donated use of land and buildings, as well as donated goods received from donors – such as computer equipment and supplies – provided for a certain project or programme. The visible decrease in global vertical funds is mainly connected to a change in accounting standards rather than a decrease in support for such funds.

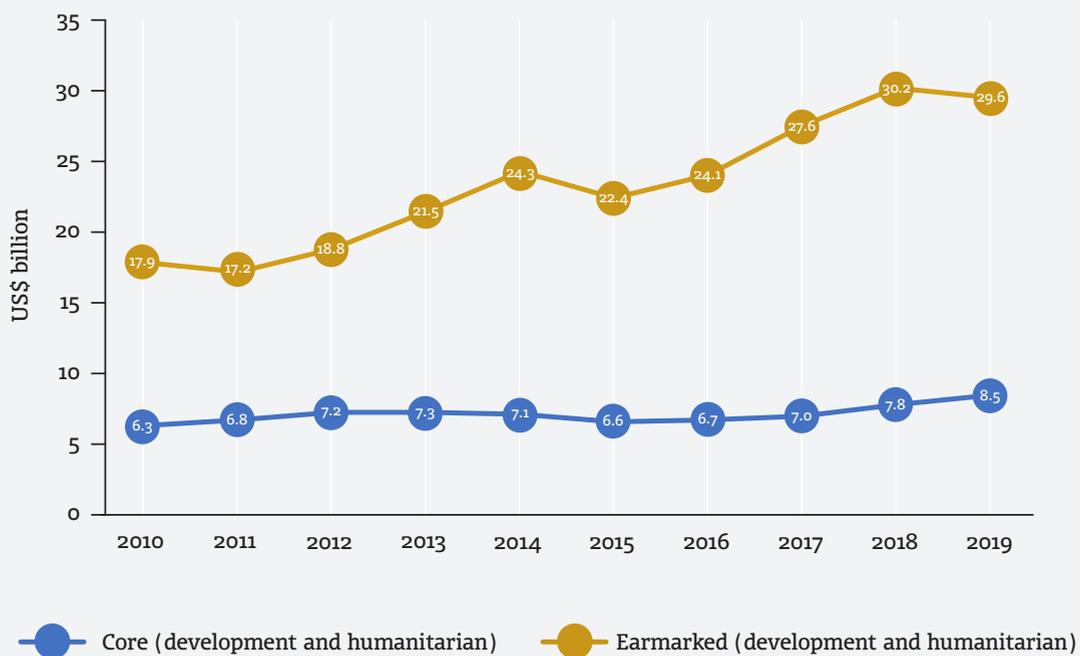
While Figure 11 shows earmarking of funding for the whole UN system, Figure 12 (on the following page) focuses on the development of core and earmarked funding for UN OAD.

Figure 11: Earmarked contributions to the UN system by type, 2018–2019 (Percentage share of total earmarked contributions)



Source: Chief Executives Board for Coordination (CEB) and UN Pooled Funds Database
For notes – see page 80

Figure 12: Total core and earmarked contributions for UN operational activities, 2010–2019 (US\$ billion)



Source: Report of the Secretary-General (A/76/75-E/2021/57)
For notes – see page 80

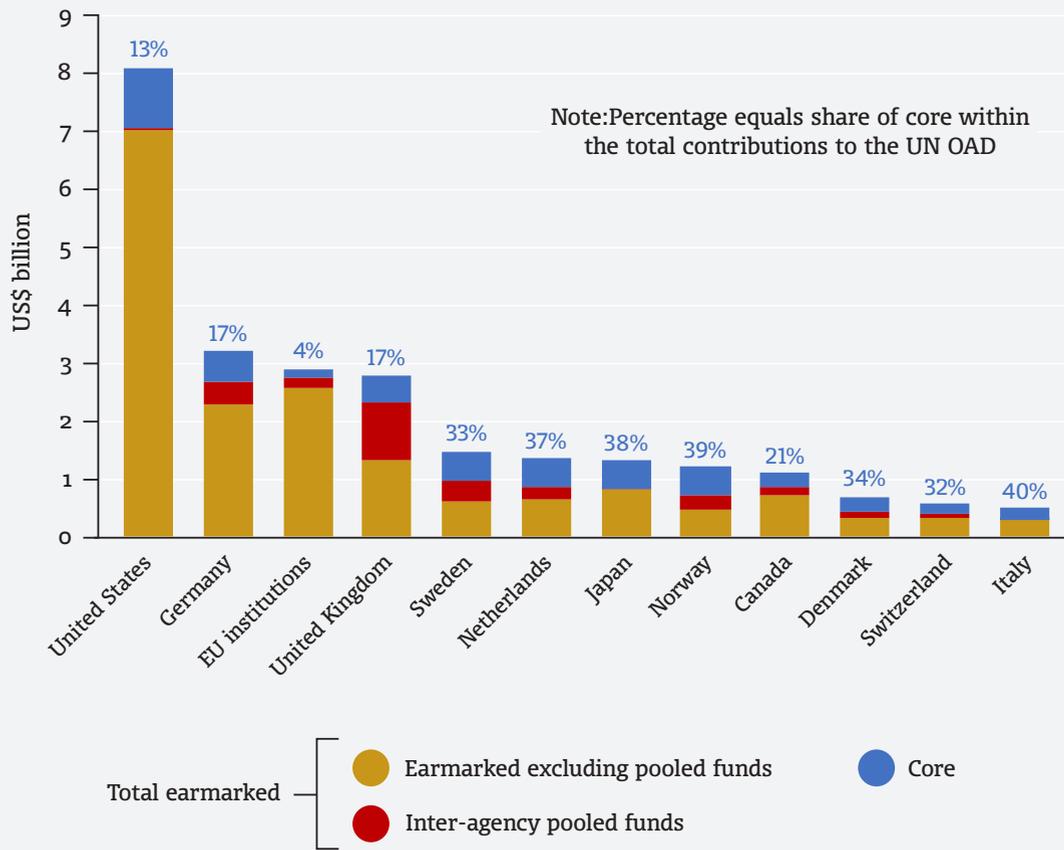
UN OAD comprises the activities of UNDS entities that promote the sustainable development and welfare of developing countries and countries in transition. This covers both longer-term, development-related activities, as well as activities with a humanitarian assistance focus. The UNDS entities are, in short, those entities that have a mandate to promote economic and social development.

The total funding for UN OAD in 2019 was US\$ 38.1 billion, of which 78% was earmarked. This is much higher than the level of earmarking across the entire UN system, which in 2019 was 58%. Core funding to UN OAD grew from US\$ 6.3 billion to US\$ 8.5 billion between 2010 and 2019, an increase of 35%. During the same period, earmarked funding grew by 65%, from US\$ 17.6 billion to US\$ 29.6 billion. The overall trend of an increased share of earmarked funding in the UN system has therefore been driven mainly by the surge in earmarked funding in the UNDS.

Section 1.4 examined the top contributors to the UN system, noting that a relatively homogenous group of donors is responsible for the majority of UN funding. What is the picture when it comes to funding of UN OAD, and what types of funding are provided? Figure 13 below shows contributions to UN OAD by the top 12 OECD-DAC members, including EU institutions. The figure breaks down this funding into three categories: core funding (including assessed and voluntary core contributions), inter-agency pooled funds, and other earmarked funding.

The top 12 OECD-DAC contributors to UN OAD include the majority of the top ten contributors to overall UN funding. The combined contributions remain highly concentrated, providing 66% of total UN OAD funding in 2019. Almost half (45%) of the total funding for 2019 came from four donors: the United States, Germany, EU institutions and the United Kingdom. The funding mix varies between

Figure 13: Funding mix of top 12 OECD-DAC members that contribute to UN operational activities, 2019 (US\$ billion)



Source: Report of the Secretary-General (A/76/75-E/2021/57) and UN Pooled Funds Database
 For notes – see page 81

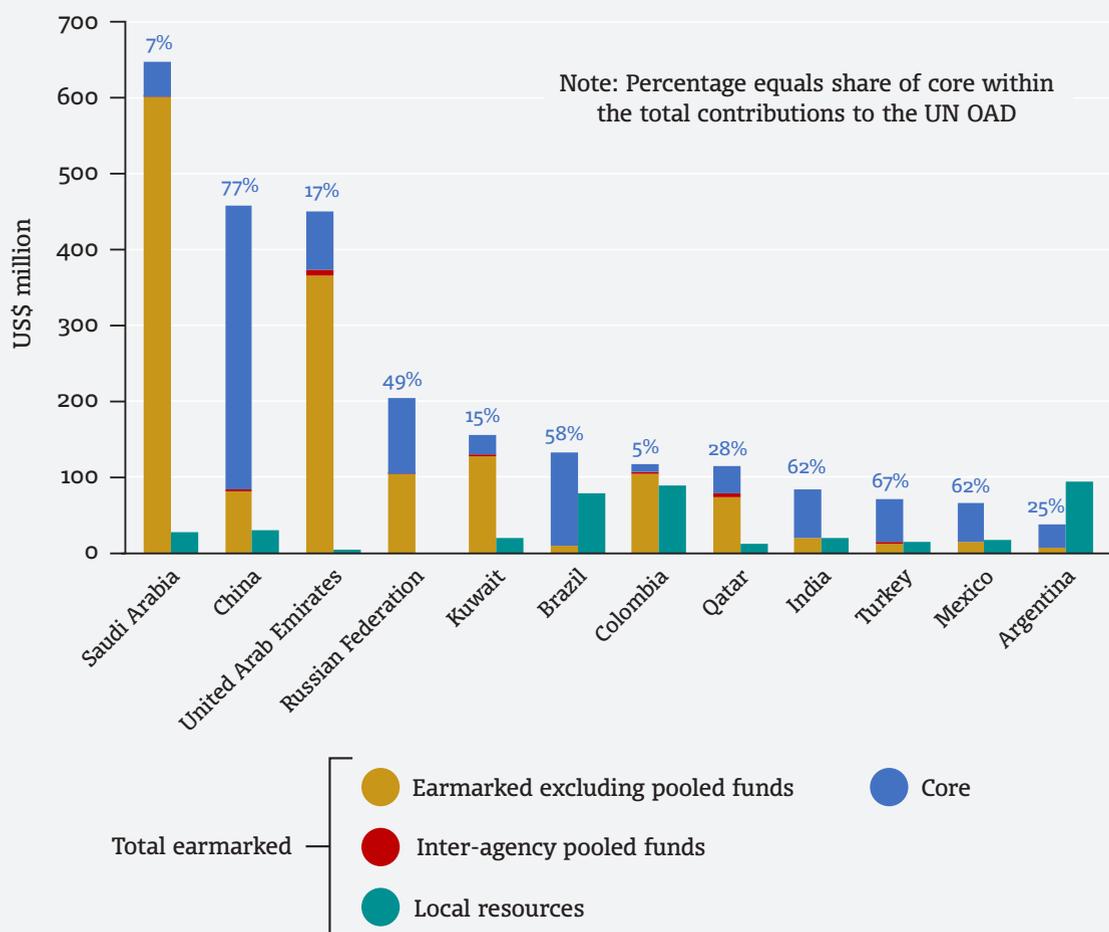
the top contributors. It is worth noting that four of the top donors listed in Figure 13 have core ratios below 20%, which means that more than 80% of their funding is earmarked. EU institutions, due to their funding modalities, cannot provide core funding in the same way as Member States, which explains the EU institutions' low core ratio. The United Kingdom stands out as a large provider of inter-agency pooled funds, which may be considered 'core-like' contributions due to their flexibility, transparency and predictability (see section 1.6)

Figure 14 below shows the equivalent picture for the top non-OECD-DAC contributors, ranked based on their volumes of UN OAD funding (excluding local resources, which are shown in a separate column). If Figure 13 and Figure 14 were combined, Saudi Arabia

would be among the top 12 donors to UN OAD overall. China, meanwhile, would be in fourteenth place, in contrast to its ranking as the sixth largest contributor to the UN system as a whole. The top 12 non-OECD-DAC countries contributed a total of 8% of funding to UN OAD in 2019, an increase from 7% in 2018.

If the funding mix varies widely between OECD-DAC countries, this variation is even more pronounced when it comes to the top non-OECD-DAC countries. In 2019, China, India, Mexico and Turkey each allocated more than 60% of their contributions to UN OAD as core funding (mainly assessed contributions). However, India is an exception: in 2019, it designated 61% of its core funding as voluntary core, an increase compared to the previous year due to a relatively

Figure 14: Funding mix of top 12 non-OECD-DAC members that contribute to UN operational activities, 2019 (US\$ million)



Source: Report of the Secretary-General (A/76/75-E/2021/57) and UN Pooled Funds Database
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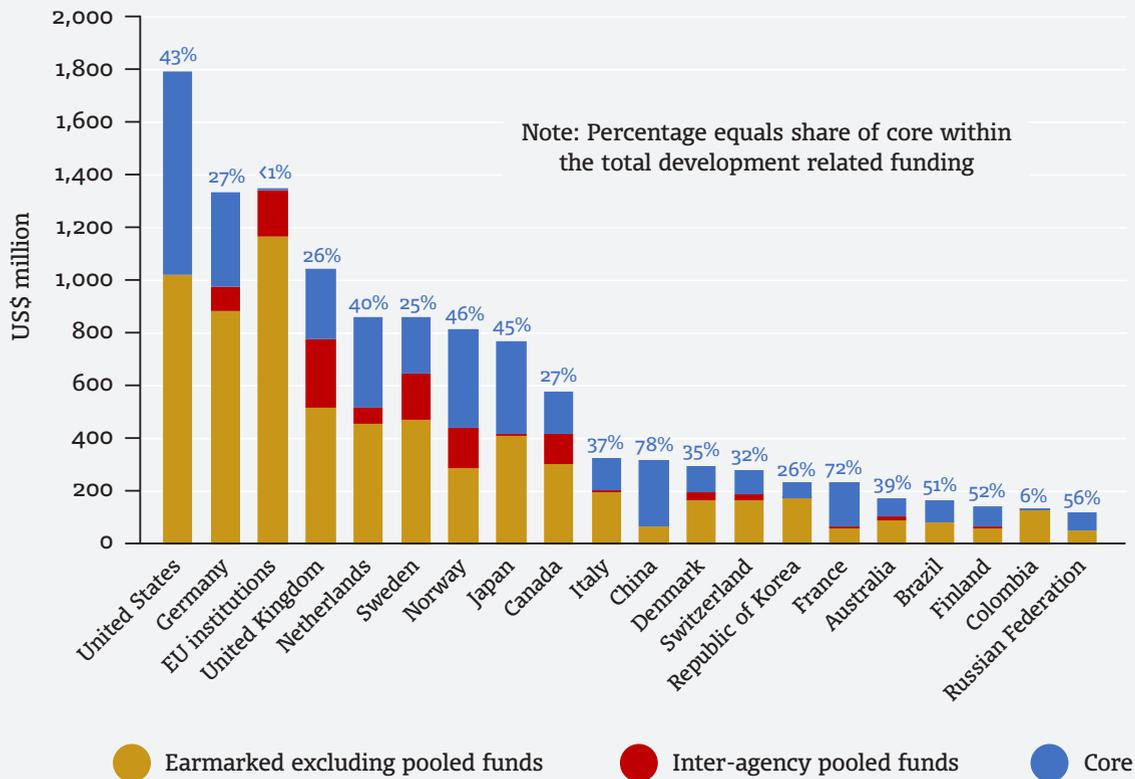
large contribution to IFAD. For some countries, local resources form a major part of their contributions, as was the case in 2019 for Argentina, Brazil and Colombia, which each provided between one-third and two-thirds of their total UN OAD funding via local resources. Due to the large amounts provided in local resources, Brazil was among the top non-OECD-DAC donor to UN OAD in 2014–18, when they funded a programme for more doctors in primary care, mainly channelled through PAHO.

Figures 15 (below) and 16 (on the following page) illustrate the funding mix of the top 20 contributors to, respectively, development assistance and humanitarian assistance. While the contributor profiles and funding mixes for these two types of funding differ substantially, a common feature is the high concentration of funding from a small number of donors. Total funding for development activities amounted to approximately US\$ 18 billion in 2019, which was similar to the total for 2018. The top five donors – the United States, Germany, EU institutions, the United Kingdom and the Netherlands – contributed

35% of all development assistance funding in 2019.

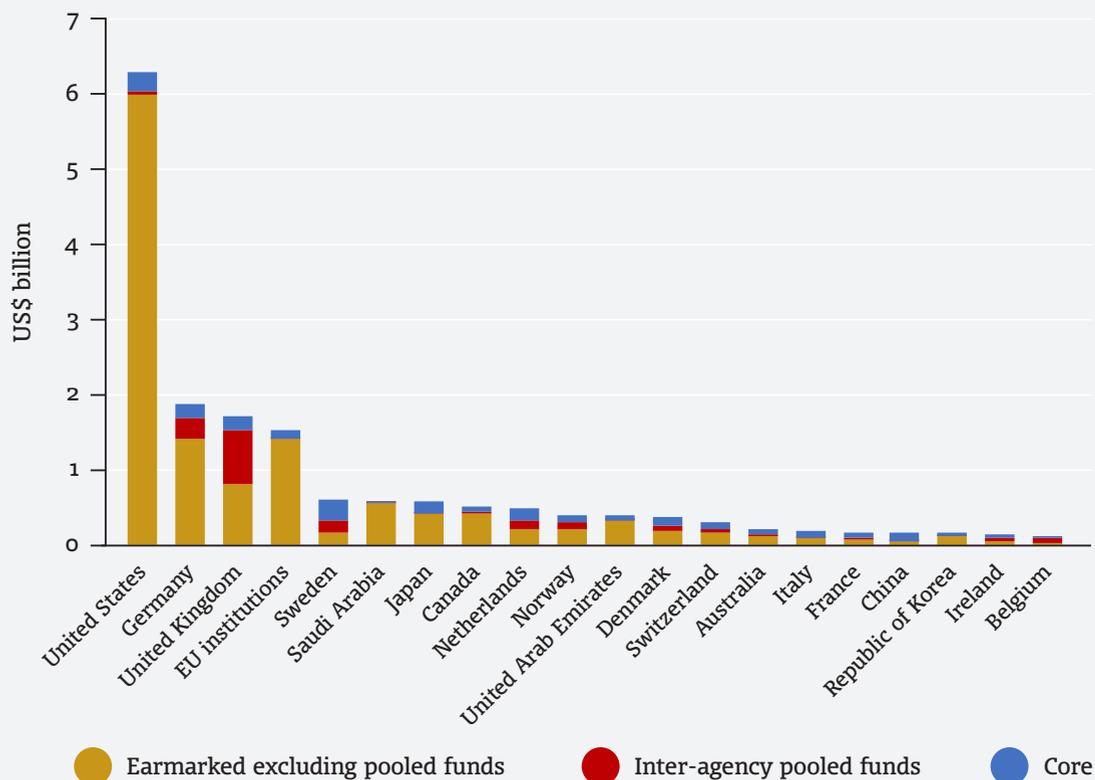
To promote more flexible and predictable funding for the UN, the Funding Compact sets a 30% target for Member States’ core funding (including assessed funding) for development-related activities. Overall, 33% of the funding from the top 20 contributors in 2019 consisted of core funding. This upward trend is also reflected in total UN funding for development-related activities, which is now close to the 30% target. The Funding Compact also sets a 10% target for inter-agency pooled funds as a share of total earmarked funding for development. For the top 20 contributors, inter-agency pooled funds in 2019 amounted to 14% of their total earmarked funding for development. This is a doubling of the equivalent percentage in 2018 and well above the overall figure of 9% (see section 1.6). These trends show that the targets for increased core and ‘core-like’ resources are well within reach – it might even be argued that the targets could have been more ambitious.

Figure 15: Development assistance funding mix of the top 20 contributors to the UNDS, 2019 (US\$ million)



Source: Report of the Secretary-General (A/76/75-E/2021/57) and UN Pooled Funds Database
For notes – see page 81

Figure 16: Humanitarian assistance funding mix of the top 20 contributors to the UNDS, 2019 (US\$ billion)



Source: Report of the Secretary-General (A/76/75-E/2021/57) and UN Pooled Funds Database
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Total funding for humanitarian assistance grew from US\$ 19 billion in 2018 to US\$ 21 billion in 2019. Figure 16 above shows the funding mix of the top donors. The United States is by far the largest humanitarian donor, funding almost one-third of all contributions. Repeating the rankings of 2018, the top five donors in 2019 – the United States, Germany, the United Kingdom, EU institutions and Sweden – contribute 57% of humanitarian assistance. To a large extent, humanitarian assistance remains earmarked. A total of 86% of humanitarian funding from the top 20 donors in 2019 was earmarked, while a further 12% was provided through inter-agency pooled funds, and the remaining 2% was channelled via core funding (including assessed and voluntary core contributions).

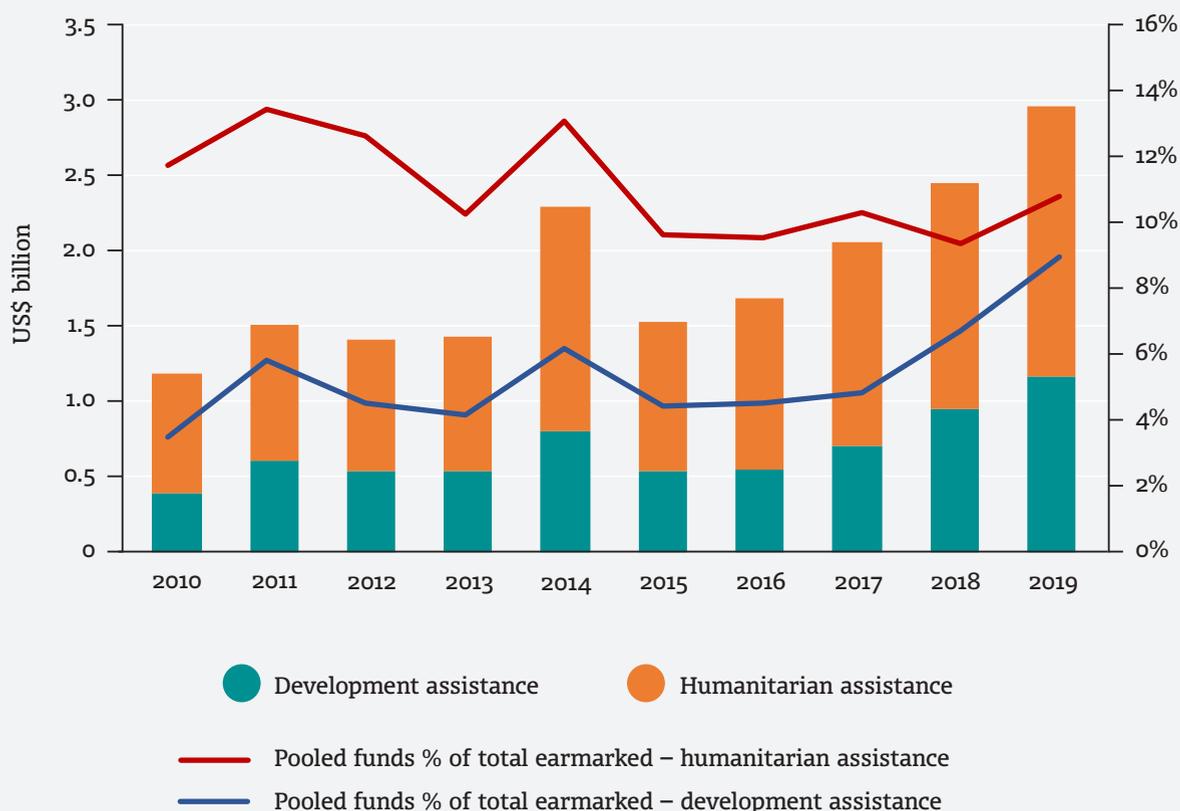
1.6 Inter-agency pooled funds

The previous section examined the various features of the different types of earmarking. In this section, inter-agency pooled funds are put under the spotlight.

When it comes to flexibility and facilitating efficient collaboration across the UN system, earmarking for an inter-agency pooled fund plays out very differently to earmarking of funds for a specific project. In some ways, an inter-agency pooled fund at the country level set up to support a Cooperation Framework is similar to a UN agency’s core funding, in the sense that it supports the implementation of a wider strategic plan.

Inter-agency pooled financing is a recognised funding modality for promoting coherence within the UNDS repositioning process and in other reform streams led by the UN Secretary-General and endorsed by Member States. Inter-agency pooled funds are ‘core-like’ resources that help strengthen efficient coordination and collaboration across entities of the UNDS. The following figures illustrate how inter-agency pooled funds have developed over time, outline the types of actors investing in these funds, and break down the UN entities receiving that funding.

Figure 17: Deposits to UN inter-agency pooled funds 2010–2019 (US\$ billion)



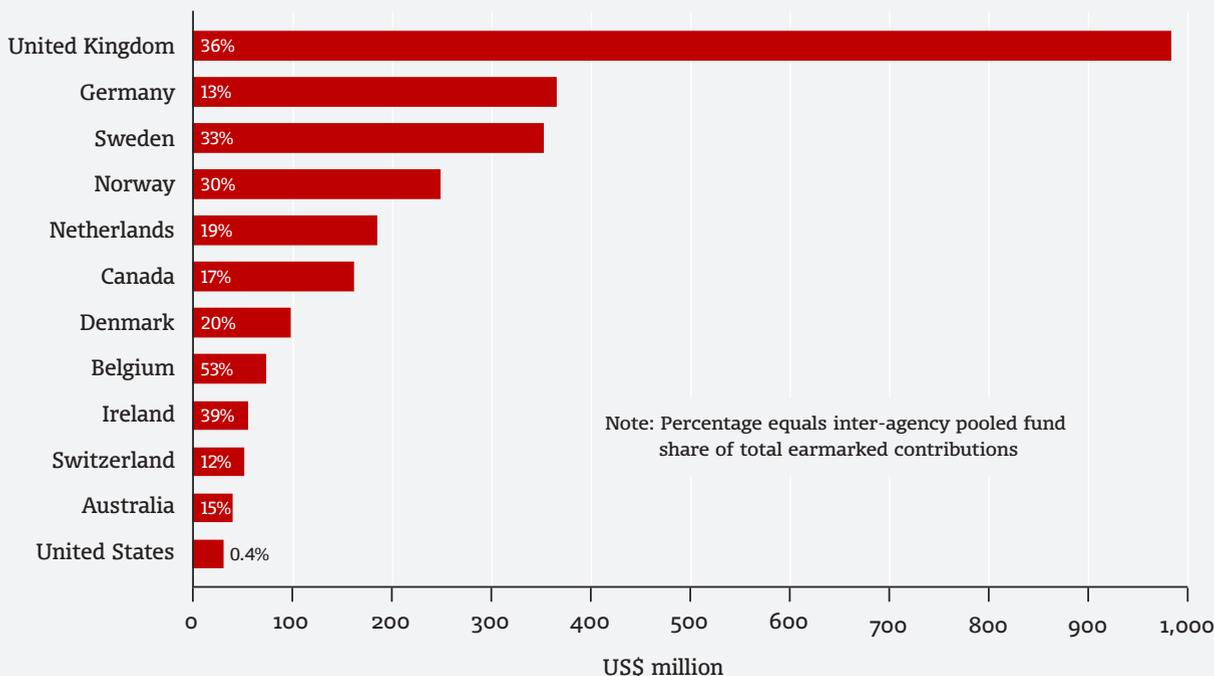
Source: Report of the Secretary-General (A/76/75-E/2021/57) and UN Pooled Funds Database
For notes – see page 81

Figure 17 above shows that by 2019 the share of inter-agency pooled funds for development purposes had grown to 9%. The gap between the share of inter-agency pooled funds for development and humanitarian purposes is shrinking. A total of 11% of earmarked financing for humanitarian assistance was allocated to inter-agency pooled funding in 2019.

Funding for inter-agency pooled funds, which has undergone steady growth since 2015, amounted to US\$ 3 billion in 2019, made up of US\$ 1.8 billion for humanitarian funds and US\$ 1.2 billion for development-related funds. The spike in the figure in 2014 was largely due to a US\$ 500 million contribution by Saudi Arabia to the Iraq Humanitarian Fund. Volumes for humanitarian funds have grown more than those for development funds. Between 2010 and 2019, inter-agency pooled funds for development assistance tripled, from US\$ 0.4 billion to US\$ 1.2 billion, while humanitarian funds increased from US\$ 0.8 billion to US\$ 1.8 billion.

Figure 18 (on the following page) lists the top 12 UN Member State contributors to inter-agency pooled funds. The composition of this list has remained fairly constant for the past five years. A total of ten countries have been among the top 12 since 2015, while Switzerland, Qatar and the United States have moved in and out during the same period. The United Kingdom is by far the largest contributor – its funding almost doubled from 2018 to 2019, mainly due to a large increase in funding to the UN Central Emergency Relief Fund (CERF), which provides humanitarian assistance for populations in crises. The top five countries contributing to inter-agency pooled funds are all European: together they contribute 72% of the total funding. If EU institutions, the sixth largest contributor to inter-agency pooled funds, are added to this, 78% of total funds are coming from European sources. This shows that contributions to inter-agency pooled funds are highly concentrated in a core group of contributors.

Figure 18: Deposits to UN inter-agency pooled funds from the top 12 Member State contributors, 2019 (US\$ million)



Source: Chief Executive Board for Coordination (CEB) and UN Pooled Funds Database
For notes – see page 81

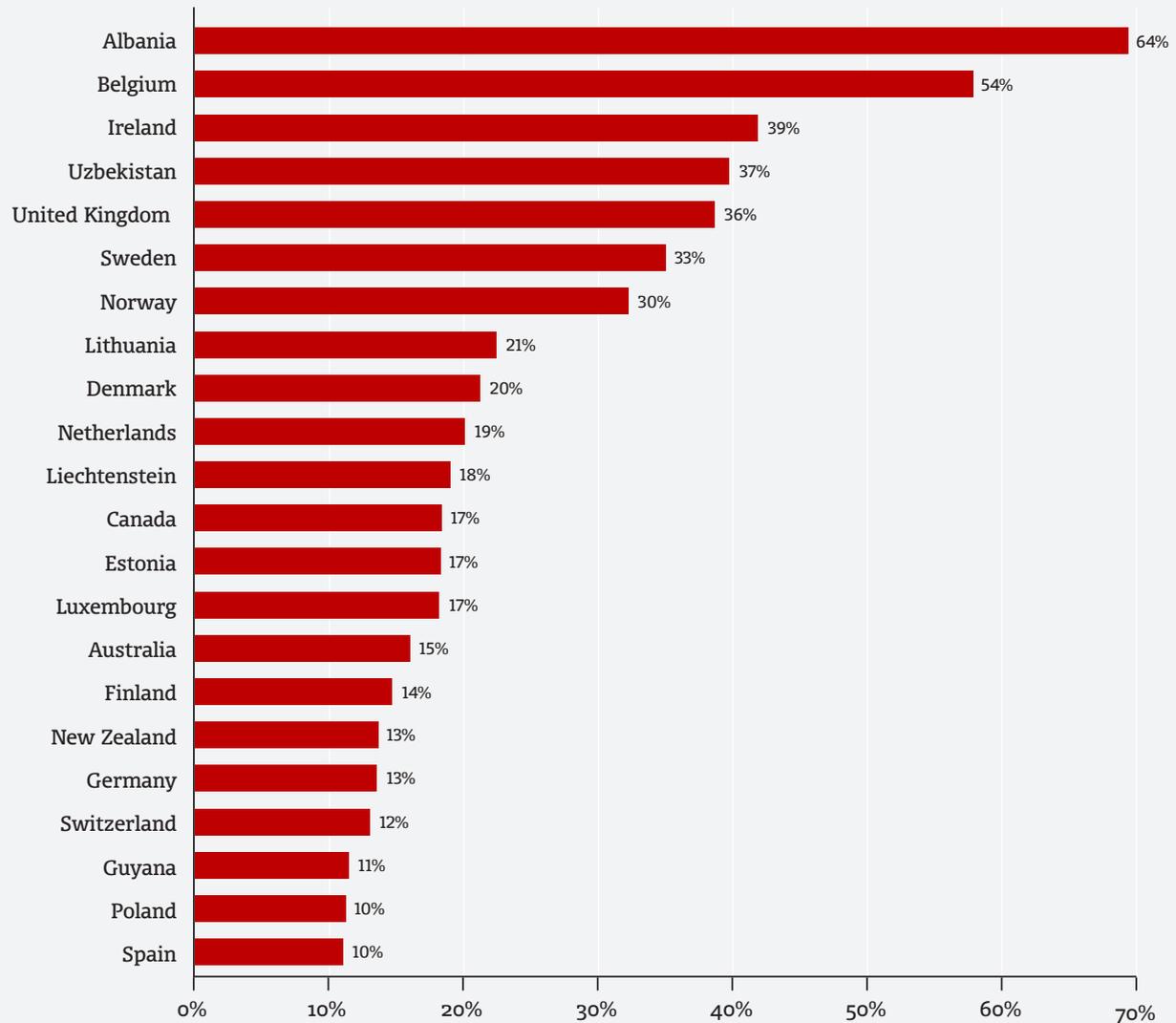
Figure 18 above also shows the percentage of each country's total earmarked contributions that goes towards inter-agency pooled funds. This percentage varies widely between Member States, but Belgium, Ireland, Norway, Sweden and the United Kingdom each contribute 30% or more of their earmarked funding to inter-agency pooled funds. With the exception of the United States, all 12 of the top Member State contributors are at least on the 10% mark when it comes to earmarked funding for inter-agency pooled funds.

Figure 19 (on the following page) analyses further the extent to which countries invest in inter-agency pooled funds. The figure shows the 22 countries that contributed 10% or more of their earmarked funding to the UN through inter-agency pooled funds in 2019. The majority of these countries also achieved 10% in 2018, but five countries – Estonia, Guyana, Lithuania, Poland and Uzbekistan – are new to the list in 2019. Programme countries are investing in pooled funds domestically to advance Cooperation Frameworks and accelerate the achievement of the SDGs. Uzbekistan, for example, is now the country with the fourth-largest

share of investments in pooled funds (37% of its total earmarked funding), due to its investment in the Aral Sea Region Fund. Albania, which invested 11% of its total earmarked funding in 2018 through pooled funds, became the country with the highest share of inter-agency pooled funds in 2019 (64%), due to a large increase in its contributions to the Albania SDG Acceleration Fund.

Turning to UN agencies, Figure 20 (on page 54) analyses the entities receiving the highest volumes of inter-agency pooled funds and the percentage these funds represent in terms of their total earmarked revenue in 2019. Inter-agency pooled funds have grown in importance: compared to 2018, all ten agencies listed in Figure 20 (with the exception of WFP and UNHCR) have seen an increase in both the volume and percentage of funding through inter-agency pooled funds. UNDP, the largest recipient of transfers from inter-agency pooled funds, saw a substantial increase in volumes between 2018 and 2019, largely due to its engagement in the Law and Order Trust Fund for Afghanistan (LOFTA) and as managing agent for the humanitarian funds

Figure 19: Countries contributing more than 10% of their total earmarked funding to the UN through UN inter-agency pooled funds, 2019



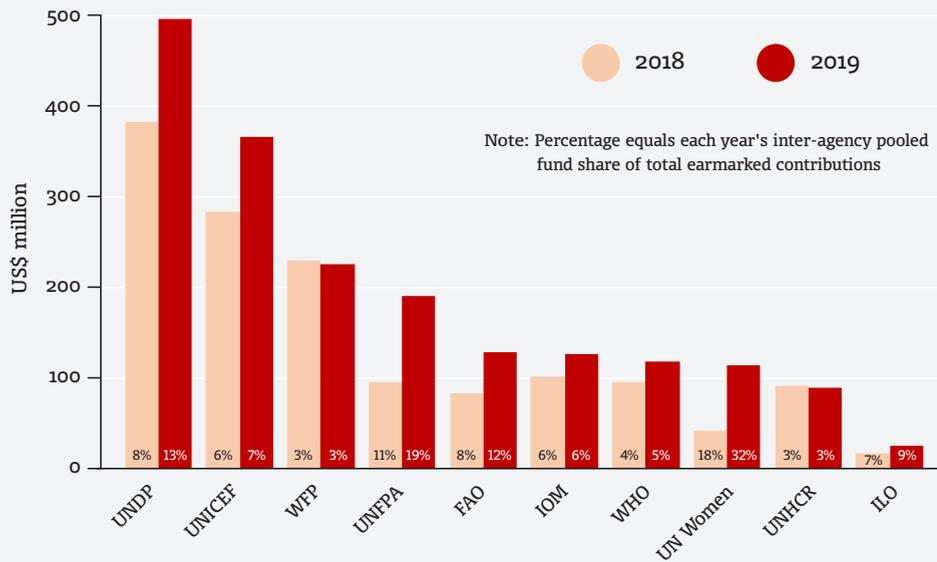
Source: Chief Executive Board for Coordination (CEB) and UN Pooled Funds Database
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in Sudan and South Sudan. However, UN Women experienced the largest growth in relative terms between 2018 and 2019, with an increase in its revenue from inter-agency pooled funds of 172%, due mainly to its participation in the implementation of the Spotlight Initiative for the elimination of violence against women and girls, as well as a general strengthening of the gender dimension in pooled funding.

In which countries do inter-agency pooled funds contribute to development results? Figure 21 (on the following page) shows the percentage of earmarked

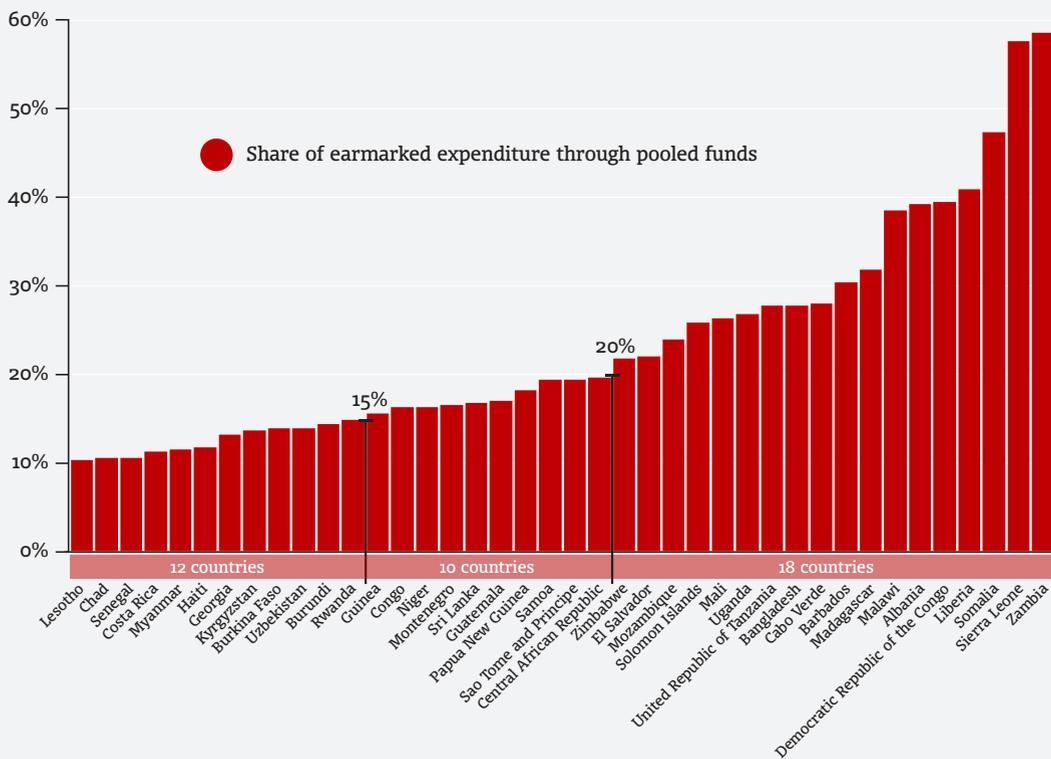
development-related expenditure from UN inter-agency pooled funds in 40 countries in which the UN maintained a presence in 2019. A total of 40 countries received more than 10% of their funding from inter-agency pooled funds in 2019 (compared to 28 countries in 2018). For 18 of these countries, the share of inter-agency pooled funds was more than 20%. The geographical spread of inter-agency pooled funds in 2019 is almost twice what it was in 2015, when only 21 countries met this criterion.

Figure 20: Top ten UN entities that receive the highest revenue through inter-agency pooled funds, 2018–2019 (US\$ million)



Source: Chief Executive Board for Coordination (CEB) and UN Pooled Funds Database
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Figure 21: Countries where 10% or more of earmarked development-related expenditure comes from UN inter-agency pooled funds (40 countries)



Source: Report of the Secretary-General (A/76/75-E/2021/57) and UN Pooled Funds Database
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The UN Multi-Partner Trust Fund Office (MPTF Office), hosted by UNDP, is the only UN unit exclusively dedicated to the design and administration of multi-stakeholder pooled financing instruments. The MPTF Office acts as administrative agent for a broad portfolio of pooled funds covering key areas of UN action (across the humanitarian, peace and transition, development, and climate and environment themes). In 2019, nearly 80% of all inter-agency pooled funds with a development, transition or climate focus, and 42% of all inter-agency pooled funds, were administered by the MPTF Office. Table 6 below lists the top ten active funds the MPTF Office currently administers. Among them are global funds, including the Peacebuilding Fund and the Spotlight Initiative, both of which the Funding Compact identifies as examples of the qualitative funding instruments that, together with the Joint SDG Fund, need to be further accelerated.

Finally, Table 7 below indicates that some of the Funding Compact indicators related to inter-agency pooled funds are showing progress, while others have failed to reach their targets. Contributions to inter-agency pooled funds have steadily increased, doubling from US\$ 1.5 billion in 2015 to US\$ 3 billion in 2019. As a percentage of total non-core resources for development, inter-agency pooled funds reached 9% in 2019, close to the target of 10% set for 2023, and a doubling of the baseline of 5% in 2017. At the same time, the number of Member States contributing to development-related inter-agency pooled funds has shown a declining trend, and the likelihood of reaching the target of 100 contributors seems slim. Ambitious targets set for the capitalisation of flagship funds such as the Joint SDG Fund and the Peacebuilding Fund have likewise failed to materialise.

Table 6: Top ten active funds managed by the MPTF Office, accumulated deposits 2020 (US\$ million)

Fund	Deposits (US\$ million)	Period	Theme
Sudan Humanitarian Fund	1,405	2006-2020	Humanitarian
Peacebuilding Fund	1,266	2006-2021	Peace and transition
DRC Humanitarian Fund	1,260	2006-2022	Humanitarian
South Sudan Humanitarian Fund	830	2012-2020	Humanitarian
Somalia Humanitarian Fund	579	2010-2020	Humanitarian
Somalia Multi Window Trust Fund	424	2015-2020	Peace and transition
Afganistan Humanitarian Fund	385	2014-2020	Humanitarian
Spotlight Initiative Fund	356	2017-2020	Development
UN REDD Programme Fund	334	2008-2020	Climate and environment
Central African Forest Initiative	320	2015-2020	Climate and environment

Source: Multi-Partner Trust Fund Office (MPTF Office)

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Table 7: Select Funding Compact indicators (US\$ million)

Indicator	Baseline	Target	Latest value	Trend
Percentage of non-core resources for development-related activities channeled through inter-agency pooled funds	5% (2017)	10% (2023)	9% (2019)	↑
Annual capitalisation of the Joint Fund for the 2030 Agenda	US\$ 43 million (2018)	US\$ 290 million (2020)	US\$ 43 million (2020)	→
Annual contributions to the Peacebuilding Fund	US\$ 129 million (2018)	US\$ 500 million (2020)	US\$ 180 million (2020)	↑
Number of Member State contributors to development-related inter-agency pooled funds	59 (2017)	100 (2021)	39 (2019)	↓

Source: Multi-Partner Trust Fund Office (MPTF Office) and UN Department of Economic and Social Affairs (UN DESA)

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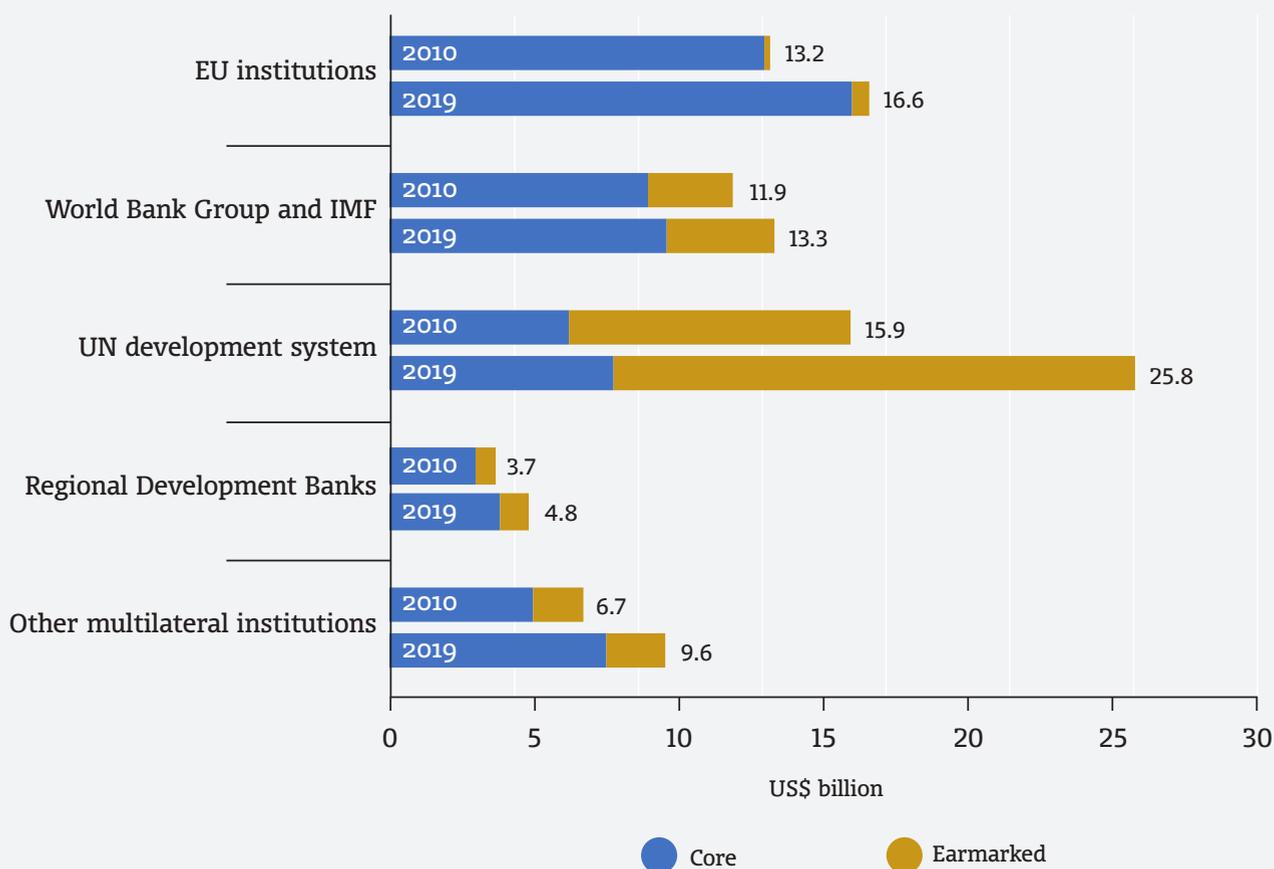
1.7 UN funding and official development assistance

To conclude Chapter 1, it may be instructive to situate the funding of the UNDS within the broader ODA picture. Do the funding decisions of OECD-DAC members, and overall UN system funding trends, differ from decisions and trends related to other multilateral institutions? Figure 22 below clearly demonstrates that OECD-DAC countries contribute a higher proportion of earmarked funding to the UN system than they do to other multilateral institutions, such as EU institutions, the World Bank Group and the International Monetary Fund (IMF), and regional development banks. The proportion of earmarked funding to the UN has also grown substantially since 2010. In 2019, the UN received nearly US\$ 26 billion in funding, of which 70% was earmarked, compared to 61% in 2010.

The UNDS continues to be the largest and fastest-growing channel for multilateral ODA, but also remains the channel with the biggest share of earmarked funding. In 2010, the EU institutions received 26% of ODA, the World Bank Group and IMF 23%, regional development banks 7%, and the UN system 31%. In 2019 the UN's share of ODA had increased to 37%. By that time, the share of ODA channelled through the EU institutions, and the World Bank Group and IMF, had decreased to, respectively, 24% and 19%. More than half (US\$ 9.9 billion) of the total growth in funding during that time period was absorbed by the UN system.

Differences in funding patterns depend to a large extent on the mandate and governance structure of multilateral organisations. UN entities' traditional roles in crisis and emergency responses is one of the factors behind the UN's relatively large share of earmarked contributions.²³

Figure 22: Channels of total multilateral assistance from OECD-DAC countries, core and earmarked, 2010 and 2019 (US\$ billion)



Source: Organisation for Economic Co-operation and Development (OECD)
For notes – see page 82

Where is UN funding allocated?

In the previous chapter we looked at the income side of the UN system: who is funding the UN and *how*. We will now look at the other side of the financial flows: *where* are funds allocated and for *what* purposes? UN revenue and UN spending may differ in a specific year but will balance out over time.

2.1 UN expenditure

In 2019, the total expenditure for the UN system was US\$ 55.6 billion, an increase of US\$ 2.8 billion compared to 2018. Table 8 (on the following page) provides a detailed breakdown of total expenditure allocated to UN entities in 2019. It also itemises the expenditure of these same entities in 2005, 2010, 2015 and 2018. The changes in expenditure over this time reflect the changing dynamics of UN operations and follow more or less the same patterns as UN revenue.

UN expenditure has more than doubled, in absolute terms, over the past 15 years. Two-thirds of this growth can be linked to five large UN entities: the UN Secretariat, DPO, UNHCR, UNICEF and WFP. Apart from the UN Secretariat, all of these entities have a strong peace operation or humanitarian focus, while other entities with a strong development mandate, such as ILO and UNDP, have experienced more modest growth.

UN expenditure is usually divided into four main activity areas:

1. Development assistance
2. Humanitarian assistance
3. Peace operations
4. Global agenda (and specialised assistance)

Figure 23 (on page 59) shows the proportion of UN expenditure devoted to each of these four areas in 2019 and over the past four years. Expenditure on humanitarian assistance and development assistance – which together constitute what is commonly referred to as UN OAD – were roughly equal in 2016, but by 2019 the UN’s expenditure on humanitarian assistance (38% of total expenditure) was notably larger than spending on development assistance (33%). Nevertheless,

OAD accounts for almost three-quarters of the total expenditure in the UN system.

Peace operations expenditure (17% of total expenditure in 2019) includes investments in peacekeeping and other UN activities aimed at creating the conditions for lasting peace in conflict-affected countries. The UN’s peacekeeping activities are implemented through a global partnership that brings together the UN Secretariat, troop- and police-contributing countries, and host governments in a combined effort to maintain international peace and security.

Expenditure on the global agenda (and specialised assistance) (12% of total expenditure in 2019) covers activities such as global norms, standards, policy and advocacy that are not directly linked to any of the other three functions. It also includes development activities in non-UN programme countries. It is difficult to draw conclusions on, for example, the level of UN normative work, due to the variety of activities included in this category.

Over the past four years the share of spending on humanitarian assistance has grown steadily and gradually surpassed spending on development assistance. The share of development assistance in 2019 is back to 2016 levels, while spending on peace operations, and the global agenda and specialised assistance, both decreased during the period 2016–19. Although the proportional shares have not changed dramatically, the increased share of humanitarian expenditure constitutes a clear trend.

Figure 24 (on page 59) shows how the UN’s expenditure on humanitarian assistance and development assistance has evolved in nominal terms over the past ten years. Expenditure on humanitarian assistance has more than doubled (135% growth), while development assistance has only increased by 17% during the period 2010–19. Humanitarian assistance surpassed development assistance in 2016 and 2018, and the gap widened in 2019 when humanitarian assistance amounted to US\$ 21 billion compared to US\$ 18.4 billion for development assistance.

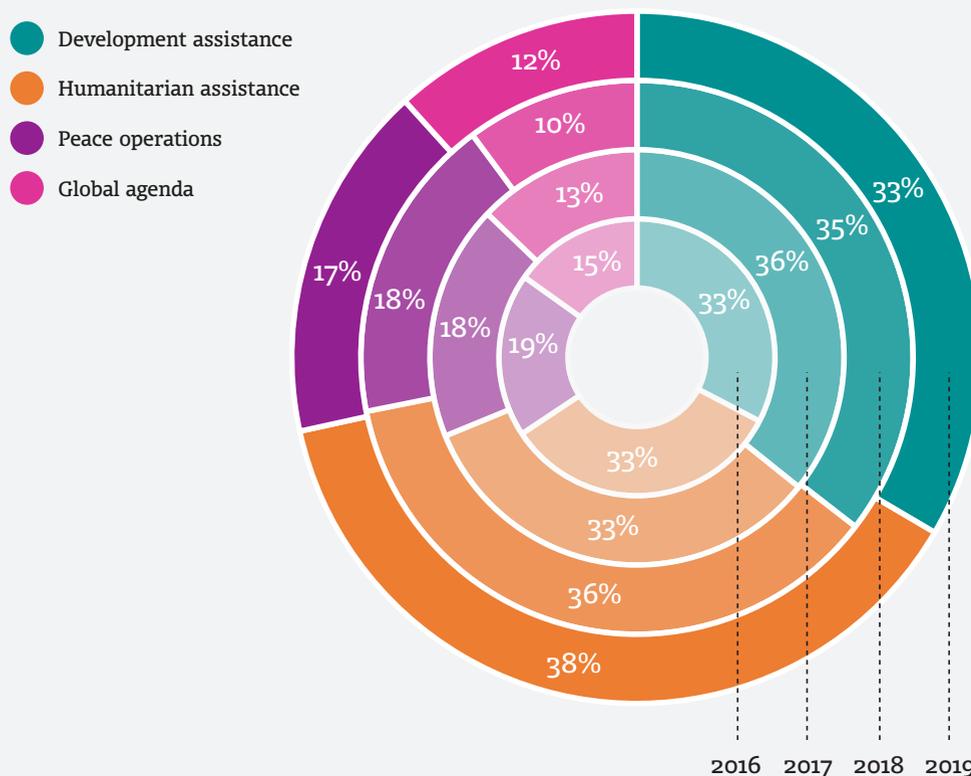
Table 8: Total expenditure of the UN system by entity, 2005–2019 (US\$ million)

Entity	2005	2010	2015	2018	2019
UN Secretariat	2,659	3,953	5,613	6,239	6,646
CTBTO	103			128	117
DPO	4,074	7,616	8,759	7,988	7,733
FAO	772	1,415	1,219	1,455	1,584
IAEA	434	585	571	641	637
IARC				46	48
ICAO	186	235	195	230	232
ICC				177	179
IFAD	116	784	168	193	186
ILO	454	587	660	625	705
IMO	55	68	68	64	60
IOM	952	1,359	1,594	1,842	2,096
ITC	57	71	103	99	119
ITLOS					12
ITU	140	193	192	187	251
OPCW				84	86
PAHO	165	927	1,379	1,299	1,105
UNAIDS	158	284	294	184	191
UNCDF				61	74
UNDP	4,573	5,750	5,057	5,097	4,924
UNEP	288	449	560	559	593
UNESCO	688	797	762	682	640
UNFCCC	29			91	92
UNFPA	523	824	977	1,086	1,130
UN-HABITAT	116	201	167	186	190
UNHCR	1,142	1,878	3,279	4,064	4,258
UNICEF	2,191	3,631	5,078	5,919	6,203
UNIDO	209	225	244	279	292
UNITAID				216	242
UNITAR	12	20	23	29	29
UNODC	94	211	279	332	375
UNOPS	58	65	672	924	1,190
UNRWA	471	555	1,334	1,190	1,173
UNSSC				10	11
UNU	32	60	75	91	76
UN Women			315	380	421
UNWTO	16	22	27	21	22
UPU	27	50	79	75	82
WFP	3,104	4,315	4,893	6,789	7,771
WHO	1,541	2,078	2,739	2,500	3,088
WIPO	199	324	352	356	387
WMO	73	88	102	97	101
WTO	148	226	247	263	261
Total	25,859	39,847	48,076	52,776	55,613

Source: Chief Executives Board for Coordination (CEB)

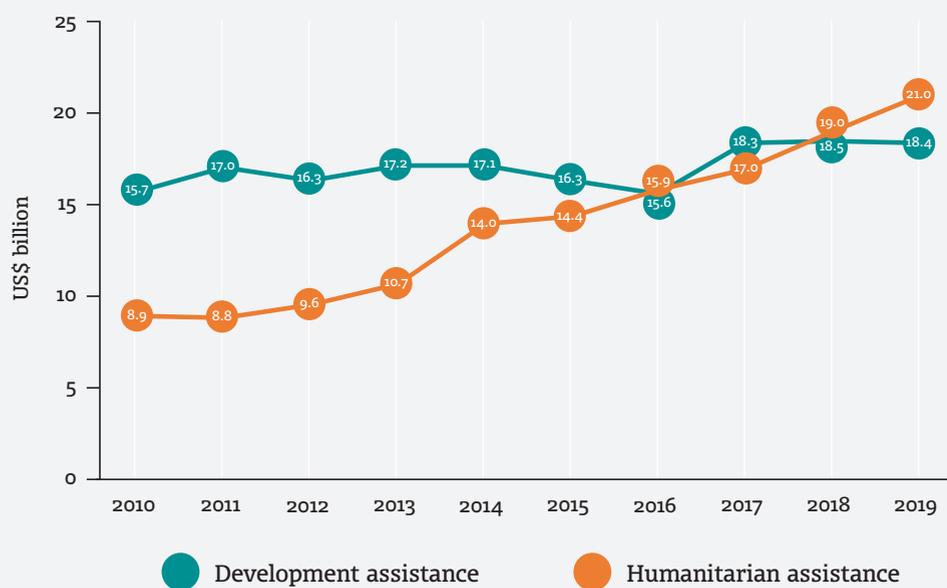
For notes – see page 79

Figure 23: Expenditure of the UN system-wide activities, 2016–2019



Source: Report of the Secretary-General (A/76/75-E/2021/57), (A/75/79-E/2020/55), (A/74/73-E/2019/4), (A/73/63 - E/2018/8)
For notes – see page 82

Figure 24: Total expenditure for development and humanitarian-related UN operational activities, 2010–2019 (US\$ billion)



Source: Report of the Secretary-General (A/76/75-E/2021/57)
For notes – see page 82

The growth in resources allocated to humanitarian assistance is mainly connected to expenditure in a number of crisis-affected countries, including Lebanon, Somalia, South Sudan, Syria and Yemen (see section 2.4). However, it should be noted that the historical data presented in Figure 24 (on the previous page) have changed due to the adoption of the new data standards in 2018. In addition, unlike in previous years, the figures for 2019 include expenditure by the IOM.

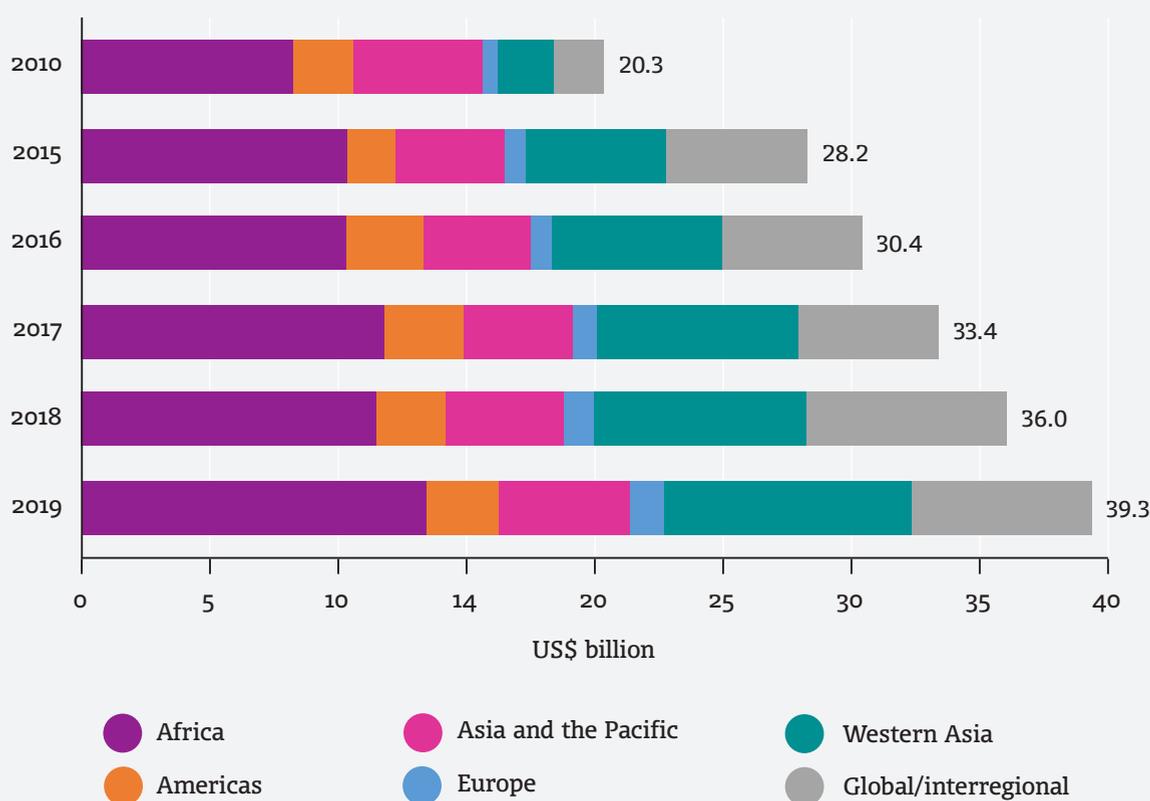
2.2 Expenditure per region and countries' income status

Having explored the purposes for which funding has been allocated, this section looks at where funding is allocated in geographical terms. Figure 25 below continues the focus on the UN's humanitarian and development assistance functions, commonly referred to as UN OAD. The two regions with the highest expenditures in 2019 were Africa and Western Asia, accounting for, respectively, 34% and 25% of total UN expenditure on OAD.

Africa has remained the region with the largest UN OAD investments since 2010. Even if Africa's share of total expenditure has since decreased, the volume has grown by 63%, from US\$ 8.3 billion in 2010 to US\$ 13.5 billion in 2019. This increase is to a large extent due to the protracted crises in South Sudan (from 2012 onwards), Somalia (mainly from 2017 onwards) and the Democratic Republic of the Congo (DRC). Ethiopia and Sudan are also among the African countries receiving large amounts of OAD funding during this period.

However, the fastest-growing region in terms of UN expenditure is Western Asia. The OAD allocations to Western Asia grew from US\$ 2.2 billion in 2010 to US\$ 9.7 billion in 2019. Western Asia's share of expenditure more than doubled over the same period. This increase is mainly connected to the Syrian humanitarian crisis (from 2012) and to the deepening humanitarian crisis in Yemen (mainly from 2017 onwards).

Figure 25: Expenditure on UN operational activities by region, 2010–2019 (US\$ billion)



Source: Report of the Secretary-General (A/76/75-E/2021/57 and earlier years)
For notes – see page 82

Low-income, least-developed countries and crisis-affected countries are the most vulnerable.²⁴ Figure 26 below shows UN expenditure on OAD broken down by programme countries' income status. Almost half (48%) of UN spending is invested in low-income countries. While funding to other income categories has remained largely the same, the volume of expenditure channelled to low-income countries increased by US\$ 3.1 billion between 2018 and 2019, mainly due to increased support to Yemen and the fact that Sudan fell back from being a low middle-income country to a low-income country.

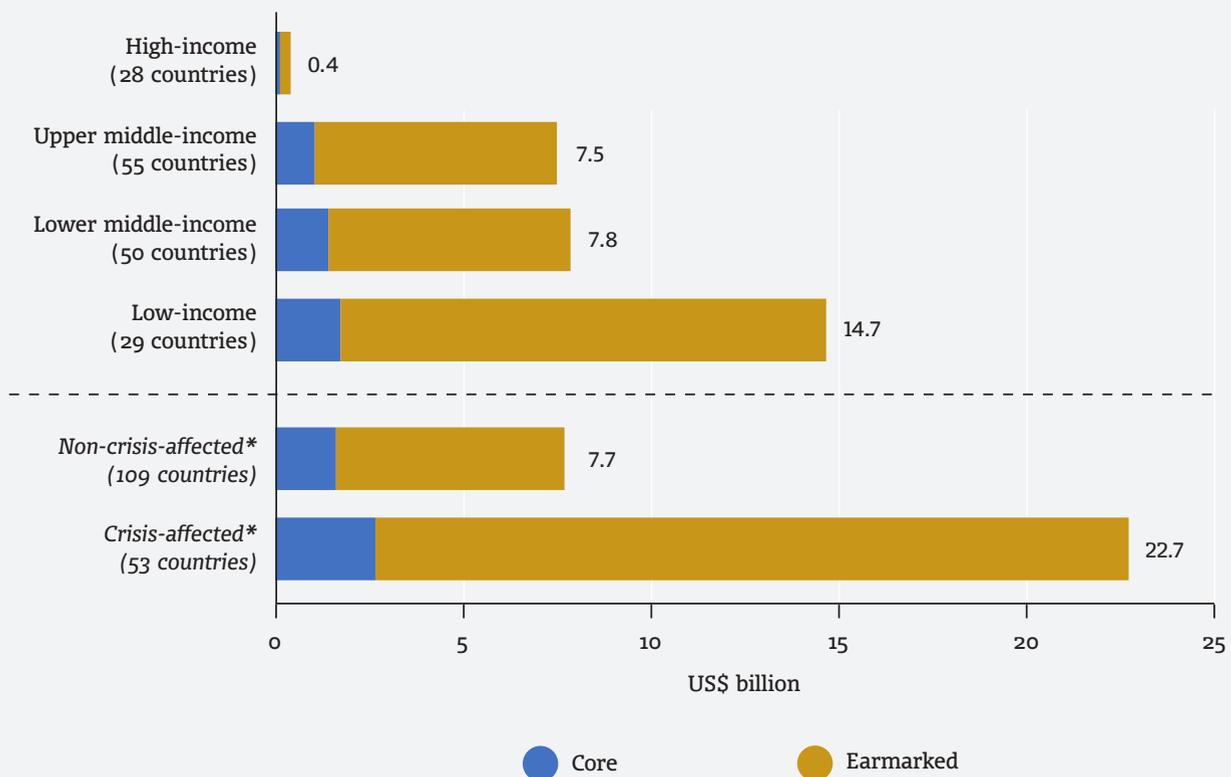
To a large extent, expenditure in low-income countries depends on earmarked funding. Only 12% of total UN expenditure in low-income countries in 2019 was funded through assessed or voluntary core contributions, compared to 35% for high-income countries. The difference between the value for expenditure in Figure 25 (on the previous page) and the sum of the values in Figure 26 is due to UN expenditure allocated at the regional and global levels, which is not linked to a specific country.

More evident, however, is the concentration of UN expenditure on OAD in crisis-affected countries. Of the 162 UN programme countries, around one-third (53 countries) are classified as crisis-affected. Taken together, these countries received 75% of total UN expenditure at the country level in 2019. The crisis-affected countries also rely predominantly on earmarked funding. Many have experienced protracted conflict and have remained in the crisis-affected category for a long period of time (see section 2.4).

2.3 Resource allocation linked to the Sustainable Development Goals

Since their introduction in 2015, the 17 SDGs and the 169 underlying targets have become a common platform for communicating global progress on sustainable development. The wording and framing of the SDGs form a crucial part of a common language of development that is widely applied in different parts of society. Many of the SDGs are interlinked and interdependent, a characteristic clearly highlighted throughout the COVID-19 pandemic.

Figure 26: Expenditure on UN operational activities in UN programming countries by income status, 2019 (US\$ billion)



* The non-crisis-affected and crisis-affected UN programming countries are integrated by a variety of income levels

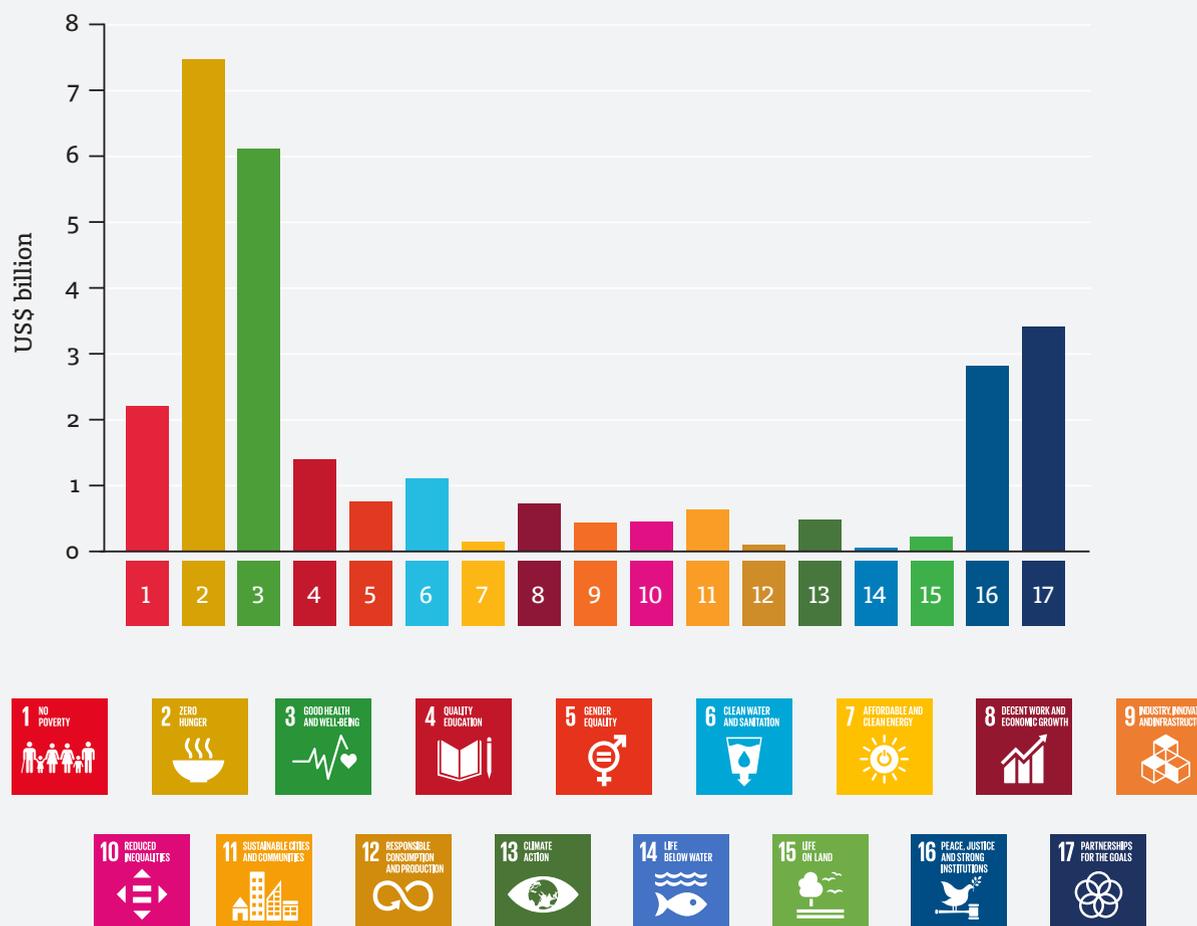
Source: Report of the Secretary General (A/76/75-E/2021/57), World Bank, DPO, DPPA, OCHA and the Peacebuilding Fund
For notes – see page 82

In 2018, the new UN data standards, including the standard for linking expenditures to the SDGs, were agreed. Further progress has been made since then and the data standard on the SDGs should be fully implemented by 31 December 2021. In the meantime, this section makes observations relating to resource allocation linked to the SDGs.

In 2019, 16 of the 43 UN entities submitting data to the CEB reported their expenditure towards the SDGs, compared to just 11 entities in 2018. Figure 27 below shows the aggregated SDG-related expenditure of 17 UN entities, including the 16 reporting entities and one other entity from which data was collected directly.²⁵ The total SDG-related expenditure of US\$ 28.4 billion by these 17 entities in 2019 corresponds to 51% of total overall UN expenditure and 70% of all contributions to the UN OAD segment.

Although not representing all UN expenditure, the available data from the 17 entities gives an indication of which SDGs are in focus for UN investments. Expenditure related to the environment and climate change (SDGs 13–15) is relatively low in relation to their importance and interlinkage to the fulfilment of other goals, such as zero hunger (SDG 2), health (SDG 3), reduced inequalities (SDG 10), and peace, justice and strong institutions (SDG 16). This may be due to the fact that UN entities with an environmental or climate focus have not yet reported their SDG-related expenditures to the CEB. Another reason may be that large amounts of expenditure can be linked to direct investments in procurement for service delivery – for example, food supplies and vaccines – whereas other types of support, such as policy support and training, usually entail lower expenditure.

Figure 27: Aggregated UN expenditure linked to the SDGs as reported by 17 UN entities, 2019 (US\$ billion)



Source: Chief Executives Board for Coordination (CEB)
For notes – see page 83

The distribution of SDG-related expenditure can differ largely between specialised entities, such as UN Women, and entities with a broader mandate, such as UNDP. This is reflected in Figure 28 (on page 64), which provides a snapshot of the SDG reporting of five UN entities: UNDP, UNHCR, UNICEF, WFP and WHO. According to the UN data standards, expenditures should be linked to the SDGs where possible. Therefore, some entities may report only part of their expenditure towards the SDGs. The share reported is indicated by the percentage of allocations in the figure for each entity.

Corresponding to their mandates, in 2019, WFP reported 85% of its expenditure towards SDG 2 (zero hunger), while WHO reported 96% of its expenditure towards SDG 3 (good health and well-being). A similar pattern is evident for other entities not shown in Figure 28. For instance, the majority of expenditure by the International Labour Organization (ILO) is in relation to SDG 8 (decent work and economic growth), while for UN Women it is SDG 5 (gender equality and women's empowerment). The profiles of UNDP and UNICEF are more diverse but consistent with their reporting in 2018.

The extent to which the COVID-19 pandemic has shifted the focus of UN expenditure towards specific goals (for example SDG 3) can obviously not be determined from the 2019 data. However, this type of analysis will be possible in 2022, when the full 2020 dataset is available.

According to the 2021 Report of the Secretary-General on the QCPR, UN programme countries have reported that the UN's contribution to national efforts in 2019 and 2020 has been most impactful in the areas of health and well-being (SDG 3), food security (SDG 2) and education (SDG 4), followed by poverty eradication (SDG 1), gender equality (SDG 5) and climate action (SDG 13).²⁶ For the coming four years, programme countries have identified SDGs 1–4 and SDG 8 (decent work and economic growth) as focus areas critically impacted by the pandemic, and ones where UN assistance is most needed. Combating climate change was given greater importance in 2019 than in 2020. Improved data on expenditure linked to the SDGs will be useful when it comes to understanding the areas of UN assistance that are underfunded and so require more attention and focus.

2.4 Expenditure in crisis-affected countries

Section 2.2 concluded that a significant proportion of UN expenditure is steered towards crisis-affected countries. 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 2018 and 2019).

Figure 29 (on page 66) shows the crisis-affected countries in which UN expenditure at the country level exceeded US\$ 100 million in 2019. In that year, Yemen surpassed South Sudan as the crisis-affected country receiving the most funding. Yemen, South Sudan, DRC, Lebanon and Somalia remain the top five countries in terms of allocated resources, accounting for 21% of all UN system-wide expenditure. The 36 countries listed in Figure 29 received a total of US\$ 28.7 billion in 2019, which is more than 50% of overall UN expenditure. Moreover, an increasing share of this expenditure was allocated for humanitarian purposes. The humanitarian share of expenditure in crisis-affected countries grew from 30% in 2010 to nearly 50% in 2019.

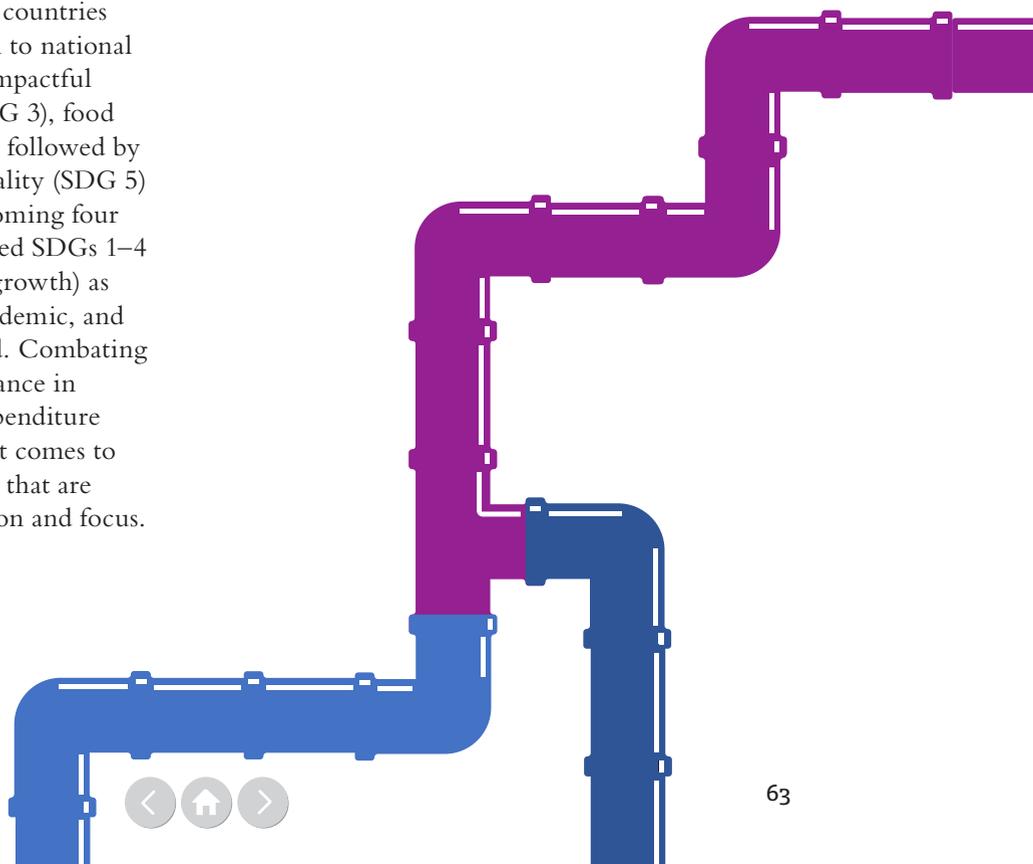


Figure 28: Expenditure by SDG for five select UN agencies, 2019 (US\$ million)



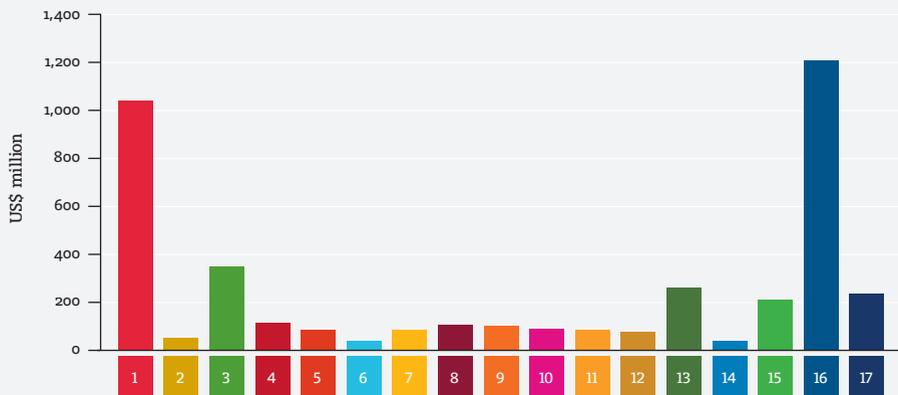
World Food Programme (WFP)

US\$ 7,771 million (100% of 2019 expenditure)

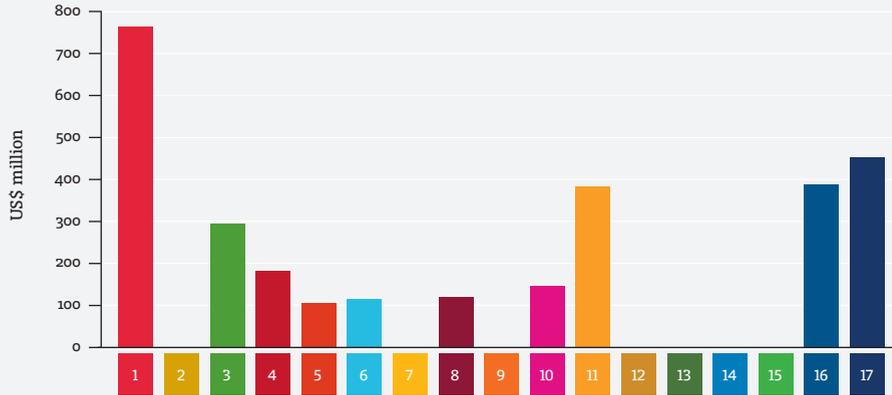


United Nations Development Programme (UNDP)

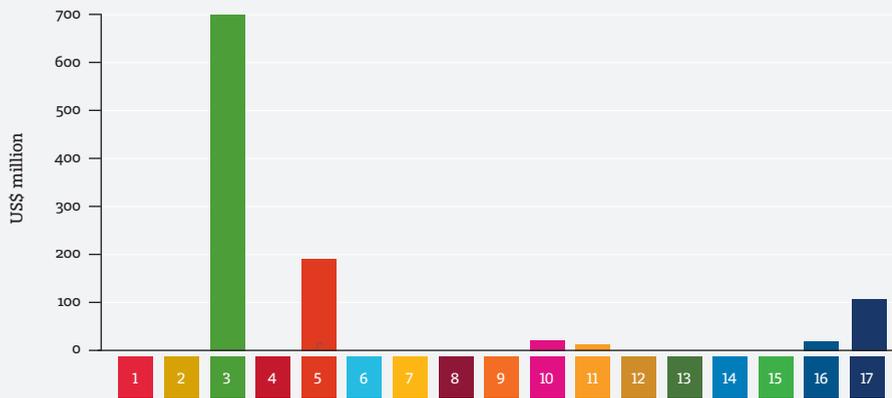
US\$ 4,153 million (84% of 2019 expenditure)



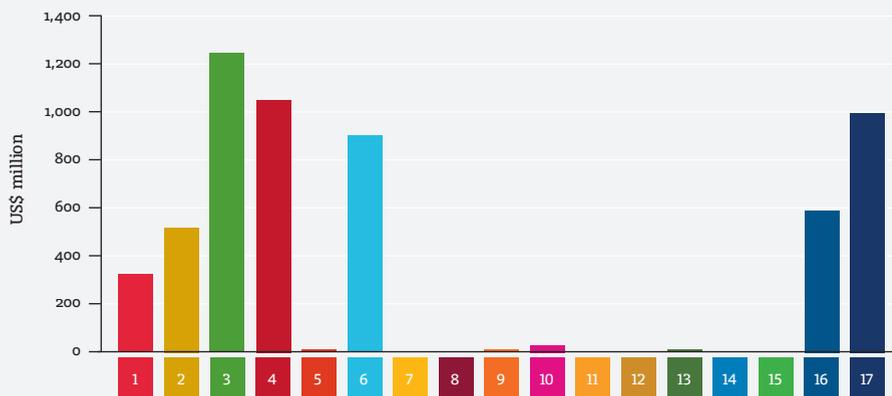
United Nations High Commissioner for Refugees (UNHCR)
 US\$ 2,941 million (69% of 2019 expenditure)



World Health Organization (WHO)
 US\$ 3,088 million (100% of 2019 expenditure)

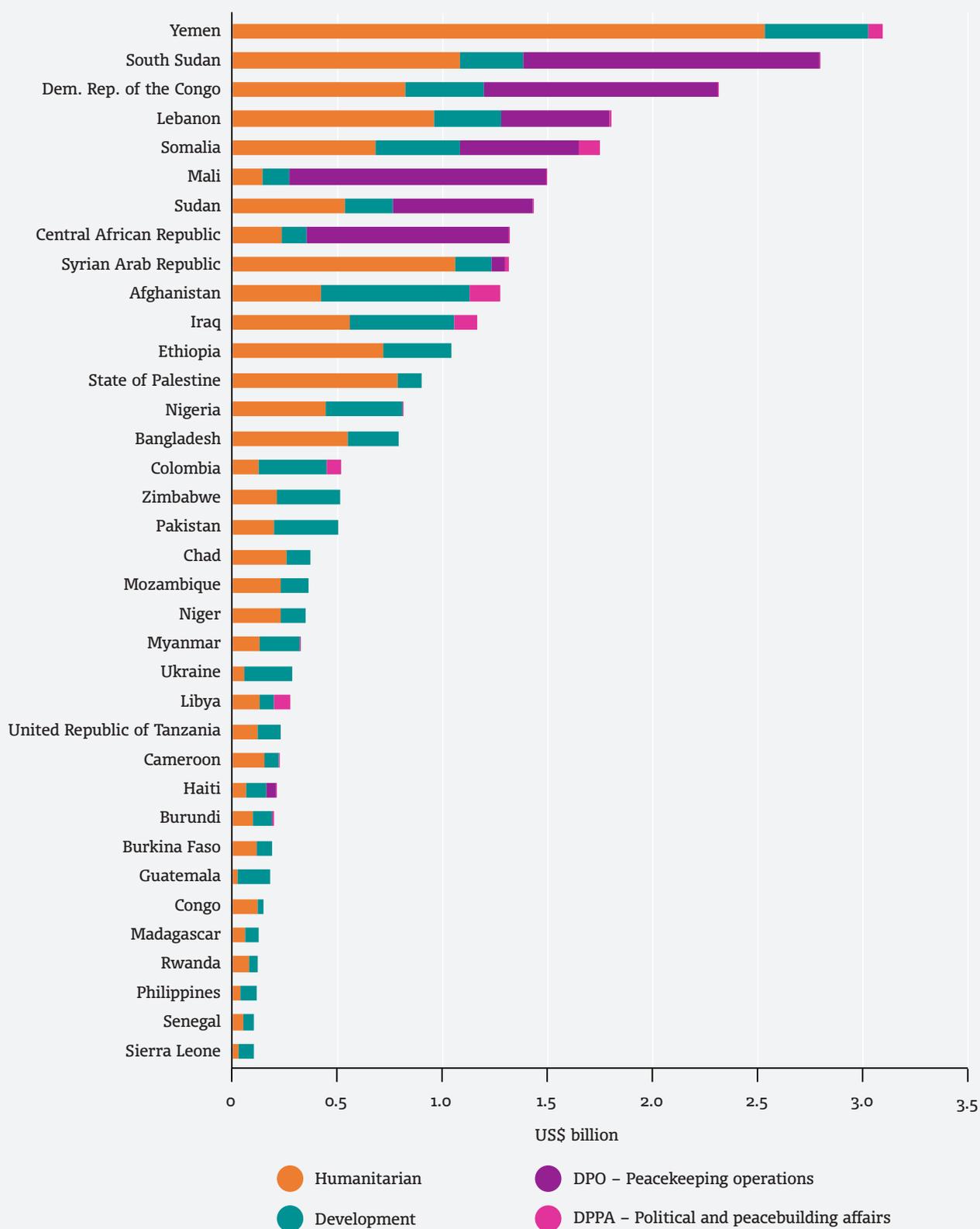


United Nations Children's Fund (UNICEF)
 US\$ 5,650 million (91% of 2019 expenditure)



Source: Chief Executives Board for Coordination (CEB)
 For notes – see page 83

Figure 29: Expenditure by country on UN operational and peace and security-related activities, 2019 (US\$ billion)

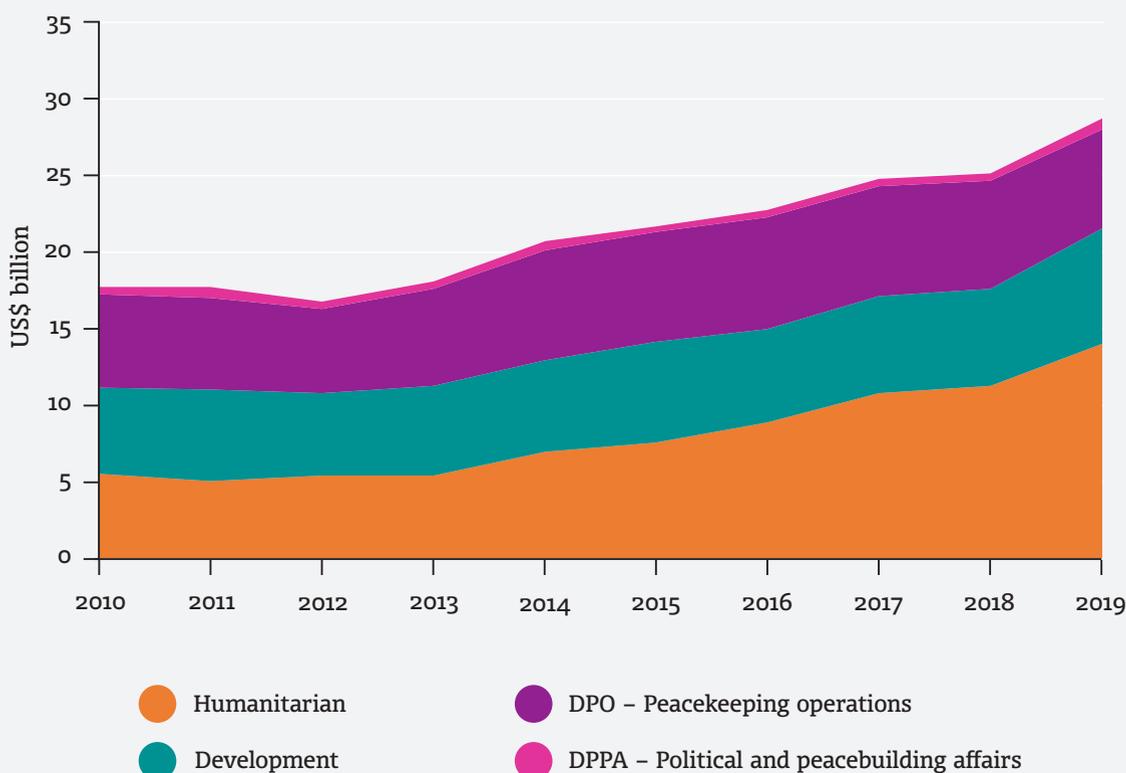


Source: Report of the Secretary-General (A/76/-E/2021/57); General Assembly Financial Report (A/75/5(Vol.II)); and Report of the Secretary-General A/75/6 (Sec.3)/Add.1.
 For notes – see page 83

Looking at the same group of countries, Figure 30 below shows the development of the different expenditures over time. The share of humanitarian allocations for these 36 countries has grown, mainly from 2013 onwards. Expenditure on development and peace activities have been fairly constant over the period. The shift from 2013 was

largely due to the effects of the escalating crisis in Syria on neighbouring Lebanon which, in addition to its own challenges, hosted many Syrian refugees. The escalation of the crises in South Sudan (mainly from 2014 onwards) and Yemen (mainly from 2017 onwards) contributed to the steady growth in humanitarian expenditure.

Figure 30: UN operational and peace-related expenditure in 36 crisis-affected countries, 2010–2019 (US\$ billion)



Source: Report of the Secretary General (A/76/-E/2021/57); General Assembly Financial Report (A/75/5(Vol.II)); and Report of the Secretary General A/75/6 (Sec.3)/Add.1
 For notes – see page 83

Four crisis-affected countries in focus

Within the overall trend of growing expenditure on humanitarian activities in crisis-affected countries, individual scenarios can play out very differently. Achieving the right mix of humanitarian, development and peace assistance, and ensuring they are integrated, is critical. The humanitarian–development–peace nexus approach has been developed to ensure that crisis responses are paired with long-term investments to meet the root causes of the crisis and build resilience against future shocks.²⁷ While there are very few crisis-affected countries in which the UN applies this nexus approach, four examples – Syria, Colombia, Côte d’Ivoire and South Sudan – illustrate how the UN’s humanitarian, development and peace expenditure have evolved over time (see Figure 31 on the following page).

Syrian Arab Republic

The Syrian civil war has been ongoing for ten years and the need for extensive humanitarian support remains. Since 2014, UN expenditure in Syria has amounted to US\$ 1.1–1.3 billion per year. Syria is an example of a country with a protracted and ongoing crisis, where the main focus is saving lives and providing for basic needs through humanitarian activities. A UN Supervision Mission in Syria (UNSMIS) was set up in 2012 to monitor a plan for cessation of armed violence, pending a decision on a wider peacekeeping operation. However, UNSMIS was ended after less than six months and there has been no subsequent political agreement in the UN Security Council on a renewed UN peacekeeping mission.²⁸ Development assistance is complicated by various factors, including the political instability in the country.²⁹ This is reflected in the low share of UN expenditure on development and peace operations in Syria.

Colombia

Colombia is an example of a country where long-term investments in development and peacebuilding have outpaced purely humanitarian activities. In 2016 the Government of Colombia and the Revolutionary Armed Forces of Colombia–People’s Army (In Spanish, *Fuerzas Armadas Revolucionarias de Colombia–Ejército del Pueblo*, FARC–EP), signed the ‘Final Agreement to end the armed conflict and build a stable and lasting peace’. Since then, the UN has increased its expenditure to support implementation of the agreement.³⁰ The UN’s expenditure on development assistance grew from an average of US\$ 150 million per year prior to 2016 to more than double that amount (US\$ 322 million) in 2019. In 2017, the UN established a Verification Mission to monitor implementation of the peace agreement.

Côte d’Ivoire

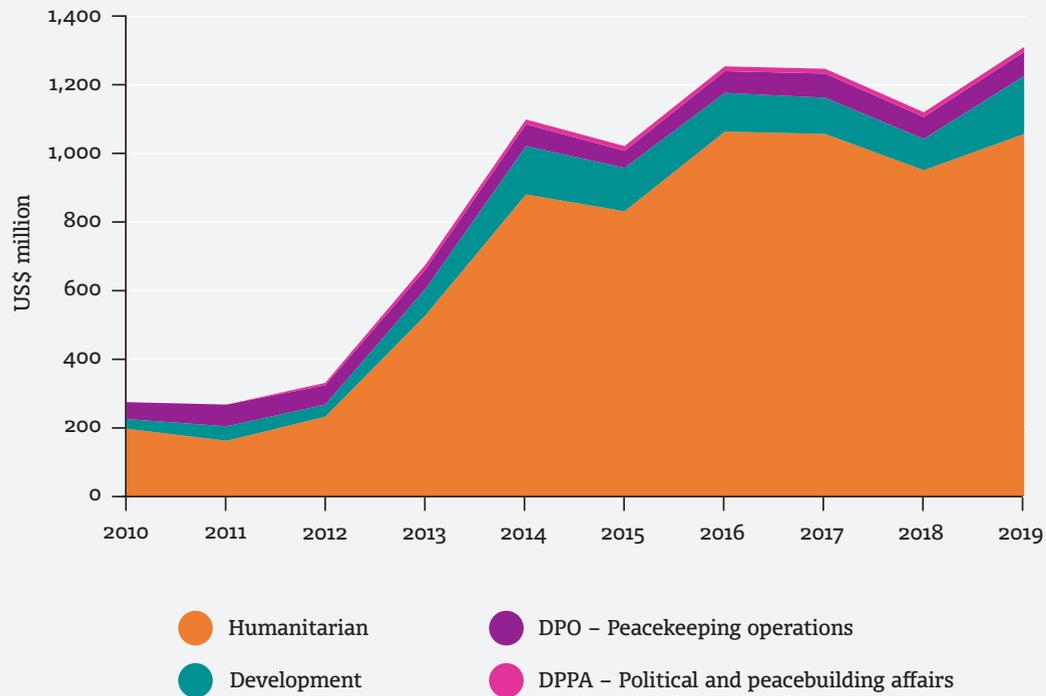
Another interesting example is Côte d’Ivoire, where the UN peacekeeping mission was closed in 2017, thus ending peacekeeping expenditure in the country. The mission had been established in 2004 to monitor and support the recently signed peace agreement. There was a plan for a sustainable transition of residual activities from the peacekeeping mission to the UN country team after the withdrawal, but lack of capacity and additional funding led to an abrupt transition.³¹ In the Secretary-General’s last report on the role of the UN operation in Côte d’Ivoire, he acknowledged that ‘an important lesson is that the Resident Coordinator must be fully empowered with the requisite capacities, authority and resources to ensure that the United Nations country team is able to continue relevant peacebuilding activities after the closure of a peacekeeping mission’.³² The data on Côte d’Ivoire shows that the level of development and humanitarian assistance have remained consistent since the closure, amounting to just under US\$ 100 million in 2019.

South Sudan

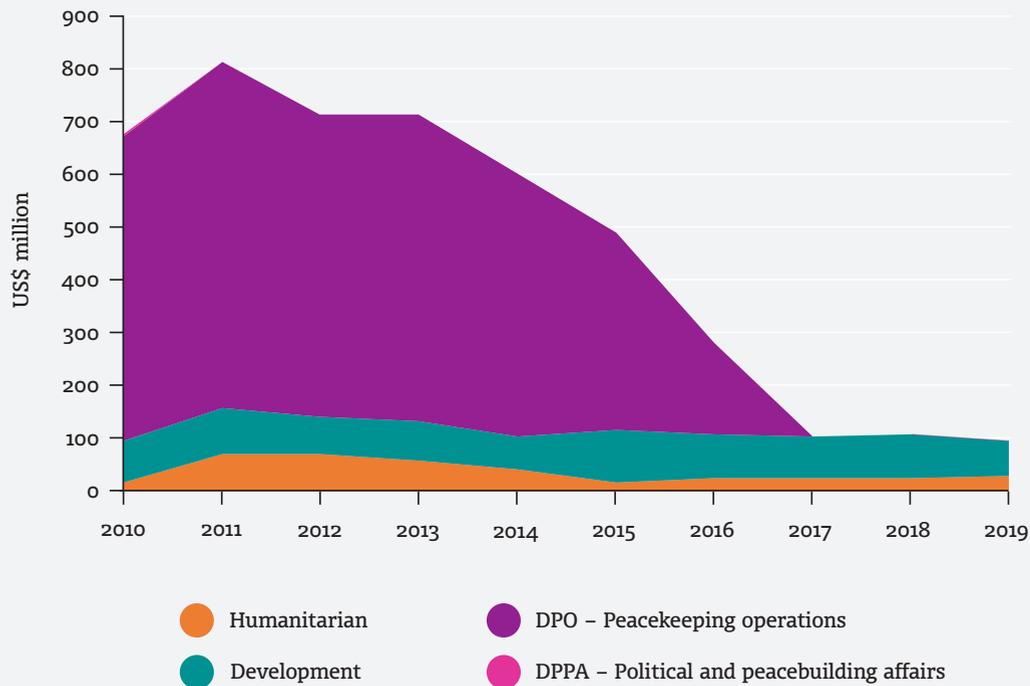
The fourth example, South Sudan, is a country with an escalating crisis where UN expenditure has gradually increased, from US\$ 0.9 billion in 2011 to US\$ 2.8 billion in 2019. Following the country’s independence, which was the culmination of a six-year peace process, the UN peacekeeping mission in South Sudan was established to consolidate peace and security, and to create conditions for development.³³ A violent political conflict in 2013 led to a reinforced mission giving priority to protection of human rights and support for delivery of humanitarian assistance. The growing UN expenditure in the country is therefore related to peacekeeping and humanitarian activities.

Figure 31: Expenditure on UN operational and peace-related activities, 2010–2019. Four country specific cases (US\$ million)

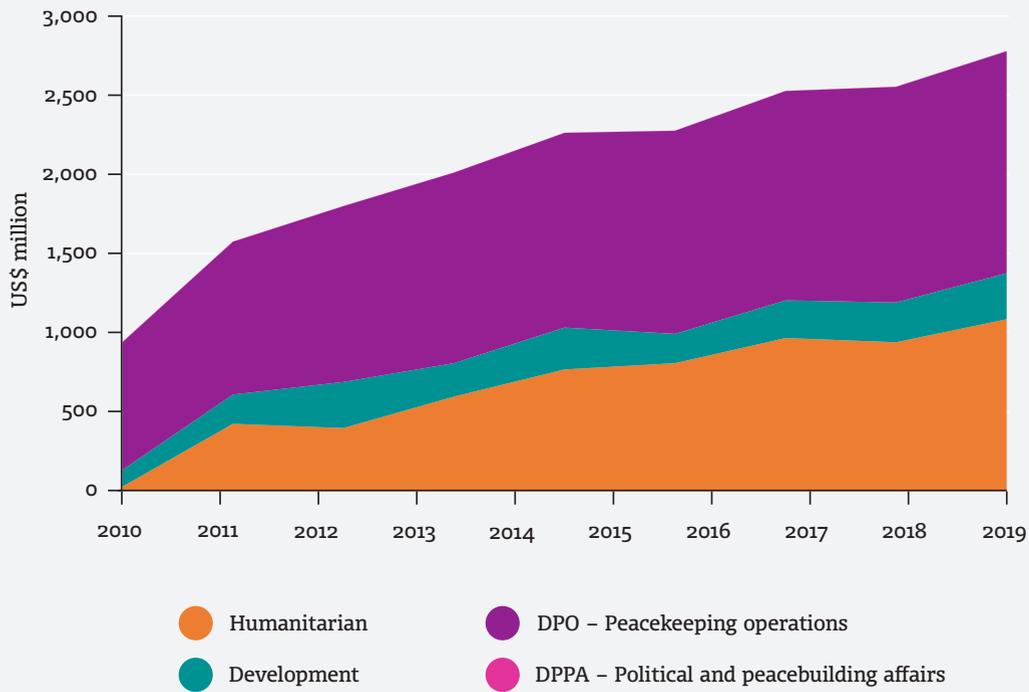
Syrian Arab Republic



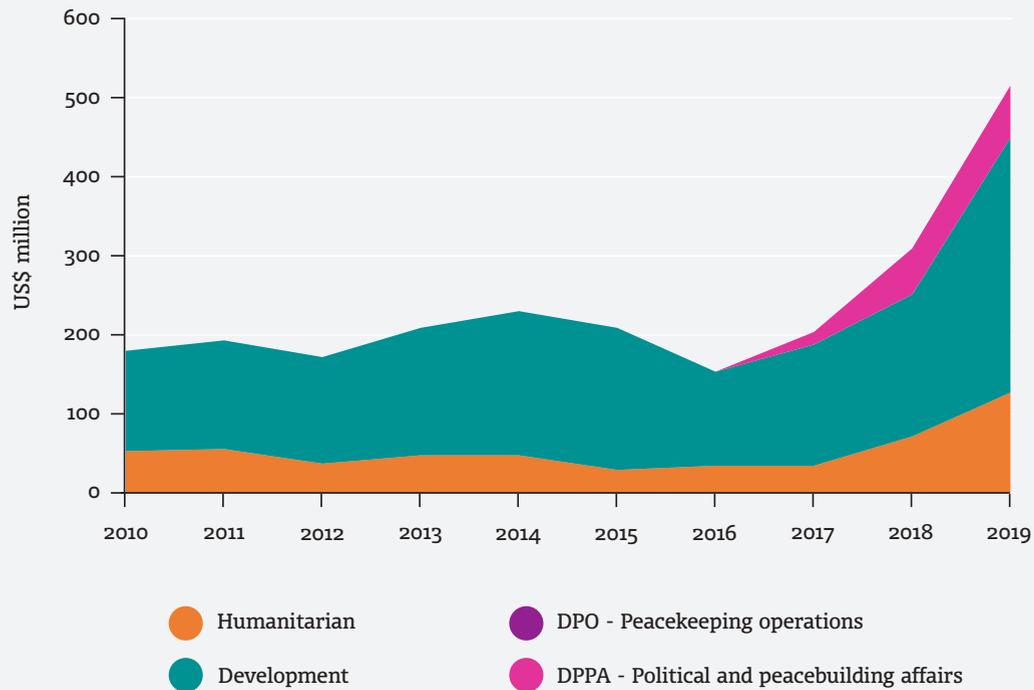
Côte d'Ivoire



South Sudan



Colombia



Source: Report of the Secretary-General (A/76/-E/2021/57); General Assembly Financial Report (A/75/5(Vol.II)); and Report of the Secretary-General (A/75/6 (Sec.3)/Add.1)
 For notes – see page 83

2.5 Official development assistance and investments in peacebuilding

*'Peacebuilding aims to reduce the risk of lapsing or relapsing into conflict by strengthening national capacities at all levels for conflict management, and to lay the foundation for sustainable peace and development.'*³⁴

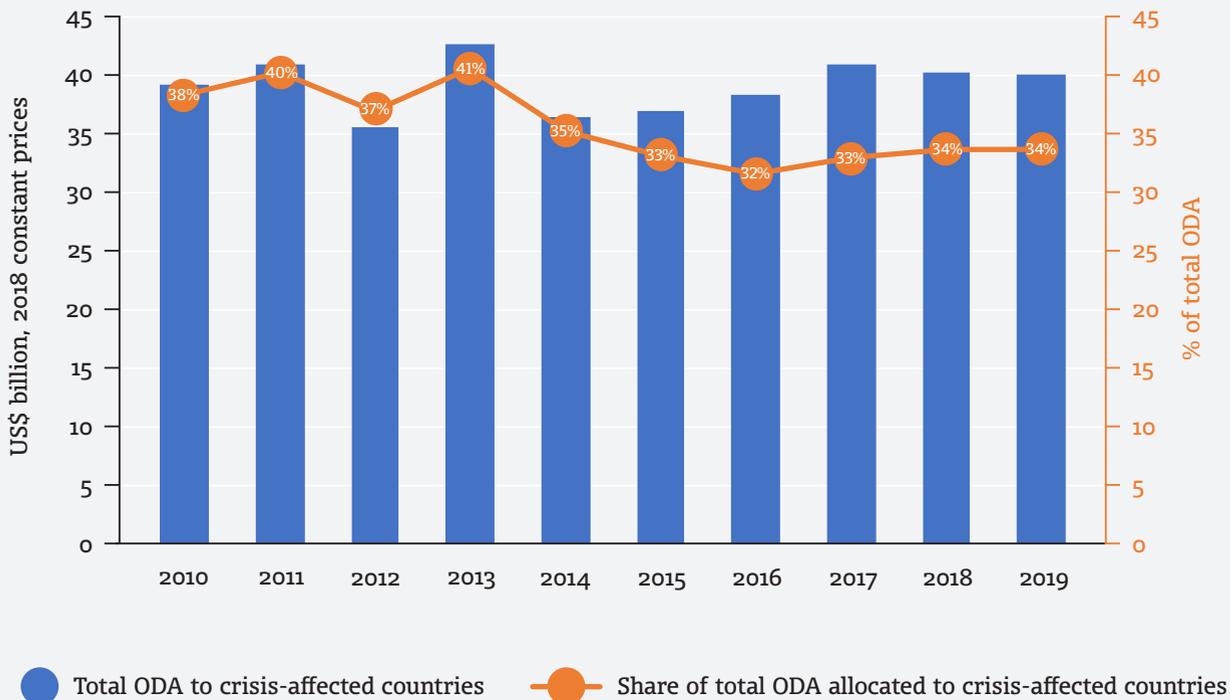
Peacebuilding and conflict prevention help safeguard development gains and are more cost-efficient than funding crisis responses. As mentioned in section 2.4, there has been a decline in peace operations as a share of UN-wide expenditures in crisis-affected countries over the past ten years.

As underlined in past Secretary-General's reports on peacebuilding and sustaining peace (2018 and 2020), financing of UN peacebuilding activities should be seen against the backdrop of total financial resources available for countries affected by violent conflict. Nearly half of all people living in extreme poverty reside in countries affected by conflict and fragility.

A total of 53 developing countries are classified as being affected by conflict or other crises. The definition used for crisis-affected countries in the following figures is in line with the definition used for funding through the UN system. Total ODA in 2019 amounted to US\$ 119 billion, of which (as shown in Figure 32 below) 34% was directed to crisis-affected countries. The share of ODA to crisis-affected countries has therefore decreased from the 39% average recorded at the beginning of the decade but has nevertheless shown an upward trend for the past four years.

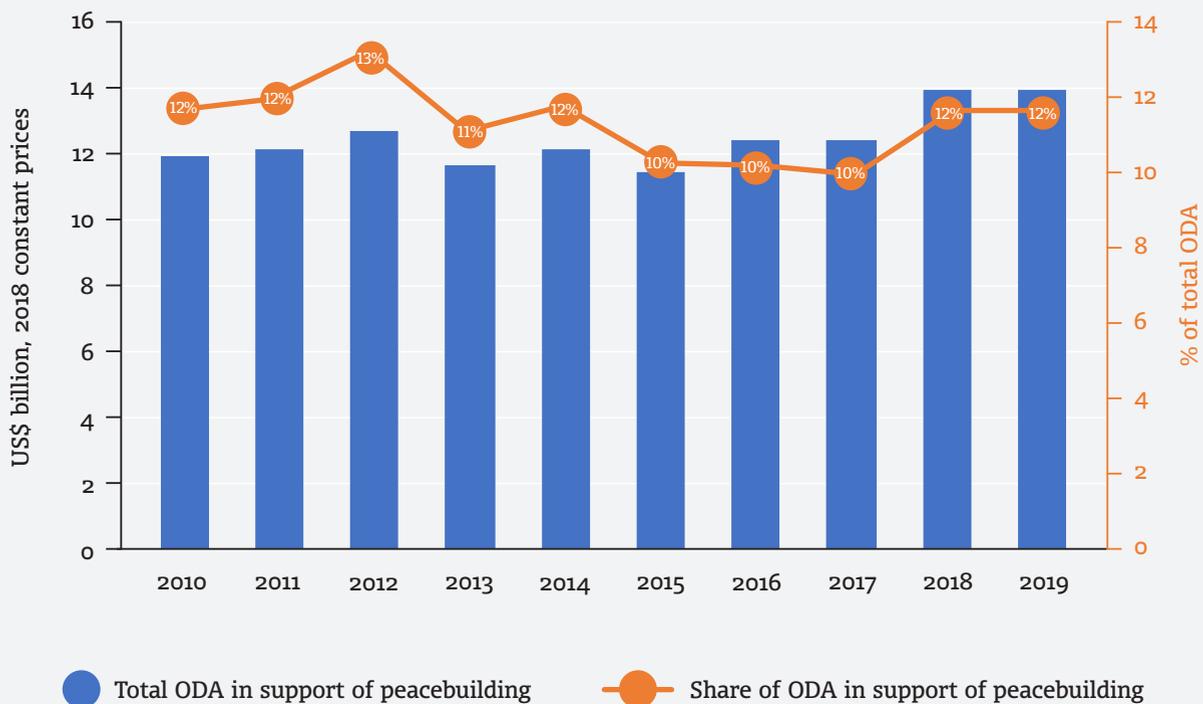
Figure 33 (on the following page) shows that according to OECD data on ODA contributions by OECD-DAC members, support to peacebuilding as a share of total ODA has stood at 10–13% in the period 2010–19. While in nominal terms volumes have increased, from US\$ 12 billion in 2010 to nearly US\$ 14 billion in 2019, the need for peacebuilding financing remains immense. To address this need, the Secretary-General urged donors in his 2020 report to commit to spending at least 20% of ODA on peacebuilding priorities in conflict settings.³⁵

Figure 32: Disbursement of ODA to crisis-affected countries, 2010–2019 (US\$ billion)



Source: Organisation for Economic Co-operation and Development (OECD)
For notes – see page 84

Figure 33: Disbursement of ODA from DAC members in support of peacebuilding, 2010–2019 (US\$ billion)



Source: Organisation for Economic Co-operation and Development (OECD)
For notes – see page 84

Figure 34 (on the following page) focuses on ODA for peacebuilding activities to crisis-affected countries and unpacks the different purposes of peacebuilding funding. Peacebuilding expenses as a share of ODA to crisis-affected countries have somewhat declined since 2010 but have remained stable, at around 15%, for the past six years. Total volumes for peacebuilding activities declined from US\$ 6.6 billion in 2010 to US\$ 6.1 billion in 2019. However, the changes over time are mainly seen in the purpose of the funding. Inclusive political processes (eg support to legislatures, political participation and free media) have risen in importance between 2015 and 2019, while expenditure

for human rights and the rule of law have experienced a decreasing trend, from US\$ 2.2 billion in 2011 to US\$ 1.2 billion in 2019.

The level of ODA for peacebuilding increased during 2018 and 2019. However, the share of ODA for peacebuilding being spent in crisis-affected countries has gradually decreased, from 55% in 2010 to 43% in 2019. At the same time, the increase in ODA to crisis-affected countries since 2014 seen in Figure 32 has been driven by humanitarian responses, rather than increased development or peacebuilding spending.

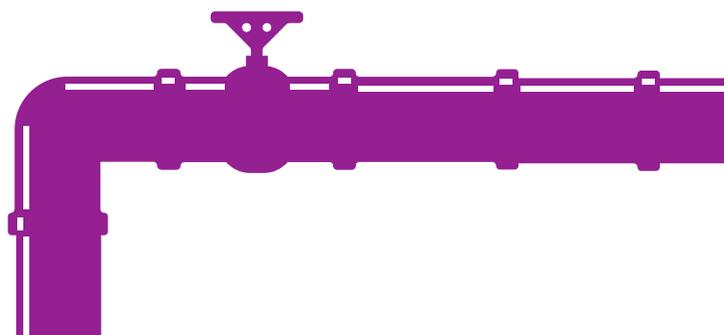
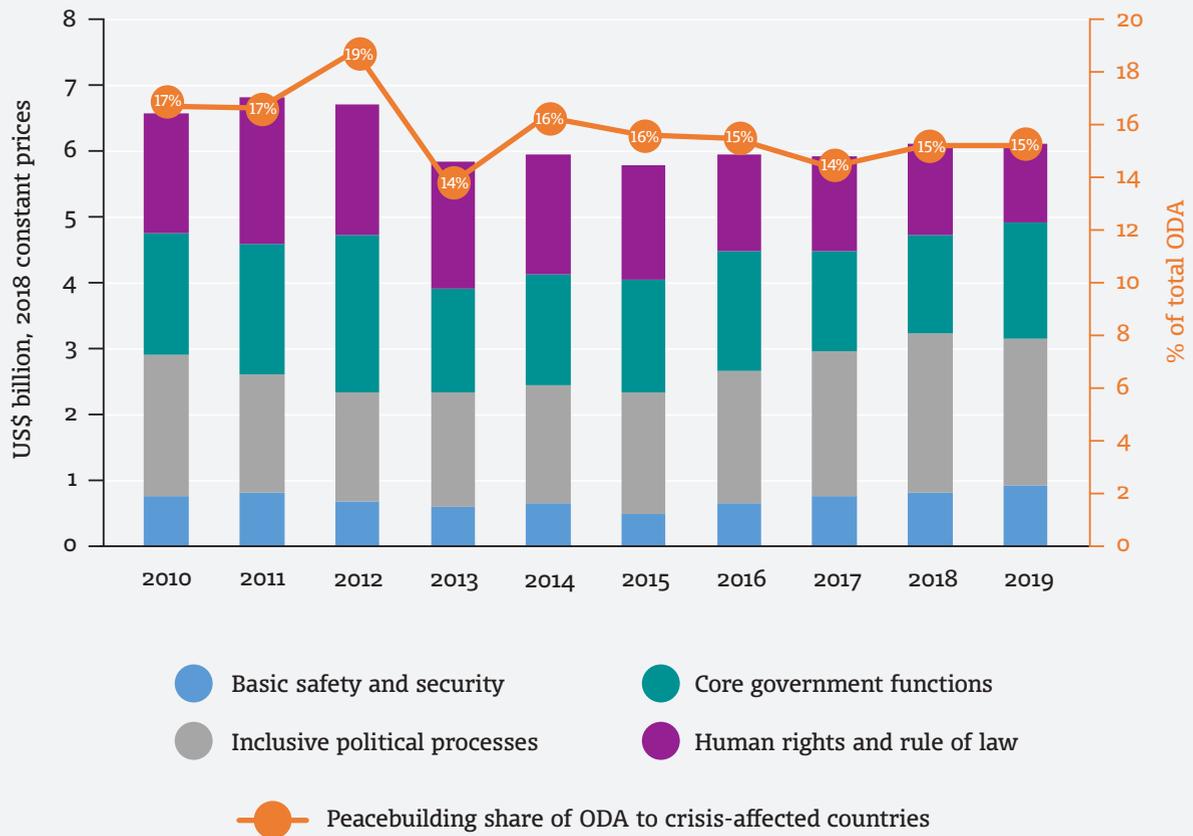


Figure 34: Disbursement of ODA for peacebuilding to crisis-affected countries, 2010–2019 (US\$ billion)



Source: Organisation for Economic Co-operation and Development (OECD)
 For notes – see page 84

Progress in improving data quality

Data standards for UN system-wide reporting of financial data (UN Data Cube)

UN System Chief Executives Board For Coordination (CEB)

The data standards for UN system-wide reporting of financial data, or UN Data Cube, consists of six standards prescribing the requirements for UN system-wide financial data reporting exercises. The UN Data Cube – and a road map for its implementation – was developed in 2018 under the direction of the High-level Committee on Management (HLCM) of the CEB in partnership with the UN Sustainable Development Group. The UN Data Cube has since contributed to the collection of more comprehensive and comparable data. In 2020, further improvements were made to the existing guidance for reporting, in collaboration with the OECD and the International Aid Transparency Initiative (IATI), allowing for greater harmonisation and streamlining of multiple reporting requirements. The road map was updated to incorporate lessons learned from past data collection exercises, enabling better support to entities in complying with the two standards that are currently in a transitional period, namely, Standard III: Geographic Location and Standard V: Sustainable Development Goals.

The UN Data Cube underpins the system-wide financial data that the UN system has today, and as a result of its achievements and potential to produce data for evidence-based decisions making, the UN Data Cube was one of the three strategic data initiatives recognised in the ‘2020 Data Strategy of the Secretary-General for Action by Everyone, Everywhere with Insight, Impact and Integrity’.

The 2021 version of the data standards incorporates updates to the OECD code lists, and provides guidance for better allocation of costs to the location of beneficiaries and for eliminations addressing the double-counting of UN system-wide revenue. The year 2021 also featured the launch of the new CEB website,³⁶ where the reporting of UN system-wide financial statistics is now aligned with the UN Data Cube and supported by new reporting features, including many new visuals and the option to download datasets with ten years of UN system-wide financial data.

The focus on harmonisation of code lists between the UN data standards, IATI and OECD-DAC has been a constant in the UN Data Cube road map. This ensures that the resulting datasets are compatible, and most importantly, that UN system entities can use the same dataset to publish their data to CEB, IATI and OECD. This approach also makes it easier for the UN system to meet its transparency commitments in the Funding Compact, and to ensure greater visibility of those UN contributors who provide core and high-quality non-core resources.

Further, preparatory work has started for the planned move in 2022 to disaggregated financial reporting against the SDGs and geographical location. From 2022, all six data standards will be mandatory, including those with a three-year transition period. This means that the UN system could have, for the first time, a comprehensive view of what is spent in support of a specific SDG in a specific location, with the added dimension of whether those outflows refer to development, humanitarian, peace or global agenda-related interventions. The conceptual framework for disaggregated reporting was agreed to by the HLCM Finance and Budget Network, and will now need to be elaborated and tested.

Next, decisive steps were made, with partners in the UN system, IATI and OECD, towards the definition and introduction of a minimum dataset for both UN system revenues and UN system expenses. On the expenses side, a list of additional variables was proposed – such as the Gender Marker, OECD-DAC sector codes and activity-level financial data – that, once finalised and approved, should be included in all UN system reporting to IATI and OECD. On the revenue side, the focus was on obtaining more granular reporting on contributions to single-entity thematic funds, and on integrating the data collection for the existing pooled funds database with the CEB statistical data collection exercise.

Lastly, an update to the results framework of the Data Cube initiative is proposed to reflect the 2022–25 focus on ensuring that within a few years the UN system will have a true UN system-wide Data Cube with disaggregated financial data for each SDG in each country, and an expanded minimum dataset for reporting to IATI and OECD.

About CEB

The UN System Chief Executives Board for Coordination (CEB) is the longest-standing and highest-level coordination forum of the United Nations system. In conjunction with its High-level Committees, CEB provides system-wide strategic guidance and promotes coherence and cooperation on a range of programmatic, policy and management issues faced by UN system organizations.

Endnotes for Part One

- 1 See General Notes I.
- 2 See General Notes II.
- 3 On the Quadrennial Comprehensive Policy Review process, see UN Economic and Social Council (ECOSOC), 'The 2021 UN Operational Activities for Development segment', www.un.org/ecosoc/en/2021-Operational-Activities-for-Development-Segment.
- 4 UN Sustainable Development Group (UNSDG), 'Management and Accountability Framework of the UN Resident Coordinator System', June 2019, <https://unsdg.un.org/sites/default/files/UNDS-MAF-2019-country-level-component-FINAL-editorial-rev-26APR.pdf>.
- 5 The Development Assistance Committee (DAC) is currently composed of 30 member countries, including many large aid providers; see Organisation for Economic Co-operation and Development (OECD), 'Development Assistance Committee', www.oecd.org/dac/development-assistance-committee. For the DAC's definition of official development assistance and other terms, see OECD, 'DAC Glossary of Key Terms and Concepts', www.oecd.org/dac/dac-glossary.htm.
- 6 See general Notes V.
- 7 United Nations, 'United to Reform', <https://reform.un.org/>.
- 8 UN General Assembly and UN Economic and Social Council (ECOSOC), 'Report of the Secretary-General: Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, 2019: funding compact', A/74/73/Add.1-E/2019/14/Add.1, 2 April 2019, <https://undocs.org/A/74/73/Add.1>. The Funding Compact is further discussed in Part Three of this report.
- 9 UN General Assembly Resolution 73/271, 'Scale of assessments for the apportionment of the expenses of the United Nations', 4 January 2019, <https://undocs.org/en/A/RES/73/271>.
- 10 United Nations, 'Report of the Committee on Contributions Eightieth session (1–18 June 2020)'. General Assembly Official Records Seventy-fifth Session Supplement No. 11, <https://undocs.org/en/A/75/11>.
- 11 Peacekeeping operations is further discussed in 'Maintaining UN capacities for conflict prevention in a changing peace and security landscape', by Jake Sherman, in Part Two of this report.
- 12 See Endnote 8.
- 13 UN Sustainable Development Group (UNSDG), 'Coordination Levy Operational Guidance', 2019 <https://unsdg.un.org/sites/default/files/2020-03/Coordination-Levy-Operational-Guidance.pdf>.
- 14 International Fund for Agricultural Development (IFAD), 'IFAD Annual Report 2018', (June 2019), pp. 2, 33, www.ifad.org/en/web/knowledge/-/publication/ifad-annual-report-2018.
- 15 World Food Programme (WFP), 'Annual Performance Report for 2019', (July 2020), p. 4, www.wfp.org/publications/annual-performance-report-2019.
- 16 World Health Organization (WHO), 'Audited Financial Statements for the year ended 31 December 2020', A74/29, May 2021, p. 6, www.who.int/about/accountability/financial-statements.
- 17 See General Notes I and 'Revenue by Government donor'.
- 18 See Endnote 5.
- 19 Global public goods is further discussed in 'The promises and pitfalls of COVID-19 vaccine equity', by Kanni Wignaraja and Swarnim Waglé, in Part Three of this report.
- 20 Given the vast majority of inter-agency pooled funds were being funded by governments in 2018, the 2020 edition of *Financing the United Nations Development System* categorised inter-agency pooled funds as government funded rather than being funded by multilateral sources (as seen in Figure 6).
- 21 See General Notes I and 'Revenue by Government donor'.
- 22 See General Notes V.

- 23 Organisation for Economic Co-operation and Development (OECD), 'Multilateral Development Finance 2020', 2020, Chapter 2.2.1, www.oecd-ilibrary.org/development/multilateral-development-finance-2020_e61fdf00-en.
- 24 World Bank, 'World Bank Country and Lending Groups', <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>.
- 25 The 17 UN entities that have reported their allocations linked to the SDGs are: CTBTO, IARC, IFAD, ILO, OPCW, UNDP, UNFCCC, UNFPA, UNHCR, UNICEF, UNIDO, UNITAID, UNOPS, UN Women, WFP, WHO, WTO.
- 26 UN General Assembly and UN Economic and Social Council (ECOSOC), 'Report of the Secretary-General: Implementation of General Assembly Resolution 75/233 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system', A/76/75 E/2021/57, 26 April 2021, p 60, www.undocs.org/en/A/76/75.
- 27 Oxfam, 'The Humanitarian-Development-Peace Nexus: What does it mean for multi-mandated organizations?', June 2019, https://reliefweb.int/sites/reliefweb.int/files/resources/dp-humanitarian-development-peace-nexus-260619-en_0.pdf.
- 28 United Nations, 'United Nations Supervision Mission in Syria – UNSMIS Background', <https://peacekeeping.un.org/en/mission/past/unsmis/background.shtml>.
- 29 UN News, 'Ten years on, Syrian crisis “remains a living nightmare”: UN Secretary-General', 10 March 2021, <https://news.un.org/en/story/2021/03/1086872>.
- 30 UN Verification Mission in Colombia, 'Mandate', <https://colombia.unmissions.org/en/mandate>.
- 31 International Peace Institute (IPI), 'Lessons Learned from the UN's Transition in Côte d'Ivoire', December 2018, www.ipinst.org/wp-content/uploads/2018/12/1812_Cote-dIvoires-Peacekeeping-Transition.pdf.
- 32 UN Security Council, 'Special Report of the Secretary-General: Role of the United Nations Operation in Côte d'Ivoire', S/2018/958, 29 October 2018, <https://undocs.org/S/2018/958>, para. 80.
- 33 United Nations Peacekeeping, 'UNMISS Fact Sheet', <https://peacekeeping.un.org/en/mission/unmiss>.
- 34 United Nations Peacekeeping, 'Terminology', <https://peacekeeping.un.org/en/terminology>.
- 35 UN General Assembly and UN Security Council, 'Peacebuilding and sustaining peace: Report of the Secretary-General', A/74/976–S/2020/773, 30 July 2021, paragraph 47, [www.un.org.peacebuilding/sites/www.un.org.peacebuilding/files/documents/sg_report_on_peacebuilding_and_sustaining_peace.a.74.976-s.2020.773.200904.e_4.pdf](http://www.un.org/peacebuilding/sites/www.un.org.peacebuilding/files/documents/sg_report_on_peacebuilding_and_sustaining_peace.a.74.976-s.2020.773.200904.e_4.pdf).
- 36 See <https://unsceb.org>.

Notes to figures and tables in Part One

General Notes

- I) For Figures 1–11, 18–20, 27–28; Tables 2–5, 8; ‘Chief Executives Board for Coordination (CEB)’ refers to data retrieved from the CEB Financial Statistics database. Data downloaded in December 2020 and available from www.unsceb.org/financial-statistics. This database presents the data for the United Nations system.
- II) For Figures 12–17; 21, 23–26, 29–31; ‘Report of the Secretary-General (A/76/75-E/2021/57)’ refers to data retrieved from the Report of the Secretary-General, ‘Implementation of General Assembly resolution 75/233 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system’, (A/76/75-E/2021/57, 26 April 2021), statistical annex on 2019 funding data. Data was shared with the Multi-Partner Trust Fund Office (MPTFO) in April 2021 and is available on the page of the SG’s report on the QCPR: www.un.org/ecosoc/en/content/2021-secretary-general%E2%80%99s-report-implementation-qcpr. This data comprises the funding analysis of the UN development system (UNDS).
- III) For Figures 22, 32–34, ‘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 2021 and available from <https://stats.oecd.org>.
- IV) For Figures 6, 9–11, 13–21, ‘UN Pooled Funds Database’ refers to the database compiled by the UN Development Coordination Office (UNDCO) and published on the website of the International Aid Transparency Initiative (IATI). It incorporates all contributions to and transfers by UN inter-agency pooled funds involving a UN administrative agent. The UN administrative agents included 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 UN Office for the Coordination of Humanitarian Affairs (OCHA), the UN Entity for Gender Equality and the Empowerment of Women (UN Women), the UN Population Fund (UNFPA), the UN Children’s Emergency Fund (UNICEF), the UN Office for Project Services (UNOPS) and the World Food Programme (WFP). Data available from <https://iatiregistry.org/dataset/unpf-2015>.
- 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/sites/default/files/2021-04/UN_DataStandards_Digital_20210420.pdf.
- 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 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.

Tables

Table 2: Total revenue of the UN system by entity and by financing instrument, 2019 (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).
- II) 2019 data from CEB Financial Statistics database, series ‘Revenue by Entity’, available from <https://unsceb.org/fs-revenue-agency>.
- III) Amounts have been rounded up. Data below US\$ 1 million dollars are shown as 0 in the table (eg voluntary core contributions for the International Agency for Research on Cancer (IARC) and the World Tourism Organization (UNWTO)).
- IV) Total amounts reflect the sum of all UN entities’ revenues that form part of the UN system.

Table 3: Total revenue of seven UN entities 2015–2020 (US\$ million)

- I) Preliminary 2020 data from the CEB 2021 data collection.
- II) Data for previous years from CEB Financial Statistics database, series ‘Revenue by Entity, 2015 and 2019’, available from <https://unsceb.org/fs-revenue-agency>.

- III) In 2019, in line with IPSAS, UNDP redefined its revenue recognition policies for contributions. UNDP records the full value of funding agreements as revenue when signed, even when cash has not been received. Any uncollected cash associated with funding agreements is held as receivable. This information is in the 2019 and 2020 Financial Statements and was reported to CEB. However, for certain UNDP management reports, (eg funding compendium, annual report, board reports, and donor reports) the 'annual contributions' are presented to align with past cash revenue recognition policies.

Table 4: Assessed contributions to the UN system by entity, 2005–2019 (US\$ million) and Table 5: Earmarked contributions to the UN system by entity, 2005–2019 (US\$ million)

- I) Data for 2010–19 from CEB Financial Statistics database, (See note II for Table 2). Additional data received from CEB Secretariat for 2005.
- II) DPO data for 2005 are expenditure figures, used as a proxy for revenue data, and are taken from Report of the General Assembly, 'Financial report and audit financial statement for the 12-month period from 1 July 2004 to 30 June 2005', (A/60/5 Vol. II, 10 March 2006), [http://undocs.org/en/A/60/5\(VOL.II\)\(SUPP\)](http://undocs.org/en/A/60/5(VOL.II)(SUPP)).
- III) Additional data for 2005 assessed contributions to UN specialised agencies from Global Policy Forum, 'Assessed contributions to UN specialized agencies, 1971– 2013', www.globalpolicy.org/component/content/article/133-tables-and-charts/27480-assessed-contributions-to-un-specialized-agencies.html.

Table 6: Top ten active funds managed by the MPTF Office, accumulated deposits 2020 (US\$ million).

- I) Data from the MPTFO, available from <http://mptf.undp.org/>.
- II) A Multi-Partner Trust Fund is an investment vehicle designed to support a multi-stakeholder partnership with a specific thematic and geographic focus. This mechanism gathers contributions from multiple financial partners and allocates such resources to an array of implementing entities to address challenges that require joint UN action supporting specific national, regional or global priorities.

Table 7: Selected Funding Compact indicators (US\$ million)

- I) The set of commitments by Member States contained in the Funding Compact was approved in April 2019. It is available at <https://undocs.org/A/74/73/Add.1>.

Table 8: Total expenditure of the UN system by entity, 2005–2019 (US\$ million)

- I) Data from CEB Financial Statistics database, series 'Total Expenditure' (available from <https://unsceb.org/total-expenses>).
- II) DPO data for 2005 from Report of the General Assembly (A/60/5 Vol. II, 10 March 2006) (see note II for Table 4).

Figures

Figure 1: Overview of the total funding of the UN system by financing instrument, 2019

- I) 2019 data from CEB Financial Statistics database, series 'Revenue by Entity', available from <https://unsceb.org/fs-revenue-agency>.
- II) CEB figures reflect revenue and expenses as reported to the CEB by UN organisations, based on their audited financial statements. They have not been adjusted for revenue and/or expenses associated with transfers of funding between UN organisations.

Figure 2: Distribution of total UN system funding, by financing instrument, 2010–2019

- I) Data from CEB Financial Statistics database, series 'Revenue by Entity', available from <https://unsceb.org/fs-revenue-agency>.
- II) All UN entities reporting to the CEB for the 2019 data collection are indicated in Table 2.
- III) The International Tribunal for the Law of the Sea (ITLOS) reported their data to the CEB for the first time as part of the 2019 data collection exercise.
- IV) The data from the UN Research Institute for Social Development (UNRISD) was reported separately to the CEB for the 2017 and 2018 data collection exercise. However, for 2019 their data is reported within the UN Secretariat.
- V) The International Agency for Research on Cancer (IARC); the Organisation for the Prohibition of Chemical Weapons (OPCW); and UNITAID: Innovation in Global Health reported their data to the CEB for the first time as part of the 2018 data collection exercise.
- VI) The Comprehensive Nuclear Test-Ban Treaty Organization (CTBTO); the International Criminal Court (ICC); the UN Capital Development Fund (UNCDF); the UN Framework Convention on Climate Change (UNFCCC); and the UN system Staff College (UNSSC) reported their data to the CEB for the first time as part of the 2017 data collection exercise.
- VII) The UN Entity for Gender Equality and the Empowerment of Women (UN Women) reported its data to the CEB for the first time as part of the 2011 data collection exercise.

Figure 3: Total contributions from top ten OECD-DAC countries to six select UN entities, 2019 (US\$ billion)

- I) Data from CEB Financial Statistics database, series 'Revenue by Government donor', available from <https://unsceb.org/fs-revenue-government-donor>.
- II) OECD-DAC countries are defined as members of the Development Assistance Committee. The list of OECD-DAC members is available from www.oecd.org/dac/development-assistance-committee.
- III) 'The overarching objective of the DAC for the period 2018–2022 is to promote development co-operation and other relevant policies so as to contribute to implementation of the 2030 Agenda for Sustainable Development, including sustained, inclusive and sustainable economic growth, poverty eradication, improvement of living standards in developing countries, and to a future in which no country will depend on aid.' The full mandate is available at www.oecd.org/dac/thedevelopmentassistancecommitteesmandate.htm.

Figure 4: Total contributions from top ten non-OECD-DAC countries to six select UN entities, 2019 (US\$ million)

- I) Data from CEB Financial Statistics database, series 'Revenue by Government donor', available from <https://unsceb.org/fs-revenue-government-donor>.
- II) Non-OECD-DAC countries are defined as countries that are not members of the Development Assistance Committee.

Figure 5: Fees and other revenue within the UN system, 2015–2019. Six select entities (US\$ billion)

- I) Data from CEB Financial Statistics database, series 'Revenue by Financing Instrument', available from <https://unsceb.org/fs-revenue-type>.
- II) As stated in the UN Data Standards (see note V of the General Notes), 'revenue from other activities is the revenue linked to UN entity's other activities that is not considered a "contribution" under the organization's accounting principles. This can include investment revenue and exchange rate gains'.

Figure 6: Funding sources for the UN system, 2019

- I) Data from CEB Financial Statistics database, series 'Revenue by Government donor', 'Revenue by Non-government donor', available at <https://unsceb.org/fs-revenue-government-donor>, and <https://unsceb.org/fs-revenue-non-government-donor>, respectively. Additional data received from the CEB secretariat.
- II) The 8% not classified represents the share of the difference between the 2019 total funding (US\$ 56,925 million) and the total revenue linked to a contributor type in the 2019 data reported to the CEB (US\$ 51,939 million).
- III) European Union (EU) institutions are listed separately, based on UN Data Standard VI 'Reporting on revenue by contributor'.
- IV) The category 'other' in the multilateral funding includes resources from 'UN organizations excluding pooled funds' and 'other multilateral institutions'. Within the 5% non-state funding there are included resources from 'academic, training and research institutions' and 'public private partnerships'.

Figure 7: Non-state revenue of six select entities, 2019 (US\$ million)

- I) Data from CEB Financial Statistics database, series 'Revenue by Non-government donor', available at <https://unsceb.org/fs-revenue-non-government-donor>. Additional data received from UNICEF, UNHCR and the CEB secretariat.
- II) UNFPA reported US\$ -0.8 million in the category of 'private sector' due to financial adjustments related to revenue which was recognized in the earlier years. This has not been included in this figure.
- III) WFP reported US\$ -0.9 million in the category of 'foundations' due to financial adjustments related to grants from the Bill & Melinda Gates Foundation received in previous years. They have not been included in this figure.

Figure 8: Contributions to UN system by Member States and other contributors, 2010–2019 (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>.
- II) Government contributions data from the CEB Financial Statistics database, series 'Revenue by Government donor', available at <https://unsceb.org/fs-revenue-government-donor>.

- III) EU institutions contributions from the CEB Financial Statistics database, series 'Revenue by Non-government donor', available at <https://unsceb.org/fs-revenue-non-government-donor>.
- IV) DPO assessed contributions by Member States for 2010–12 were calculated based on assessment rates presented in Report to the Secretary-General, 'Implementation of General Assembly resolution 55/235 and 55/236', (A/64/220/Add.1., 31 December 2019), available at <https://undocs.org/en/A/64/220/Add.1>.
- V) Revenues reported to the CEB without being linked to a contributor type are within 'other contribution types'.

Figure 9: Top ten Member State donors to the UN system, 2019 (US\$ billion and percentage share of GNI)

- I) Member State contributions from the CEB Financial Statistics database, series 'Revenue by Government donor', available at <https://unsceb.org/fs-revenue-government-donor>.
- II) Inter-agency UN Pooled Funds data from the UN Pooled Funds Database (see note IV of the General Notes).
- III) GNI data from the UN Statistics Division, available at <http://data.un.org/>.

Figure 10: EU institutions funding to the UN system including inter-agency pooled funds, 2010–2019 (US\$ million)

- I) EU institutions contributions from the CEB Financial Statistics database, series 'Revenue by Non-government donor', available at <https://unsceb.org/fs-revenue-non-government-donor>.
- II) EU institutions contributions to inter-agency pooled funds from the UN Pooled Funds Database (see note IV of the General Notes).

Figure 11: Earmarked contributions to the UN system by type, 2018–2019 (Percentage share of total earmarked contributions)

- I) Data from CEB Financial Statistics database, 'Revenue by Financing Instrument', available from <https://unsceb.org/fs-revenue-type>.
- II) Inter-agency pooled funds contributions data from the UN Pooled Funds Database (see note IV of the General Notes).
- III) Details on the distinction between the different types of earmarked funding is available under UN Data Standard IV 'UN grant financing instruments', p. 30. (See note V of the General Notes).

Figure 12: Total core and earmarked contributions for UN operational activities, 2010–2019 (US\$ billion)

- I) Data from Report of the Secretary-General (A/76/75-E/2021/57), Table A-2, 'Contributions for operational activities of United Nations system, by UNDS entity, core and other resources: 2003–2019'.
- 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/SGR2020-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, Operational activities for development (OAD) are considered to consist of those activities that fall under either "development assistance" or "humanitarian assistance".'

- III) For the 2019 data, the IOM is considered part of the UNDS. The historical series has been adjusted to incorporate IOM and to align with the UN Data Standards.
- IV) ‘Core contributions’ refer to un-earmarked funding used at the sole discretion of the relevant UNDS entity and its governing board; it includes both assessed contributions and voluntary core (un-earmarked) contributions. ‘Earmarked’ contributions refer to earmarked funding directed by donors towards specific locations, themes, activities and/or operations. Details on the distinction between the different types of funding is available under UN Data Standard IV ‘UN grant financing instruments’.

Figure 13: Funding mix of top 12 OECD-DAC members that contribute to UN operational activities, 2019 (US\$ billion)

- I) Member State contributions data from the Report of the Secretary-General (A/76/75-E/2021/57), Table A-3, ‘Contributions for operational activities for development by contributor, type of activity (development and humanitarian assistance-related) and type of funding (core and non-core): 2019’ (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 members of the Development Assistance Committee. The list of OECD-DAC members is available from www.oecd.org/dac/development-assistance-committee.
- IV) ‘Core contributions’ refer to un-earmarked funding used at the sole discretion of the relevant UNDS entity and its governing board; it includes both assessed contributions and voluntary core (un-earmarked) contributions. ‘Earmarked’ contributions refer to earmarked funding directed by donors towards specific locations, themes, activities and/or operations. Details on the distinction between the different types of funding is available under UN Data Standard IV ‘UN grant financing instruments’.
- V) 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 14: Funding mix of top 12 non-OECD-DAC members that contribute to UN operational activities, 2019 (US\$ million)

- I) Member State contributions data from the Report of the Secretary-General (A/76/75-E/2021/57), Table A-3 (see first note for Figure 13).
- 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 Development Assistance Committee.
- IV) The 12 largest non-OECD-DAC countries contributing to UN operational activities for development are ranked according to their contributions excluding local resources. However, local resources have been added as a separate column for each top non-OECD-DAC contributor.

- V) ‘Core contributions’ refer to un-earmarked funding used at the sole discretion of the relevant UNDS entity and its governing board; it includes both assessed contributions and voluntary core (un-earmarked) contributions. ‘Earmarked’ contributions refer to earmarked funding directed by donors towards specific locations, themes, activities and/or operations. Details on the distinction between the different types of funding is available under UN Data Standard IV ‘UN grant financing instruments’.
- 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 use the UN Pooled Funds Database to discount contributions to pooled funds administered by OCHA from the value of earmarked contributions.

Figure 15: Development assistance funding mix of the top 20 contributors to the UNDS, 2019 (US\$ million) and Figure 16: Humanitarian assistance funding mix of the top 20 contributors to the UNDS, 2019 (US\$ million)

- I) Member State contributions data from the Report of the Secretary-General (A/76/75-E/2021/57), Table A-3 (see first note for Figure 13).
- 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 un-earmarked funding used at the sole discretion of the relevant UNDS entity and its governing board; it includes both assessed contributions and voluntary core (un-earmarked) contributions. ‘Earmarked’ contributions refer to earmarked funding directed by donors towards specific locations, themes, activities and/or operations. Details on the distinction between the different types of funding is available under UN Data Standard IV ‘UN grant financing instruments’.
- IV) For Figure 16, ‘Humanitarian assistance funding mix of the top 20 contributors to the UNDS’, the data for the ‘earmarked excluding pooled funds’ category use the UN Pooled Funds Database to discount contributions to pooled funds administered by OCHA from the value of earmarked contributions.

Figure 17: Deposits to UN Inter-agency pooled funds 2010–2019 (US\$ billion)

- I) Total development and humanitarian assistance data from the Report of the Secretary-General (A/76/75-E/2021/57), Table A-3 (see first note for Figure 13).
- 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 ‘transition’ categories.

Figure 18: Deposits to UN inter-agency pooled funds from the top 12 Member State contributors, 2019 (US\$ million) and Figure 19: Countries contributing more than 10% of their total earmarked funding to the UN through UN inter-agency pooled funds, 2019

- I) Data from CEB Financial Statistics database, series ‘Revenue by Government donor’, available from <https://unsceb.org/fs-revenue-government-donor>.
- 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 use the UN Pooled Funds Database to discount contributions to pooled funds administered by OCHA from the value of earmarked contributions.

Figure 20: Top ten UN entities that receive the highest revenue through inter-agency pooled funds, 2018–2019 (US\$ billion)

- I) Data from CEB Financial Statistics database, series 'Revenue by Entity', available from <https://unsceb.org/fs-revenue-agency>.
- II) Inter-agency pooled funds transfers data from the UN Pooled Funds Database (see note IV of the General Notes).

Figure 21: Countries where 10% or more of earmarked development related expenditure comes from UN inter-agency pooled funds (40 countries)

- I) Member State contributions data from the Report of the Secretary-General (A/75/79-E/2020/55), Table A-3, (see note II of the General Notes and the first note of Figure 13).
- II) Inter-agency pooled funds transfers data from the UN Pooled Funds Database (see note IV of the General Notes).

Figure 22: Channels of total multilateral assistance from OECD-DAC countries, core and earmarked, 2010 and 2019 (US\$ billion)

- I) DAC members' contributions to the regular budgets of the multilateral institutions from 2011 to 2019 was retrieved from the OECD-CRS statistics database, 'Members' total use of the multilateral system' segments. (See note III of the General Notes). 2010 data received from the OECD.
- II) Values are gross disbursements at 2018 constant prices.
- III) OECD-DAC countries are defined as members of the Development Assistance Committee. The list of OECD-DAC members is available from 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 23: Expenditure of the UN system-wide activities 2016–2019

- I) Data from various Reports of the Secretary-General: (A/76/75-E/2021/57), (A/75/79-E/2020/55), (A/74/73-E/2019/4), (A/73/63-E/2018/8). Table B-2, 'Expenditures on operational activities for development by recipient, type of activity (development- and humanitarian assistance-related) and type of funding (core and non-core)'.
- II) Details on the distinction between the different functions are available under UN Data Standard II 'UN system function', p. 11 (see note V of the General Notes).
- III) Global agenda and specialized assistance are activities that (1) address global and regional challenges without a direct link to development and humanitarian assistance, and peace operations; or (2) support sustainable development with the focus on long term impact in non-UN programming countries. For 2016 and 2017 this category was 'global norms, standards, policy and advocacy'.

Figure 24: Total expenditure for development and humanitarian-related UN operational activities, 2010-2019 (US\$ billion)

- I) 2019 data from the Report of the Secretary-General (A/76/75-E/2021/57), Table B-2 (see first note for Figure 23). Historical data was received from the UN Department of Economic and Social Affairs (UN DESA).
- II) Details on the distinction between the different functions is available under UN Data Standard II 'UN system function', p. 11. (see note V of the General Notes).

Figure 25: Expenditure on UN operational activities by region 2010-2019 (US\$ billion)

- I) 2019 data from the Report of the Secretary-General (A/76/75-E/2021/57), Table B-2 (see first note for Figure 23).
- II) Historical data extracted from previous statistical annexes of the Report of the Secretary-General, 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR): Funding analysis', (A/75/79-E/2020/55), (A/74/73-E/2019/4), (A/73/63-E/2018/8), (A/72/61-E/2017/4), (A/67/93-E/2012/79).
- III) Data from 2015 to 2019 can be accessed at www.un.org/ecosoc/en/content/2020-qcpr under ECOSOC's Operational Activities Segment. 2011 data were received from UN DESA.
- IV) This figure depicts operational activities for development expenditure. Thus, the data includes allocations for development and humanitarian activities. Expenditure on peace operations and global agenda and other specialised assistance is excluded as such activities do not fall within the scope of the QCPR.
- V) Countries are aggregated to a regional level following Appendix 1 of UN Data Standard III 'Geographic location' (see note V of the General Notes). To align these regions to those used in Report of the Secretary-General, Table B-2 (for years prior to 2018), expenditures of countries listed under Western Asia in the UN Data Standards were extracted to calculate the total expenditure for Western Asia. The expenditures for the remaining countries in the Asia region and all countries in the Oceania region, as listed in the UN Data Standards, were combined to calculate the total expenditure for Asia and the Pacific.

Figure 26: Expenditure on UN operational activities in UN programming countries by income status, 2019 (US\$ billion)

- I) Expenditure data from the Report of the Secretary-General (A/76/75-E/2021/57), Table B-2 (see first note for Figure 23).
- II) 2019 classification of countries by income from the World Bank Analytical Classifications (presented in World Development Indicators). Available at <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>.
- III) The figure only includes UN programming countries, ie countries covered by a Resident Coordinator (including those covered by a Resident Coordinator in another country, such as for multi-country offices). The list of programming countries is available in Appendix 3 of UN Data Standard II 'UN system function' (see note V of the General Notes).

- IV) For analytical purposes, the World Bank classifies economies into four income groups: low, lower-middle, upper-middle and high. It uses gross national income (GNI) per capita data in US dollars, converted from local currency using the World Bank Atlas method, which is applied to smooth exchange rate fluctuations. For 2019, low-income economies were defined as those with a GNI per capita of US\$ 1,035 or less; lower middle-income countries were those with a GNI per capita between US\$ 1,036 and US\$ 4,045; upper middle-income economies were those with a GNI per capita between US\$ 4,046 and US\$ 12,375; and high-income economies were those with a GNI per capita above US\$ 12,535.
- V) Crisis-affected countries are those that fulfil one or more of the following criteria: 1) report expenditure for an ongoing or recently discontinued peacekeeping mission (DPO); 2) report expenditure for an ongoing or recently discontinued political mission, group of experts, panel, office of special envoy or special adviser (DPPA); 3) report expenditure from the Peacebuilding Fund (UN Pooled Funds Database); and 4) have had a humanitarian response plan for 2018 and 2019 (OCHA).
- VI) Western Sahara and Cyprus were not included on the list of crisis-affected countries, despite fulfilling a requirement, as neither is a UN programming country.

Figure 27: Aggregated UN expenditure linked to the SDGs as reported by 17 UN entities, 2019 (US\$ billion) and Figure 28: Expenditure by SDG for five select UN agencies, 2019 (US\$ million)

- I) Data from CEB Financial Statistics database, series 'Expenses by SDG', available at <https://unsceb.org/expenses-sdg>. Additional data was received from the UNDP.
- II) The SDGs are a call for action by all countries to promote prosperity while protecting the planet. The SDGs recognise that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection and job opportunities, while tackling climate change and environmental protection. They are included in a UN Resolution called the 2030 'Agenda: Transforming our World: The 2030 Agenda for Sustainable Development' (A/RES/70/1).
- III) There is a transitional period for full implementation of this standard until 31 December 2021, reporting under this standard will be mandatory for all organisations in 2022.
- IV) Not all entities mapped 100% of their expenditure to the SDGs.

Figure 29: Expenditure by country on UN operational and peace and security related activities, 2019 (US\$ billion)

- I) For the selection criteria of crisis-affected countries see note V of Figure 26. Depicted in this figure are the 2019 crisis-affected countries with expenditures above US\$ 100 million. The UN programming countries classified as crisis-affected in 2019 that are not portrayed in this figure are: Bosnia Herzegovina, Côte d'Ivoire, Democratic People's Republic of Korea, El Salvador, Eritrea, Gambia, Guinea, Guinea-Bissau, Honduras, Kosovo, Kyrgyzstan, Lesotho, Liberia, Mauritania, Papua New Guinea, Sri Lanka and Venezuela (Bolivarian Republic of).
- II) Humanitarian and development assistance data from the Report of the Secretary-General (A/76/75-E/2021/57). These data exclude expenditure from: 1) UNDS entities that did not report disaggregated country expenditures to the CEB in 2019; and 2) those UN-related organisations that are not included in UN DESA's definition of UNDS for 2019.

- III) Data from the DPO were extracted from UN Peacekeeping Operations financial reports and audited financial statements, (A/75/5 (Vol. II)). Available at www.un.org/en/auditors/board/auditors-reports.shtml.
- IV) The data from the DPPA for 2019 from Report of the Secretary-General, 'Proposed programme budget for 2021, political affairs', A/75/6 (Sect.3)/Add.1 (A/73/352), available at [https://undocs.org/pdf?symbol=en/A/75/6%20\(SECT.%203\)/ADD.1](https://undocs.org/pdf?symbol=en/A/75/6%20(SECT.%203)/ADD.1).
- V) From the DPO missions, the African Union-UN Hybrid Operation in Darfur (UNAMID) expenditure was allocated to Sudan; the UN Disengagement Observer Force (UNDOF) expenditure was allocated to Syria; and the UN Organization Interim Security Force for Abyei (UNISFA) expenditure was allocated equally to South Sudan and Sudan. The expenditure in the UN Peacekeeping Force in Cyprus is not presented because Cyprus is not a UN programming country.

Figure 30: UN operational and peace-related expenditure in 36 crisis-affected countries, 2010–2019 (US\$ billion) and Figure 31: Expenditure on UN operational and peace related activities, 2010–2019. Four country specific cases (US\$ million)

- I) See note V of Figure 26 for the selection criteria of crisis-affected countries. Depicted in this figure are the 2019 crisis-affected countries with expenditures above US\$ 100 million. The UN programming countries classified as crisis-affected in 2019 that are not portrayed in this figure are: Bosnia Herzegovina, Côte d'Ivoire, Democratic People's Republic of Korea, El Salvador, Eritrea, Gambia, Guinea, Guinea-Bissau, Honduras, Kosovo, Kyrgyzstan, Lesotho, Liberia, Mauritania, Papua New Guinea, Sri Lanka and Venezuela (Bolivarian Republic of).
- II) Humanitarian and development assistance data from various Reports of the Secretary-General: (A/76/75-E/2021/57), (A/75/79-E/2020/55), (A/74/73-E/2019/4), (A/73/63-E/2018/8), (A/72/61-E/2017/4), (A/71/63-E/2016/8), (A/70/62-E/2015/4), (A/69/63-E/2014/10), (A/68/97-E/2013/87), (A/67/93-E/2012/79). These data exclude expenditure from: 1) UNDS entities that did not report disaggregated country expenditures to the CEB for that calendar year; and 2) those UN-related organisations that are not included in UN DESA's definition of UNDS for that calendar year.
- III) Data from the DPO were extracted from UN Peacekeeping Operations financial reports and audited financial statements, Report of the Board of Auditors, General Assembly official records, (A/75/5 (Vol. II)), (A/74/5 (Vol. II)), (A/73/5 (Vol. II)), (A/72/5 (Vol. II)), (A/71/5 (Vol. II)), (A/70/5 (Vol. II)), (A/69/5 (Vol. II)), (A/68/5 (Vol. II)), (A/67/5 (Vol. II)), (A/66/5 (Vol. II)). Available at www.un.org/en/auditors/board/auditors-reports.shtml.
- IV) Data from the DPPA for 2019 from Report of the Secretary-General, 'Proposed programme budget for 2021, political affairs', A/75/6 (Sect.3)/Add.1 (A/73/352), available at [https://undocs.org/pdf?symbol=en/A/75/6%20\(SECT.%203\)/ADD.1](https://undocs.org/pdf?symbol=en/A/75/6%20(SECT.%203)/ADD.1). Data for previous years from Report of the Secretary-General, 'Estimates in respect of special political missions, good offices and other political initiatives authorized by the General Assembly and/or the Security Council', (A/74/6 (Sect. 3)/Add.1), (A/73/352), (A/72/371), (A/71/365), (A/70/348), (A/69/363), (A/68/327), (A/67/346), (A/66/354), (A/65/328). Available from UN Official Document System at <https://documents.un.org/prod/ods.nsf/home.xsp>.

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

Figure 32: Disbursement of ODA to conflict-affected countries, 2010–2019 (US\$ billion) Figure 33: Disbursement of ODA from DAC members in support of peacebuilding, 2010–2019 (US\$ billion), and Figure 34: Disbursement of ODA for peacebuilding to conflict-affected countries, 2010–2019 (US\$ billion).

- I) Data from the OECD-CRS statistics database, 2010–19. (See note III of the General Notes).
- II) The data represents gross disbursements of ODA at 2018 constant prices. It does not display other important forms of development assistance, including in-kind support or cooperation, which also have a valuable role to play in peacebuilding. Other potential sources of peacebuilding expenditure such as contributions to peacekeeping operations, special political missions and sub-national peacebuilding expenditure are not included.
- III) In Figure 33 and 34, see note V of Figure 26 for the selection criteria of crisis-affected countries. Depicted in these figures are the ODA disbursements to the 36 crisis-affected countries with expenditures above US\$ 100 million in 2019 in support of peacebuilding.
- IV) These figures are updating the findings previously presented in the article ‘Official Development Assistance and peacebuilding: 10-years trends’ by Ayham Al Maleh; published in *Financing the UN Development System: Time for Hard Choices* (2019).
- V) To assess the yearly ODA expenditures that go into peacebuilding, the four categories of peacebuilding expenditure (basic safety and security; inclusive political processes; core government functions and human rights and rule of law) are based on the Report of the Secretary-General on peacebuilding in the immediate aftermath of conflict; Report of the Secretary-General (A/63/881–S/2009/304), available at <https://undocs.org/en/A/63/881>.
- VI) The peacebuilding category ‘basic safety and security’ is consolidated from the disbursements classified under the following purpose codes: 15180: Ending violence against women and girls; 15190: Facilitation of orderly, safe, regular and responsible migration and mobility; 15210: Security system management and reform; 15230: Participation in international peacekeeping operations; 15240: Reintegration and small arms and light weapons (SALW) control; 15250: Removal of land mines and explosive remnants of war; and 15261: Child soldiers (prevention and demobilization).
- VII) The peacebuilding category ‘inclusive political processes’ is consolidated from the disbursements classified under the following purpose codes: 15113: Anti-corruption organizations and institutions.; 15150: Democratic participation and civil society; 15152: Legislatures and political parties; 15153: Media and free flow of information; 15170: Women’s equality organizations and institutions; and 15220: Civilian peace-building, conflict prevention and resolution.

VIII) The peacebuilding category ‘core government functions’ is consolidated from the disbursements classified under the following purpose codes: 15110: Public sector policy and administrative management, 15111: Public finance management; 15112: Decentralization and support to subnational government; and 15114: Domestic revenue mobilization.

- IX) The peacebuilding category ‘human rights and rule of law’ is consolidated from the disbursements classified under the following purpose codes: 15130: Legal and judicial development and 15160: Human rights.
- X) Detailed information regarding the content of each purpose code as well as other codes can be found here: www.oecd.org/dac/financing-sustainable-development/development-finance-standards/dacandcrscodelists.htm.

Financing the Sustainable Development Goals

International financing of the Sustainable Development Goals

By Homi Kharas and Meagan Dooley

Fit-for-purpose financing in the Anthropocene: Quantifying risks and valuing the biosphere

By Pedro Conceição

COVID-19 and the Access to COVID-19 Tools (ACT)-Accelerator

By Bruce Aylward

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Overview

Part Two takes a big picture approach to the financing required to achieve the Sustainable Development Goals (SDGs), manage human impacts on the Earth's ecosystems, and respond to the COVID-19 pandemic.

In the first contribution, **Homi Kharas** and **Meagan Dooley**, both of Brookings, provide an overview of trends across different types of international financing flows for the SDGs. Following this, **Pedro Conceição**, Director of the UNDP Human Development Report Office, describes how anthropogenic drivers of catastrophic risks are embedded in institutions and governance systems.

Next, **Bruce Aylward**, Senior Advisor to the Director-General of the World Health Organization (WHO), discusses the United Nation's convening role regarding the Access to COVID-19 Tools (ACT)-Accelerator. In doing so, he makes the case for a global financing initiative dedicated to bolstering and incentivising preparedness for emerging pandemic threats. The following contribution by **Leen Meulenbergs** and **Brian Elliott**, both of the WHO, looks at the financial health of the WHO, expanding on the need for the agency to be sustainably financed if it is to deliver on its ambitious goals.

As **Nada Al-Nashif**, current UN Deputy High Commissioner for Human Rights, argues in her contribution, any successful response to the pandemic must incorporate respect for economic, social, cultural, civil and political rights. Thus, if the UN is to fully implement its human rights mandate, it is essential that the funding requirements of the UN Human Rights Office are adequately addressed.

Jake Sherman, Senior Director of Programmes at the International Peace Institute, directs our attention to peacekeeping, arguing that – in order to mitigate the emergence or escalation of violence – Member States should re-invest any savings made from the current downsizing of peacekeeping into the UN's conflict prevention and peacebuilding capabilities. Finally, **Christoph Heusgen**, former Permanent Representative of Germany to the UN, makes the case for complementing public funding for peacebuilding with blended finance. In this way, peace-positive investments can be enabled, ultimately contributing to vibrant and self-sustaining communities.

International financing of the Sustainable Development Goals

By Homi Kharas and Meagan Dooley

The Great Lockdown of 2020 pushed 166 countries into recession, with developing economies – excluding China – suffering a fall in gross domestic product (GDP) of around 5%, and a fall in investment of almost 11%.¹ Though recovery is anticipated for much of the developing world, it will be uneven across countries. The International Monetary Fund (IMF) estimates that low-income countries will need US\$ 450 billion through to 2025 in order to respond to the pandemic and accelerate sustainable investments – more if downside risks materialise.²

Building on data showing that development finance flows were falling even before COVID-19, this article looks at how the pandemic may have affected international finance. Looking ahead, more international finance is needed to speed up the recovery, as well as to initiate the changes in economic structures needed to help countries achieve the 2030 Agenda for Sustainable Development.

The article explores trends in four types of international financing flows for the Sustainable Development Goals (SDGs):

- 1) multilateral flows channelled through international financial institutions (IFIs) and other agencies such as the United Nations;
- 2) bilateral flows from Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) members;
- 3) bilateral flows from non-DAC members such as China, India and the Gulf states; and
- 4) private flows.

Even prior to the COVID-19 pandemic hit, development flows were dwindling. In 2019, broadly defined net international development contributions reached US\$ 495 billion – US\$ 18 billion below 2018 levels.³

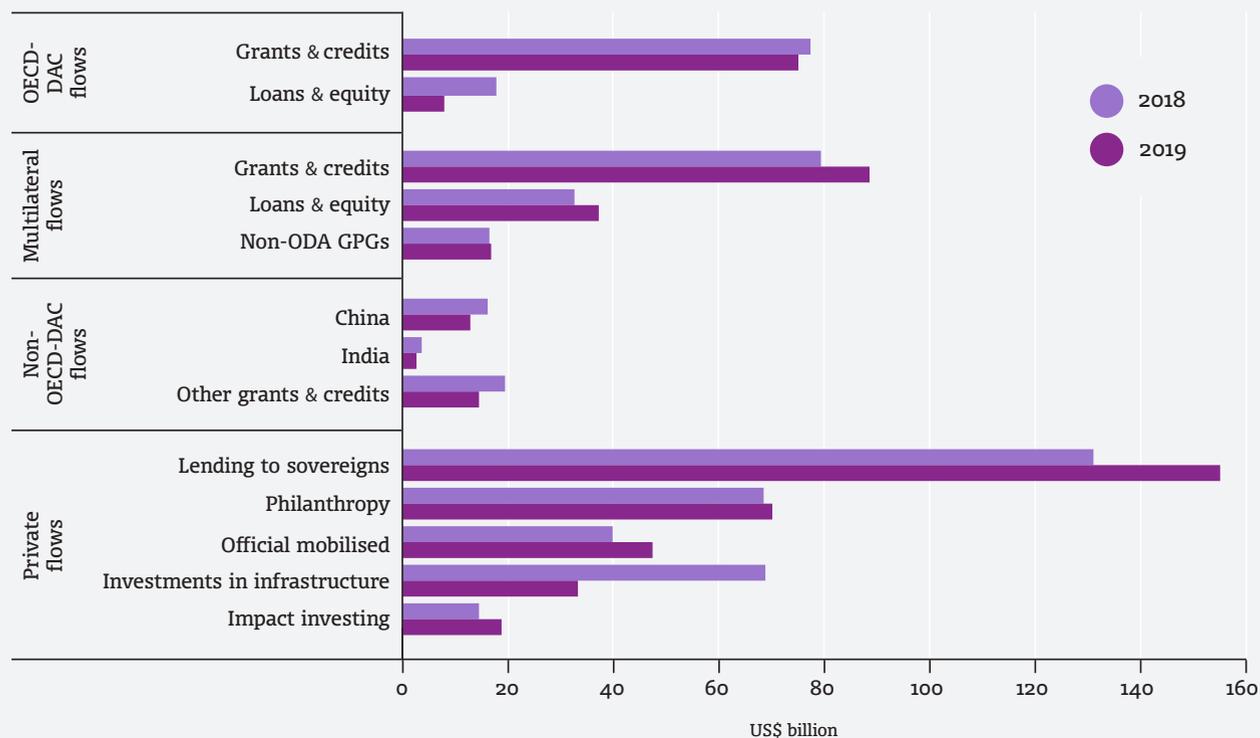
Homi Kharas is a senior fellow at the Center for Sustainable Development at Brookings, where he studies policies and trends influencing developing countries and their prospects for achieving the Sustainable Development Goals. Homi serves on external advisory committees to the International Fund for Agricultural Development (IFAD), International Finance Corporation (IFC) and the Millennium Challenge Corporation (MCC), and previously spent 26 years at the World Bank, latterly as Chief Economist and Director for poverty reduction and economic management in the East Asia region.

Homi was lead author and executive secretary of the secretariat supporting the High-Level Panel advising the UN Secretary-General on the post-2015 development agenda. The resultant report, ‘A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development’, was presented on 30 May 2013. Homi’s most recent co-edited books are *Leave No One Behind* (Brookings Press, 2019) and *From Summits to Solutions: Innovations in Implementing the Sustainable Development Goals* (Brookings Press, 2018).

Meagan Dooley is a senior research analyst at the Center for Sustainable Development at Brookings, where she supports research on global poverty, development financing, women’s economic empowerment, and migration.

In 2020, flows probably fell faster due to less private financing, putting many developing countries in liquidity distress at a time when additional financing is needed to fund health sector responses and vaccine procurement efforts. Now, many countries are at risk of a ballooning debt crisis that could halt development progress, as well as a growing development crisis that could lead to further debt distress.

Figure 1: Broadly defined net international development financing (current US\$, billions)



Source: Authors' calculations, based on data from OECD statistics, World Bank international debt statistics, UN financial statistics, Boston University Global Development Policy Center,⁴ Kitano and Miyabayashi (2020),⁵ Indian Ministry of External Affairs,⁶ Indiana University Lilly Family School of Philanthropy,⁷ OECD TOSSD surveys,⁸ World Bank Private Participation in Infrastructure (PPI) database,⁹ and Global Impact Investing Network (GIIN) surveys.¹⁰

Four key trends emerge from the data presented in Figure 1 (above) on 2018–19 development flows. First, private financing dominates the overall picture of financing for development. Its composition, however, is changing. Private finance for infrastructure fell sharply in 2019, while general purpose sovereign lending (bonds and loans) expanded. Although developing country governments can benefit greatly from accessing global capital markets directly, there are also significant costs due to private capital being procyclical – it floods into countries when they are growing and leaves during times of recession. Moreover, while the proliferation of new private funding models, including a growing green bond market, is promising, there remains a core role for official international finance – and potentially the quite significant volume of private philanthropy – to help crowd in and de-risk private commercial flows. Second, multilateral financial institutions continued to expand their operations, mostly in terms of providing more grants but also in terms of expanding their loan portfolios. Third, the role of non-DAC creditors,

including China, was already trending downwards prior to the COVID-19 pandemic. In aggregate, China and other non-DAC creditors constitute only a small proportion of new financing to developing countries, although they are very significant for a handful of individual countries. Fourth, DAC countries have largely retreated from the non-concessional lending space in favour of grants and credits.

Complete figures for 2020 are not yet available, but there are indications of how finance evolved. Official aid held steady – a good news story considering the strains on budgets in advanced economies in 2020, but a bad news story considering the massive new demands on aid, including financing procurement of vaccines and other medical equipment. The response to new aid appeals has not been as strong as was hoped.

Private finance, meanwhile, contracted significantly in 2020. Foreign direct investment fell by 35%, and while some recovery is expected in 2021, it will likely remain

25% below 2019 levels.¹¹ Greenfield investment project announcements were down 42% in 2020. In both cases, these reflect a 10% slowdown in fixed capital formation in developing countries (excluding China) in 2020.¹²

The procyclical nature of private capital flows was revealed during a sudden halt in flows in March/April 2020. Capital markets then stabilised, but the higher risk of being cut off from capital markets left many countries struggling to pay their debt service obligations without cutting public spending so deeply as to choke off economic recovery.

Currently, in 2021, big questions remain as to how developing countries will cope with the credit downgrades and more expensive borrowing available to them on private capital markets. Over the course of 2020, 36 developing countries had their credit rating downgraded by one of the three major ratings agencies, and an additional 28 had their outlook downgraded.¹³ The current debt restructuring process is long, carrying with it significant deadweight losses in the form of forgone development opportunities. The international financing architecture needs to be fundamentally rethought in order to reduce the likelihood of future debt crises, and to ensure they can be managed more efficiently if they do occur. The Group of Twenty (G20) Common Framework provides a set of principles to guide the process, but the key ingredient – restoring debt to sustainable levels through inducing private creditors to reduce their claims – still relies on voluntary participation by private creditors, with no takers to date.

The current debt crisis is a product of official creditors exiting too early in favour of private finance. To ensure debt workouts are fair and equitable, more work is needed to promote debt transparency and reconciliation between debtors and creditors. *Ex-ante* efforts – such as collective action clauses in international bonds, anti-vulture fund legislation, state-contingent loan contracts and active use of creditor committees to facilitate negotiations – could help mitigate future debt crises and the procyclical nature of private flows.

Private capital flows for development: The good and the bad

Private flows still make up the largest share of international development finance. The private sector contributed US\$ 320 billion in both 2018 and 2019, though the composition of this changed between the two years. While lending to sovereign states increased, private investments in infrastructure fell by more than half, from US\$ 68 billion to US\$ 33 billion, largely due to slower growth in some countries.¹⁴ This investment downturn preceded the large private outflows seen in 2020 due to COVID-19.

A continued explosion of new types of private debt financing instruments – including sustainable, green and social bonds – could be seen in 2019. While concentrated in developed country markets, a material share of these new instruments also flowed to developing countries.

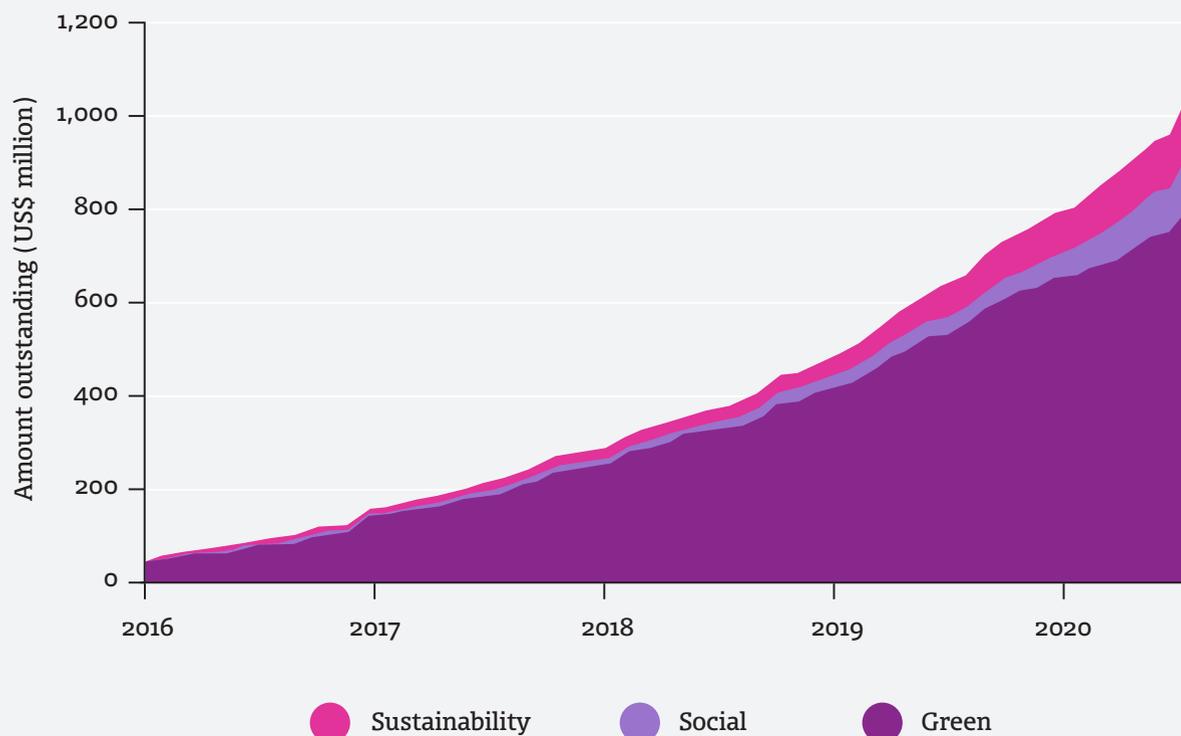
The sustainable debt market, encompassing all three bond instruments plus environmental, social and governance (ESG) linked loans, grew to US\$ 732 billion in 2020, spurred by the issuance of a number of social bonds for pandemic recovery efforts.¹⁵ As of September 2020, there were US\$ 1 trillion in outstanding sustainable bond issuances, dominated by US\$ 800 billion in green bonds (see Figure 2 on the following page).¹⁶

The first green bond was issued by the European Investment Bank in 2007, and the market has since taken off. Green bond sales reached US\$ 305 billion in 2020, up 13% on the previous year.¹⁷ Despite this proliferation, there are increasing fears of greenwashing: that these bonds are green in name only and do little to actually support green investments. The Dutch asset manager NN Investment Partners found that 15% of green bonds were issued by companies with mixed environmental records and practices – for instance, Saudi Electricity Company, a state-owned energy firm that still relies largely on fossil fuels, issued a €1.3 billion green bond in 2020.¹⁸ Thus, alongside the growth of the green bond market, there have been calls for stronger ESG standards for international flows. The International Financial Reporting Standards (IFRS) Foundation has called for the creation of a new Sustainability Standards Board to develop harmonised global standards for financial reporting on sustainable investments.¹⁹

Though smaller in size than green bonds, the social and sustainable bond markets have likewise grown. In May 2019, the World Bank issued a ten-year SDG bond for €1.5 billion.²⁰ The Italian utility company Enel became the first private company to issue an SDG bond in October 2019,²¹ while Mexico issued the first sovereign SDG bond in September 2020.²² Sustainability bond issuances were up 81% in 2020 compared to 2019, at US\$ 69 billion.²³ There was also huge growth in social bond issuances in 2020, which were up 700% at US\$ 148 billion.²⁴ The European Union (EU) made three major issuances in support of job training programmes in the wake of COVID-19. If proper standards and reporting are used, this sustainable bond market represents a potential opportunity for greater crowding in of private financing into sustainable investments.

The downside of greater reliance on private commercial financing for development, especially through new instruments, is that there is still little agreement on

Figure 2: Growth of the Sustainable Bond Market, 2016–2020



Source: PIMCO, 'Understanding green, social and sustainability bonds', 2021. Data from Bloomberg (BNEF)

how the private sector should participate in debt restructurings should the need arise. A bedrock principle of restructurings to date has been that of comparable treatment. As different classes of creditors with different instruments proliferate, however, the notion of comparable treatment becomes harder to defend. Should creditors who insisted on the higher reporting standards associated with sustainable bonds be treated the same as creditors who issued loans without regard for how their loan proceeds were to be spent? How should creditor committees be formed so as to represent the growing diversity of new investors?

The multilateral finance response has been fast, but insufficient

The size of the COVID-19 induced economic shock has been unprecedented: 166 countries fell into recession in 2020. For developing countries, the -2.6% growth registered in 2020 was almost 7% below the trend growth of the preceding five years. The recession in 2020 hit developing countries even more severely

than the financial crisis of 2009, when the fall in trend growth was about 4% for low-income countries and 6% for middle-income countries.

In both instances, it was expected that the shock would be temporary and that the correct economic policy response would be for governments to borrow to cushion their economies against the downturn, thereby avoiding deadweight losses in the form of bankruptcies and other supply-side disruptions. This is exactly how advanced economies reacted, raising fiscal deficits and providing direct and indirect support equivalent to 28% of their GDP.²⁵ For developing countries, however, the fiscal space for such a response was limited by their ability to borrow: emerging economies provided 7% of GDP in response, and low-income countries just 2%.

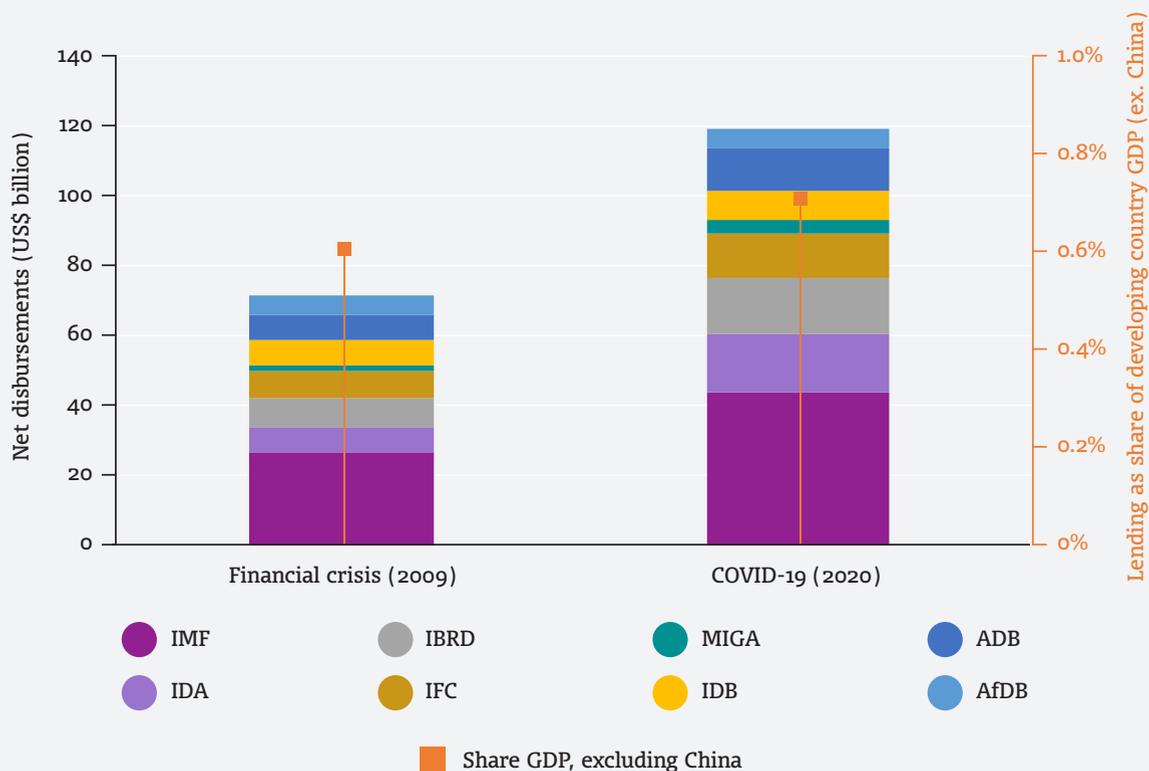
Developing countries rely on multilateral financial institutions during cyclical downturns of this type. The IFIs responded rapidly in 2020, disbursing

US\$ 119 billion (see Figure 3 below). This was more than the US\$ 71 billion they disbursed in 2009 during the financial crisis, both in absolute terms and relative to the share of recipient country's GDP (excluding China). IFIs disbursed 0.6% of GDP after the 2009 financial crisis and 0.7% of GDP after COVID-19. This stepped-up response can partly be attributed to the far larger role played by regional development banks during the 2020 crisis. The Asian Development Bank (ADB) almost matched the International Bank for Reconstruction and Development (IBRD) in the total size of its commitments, disbursements and net increased lending in 2020 – compared to 2010, its gross disbursements were three times higher. The Inter-American Development Bank (IDB) also sharply increased its disbursements. The African Development Bank (AfDB), however, was unable to increase its commitments, just about matching the commitment and disbursement level achieved in 2019.

The composition of international financial support to developing countries changed, however, between the response to the 2009 financial crisis and to COVID-19.

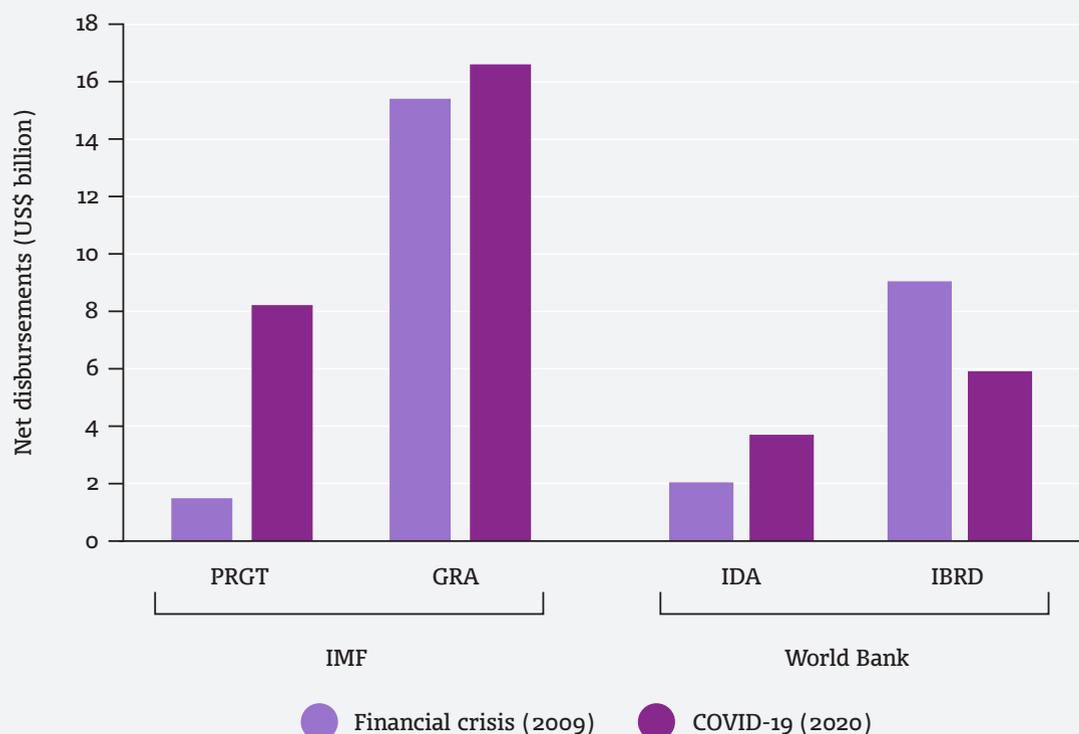
Whereas middle-income countries were the principal borrowers in 2009, low-income countries benefited most from the international financial response in 2020. Figure 4 on the following page illustrates this for two institutions: the IMF and the World Bank. The main IMF window for lending to low-income countries is the Poverty Reduction and Growth Trust (PRGT) fund, while its General Resources Account (GRA) is used for middle-income countries. Similarly, at the World Bank the International Development Association (IDA) is oriented towards low-income countries, while IBRD has middle-income clients. Figure 4 shows a huge increase in PRGT disbursements after COVID-19 compared to the 2009 financial crisis response, and roughly similar responses from the GRA to the two crises. Meanwhile, IDA increased its disbursements in response to COVID-19 by far more than it did at the time of the 2009 financial crisis, but IBRD's incremental US\$ 6 billion in net disbursements in 2020 was significantly lower than the US\$ 9 billion increment registered in 2010.

Figure 3: International financial institutions net disbursements during the 2009 financial crisis and COVID-19



Source: World Bank quarterly financial reports, IMF financial query system, ADB annual reports, IDB annual reports, and AfDB annual reports. Totals exclude lending to high-income countries where possible.

Figure 4: International financial institutions net disbursements during the 2009 financial crisis and COVID-19



Source: World Bank quarterly financial reports and IMF financial query system. For IMF, graph reports change in lending from 2008 to 2009. For World Bank Group, graph reports change in lending from 2009 to 2010. Totals exclude lending to high-income countries.

There is some debate as to whether this shortfall in official financing to middle-income countries is a consequence of limited supply or lack of demand. There is still stigma attached to governments that feel they need to approach the IMF for exceptional financing, and in terms of the multilateral development banks (MDBs) there can be issues with timeliness and conditionalities that governments find hard to accept.

With this in mind, the G20 has backed a new allocation of IMF special drawing rights (SDRs) – equivalent to US\$ 650 billion – to give countries additional liquidity. However, SDRs would be disbursed based on existing IMF quotas, proportional to a country’s ranking in the global economy, which means that developing countries would receive only 34% of the total (US\$ 224 billion) and low-income countries just 2%. Thus, there are concurrent calls for a reallocation mechanism to allow advanced economies to lend SDRs to low-income countries in need of additional support. This could be done through the PRGT, which restricts eligibility to low-income countries, or another vehicle, such as a new resilience and sustainability trust that is more widely accessible.

SDRs are, however, a reserve asset, not intended to be used directly for financing public expenditures over the long term. Complementary financing from multilateral institutions will be required to meet the needs of SDG investments. A far more ambitious expansion of MDB activities in both low- and middle-income countries is desirable. There is substantial room to increase MDB lending under current balance sheets – in the range of an additional US\$ 750 billion–1.3 trillion – by making greater use of callable capital and tolerating more risk.²⁶ With support from the major donors, recapitalisation of the major MDBs would enable greater lending, especially by the World Bank and IDB, which are particularly constrained. The G20 agreed to accelerate the IDA20 replenishment cycle to year-end 2021, enabling the World Bank to spend the remainder of IDA19 funds this year. The MDBs could also do more to mobilise private capital by making greater use of their guarantee authority and developing platforms for blended finance in specific sectors. Such moves would, however, require major shareholder support if the MDBs are to break from their historic cautious lending philosophy.

Aid flows: Steady but disappointing

Aid flows have held steady over the past few years, with preliminary data from the OECD showing that aid may have risen slightly in 2020 in response to the pandemic.²⁷ Net bilateral DAC and multilateral official development assistance reached US\$ 161 billion, with a 4% increase in aid to Africa, a 2% increase to least developed countries, and a 6% increase to humanitarian aid. Of this total, US\$ 12 billion was for COVID-19 response efforts, with US\$ 9 billion coming from the EU. However, compared with the US\$ 16 trillion that countries have spent on domestic response efforts, the total aid response is rather meagre.²⁸ While more lending through multilateral institutions can help open up fiscal space for middle-income countries, grants and credits will still be needed to help low-income countries finance recovery efforts.

Steady levels of aid must be viewed against a backdrop of hugely expanding demand for grant funds. In the case of several major initiatives, funding has fallen short of urgent requirements.

An early effort to establish a framework for collaboration on the development and production of, and equitable access to, COVID-19 tests, treatments and vaccines is the Access to COVID-19 Tools (ACT)-Accelerator. As of 25 June 2021, this framework had mobilised US\$ 17.7 billion, leaving a funding gap of US\$ 16.8 billion for the remainder of 2021.²⁹ A key contribution of the ACT-Accelerator is the establishment of a vaccine pillar, COVAX. So far, this initiative to promote equitable access to vaccines for developing countries has delivered 95 million doses to 134 countries.³⁰ However, delivery efforts slowed in March and April 2021 due to vaccine shortages, with Indian producers unable to meet both export and domestic requirements following the spike in COVID-19 cases in India.³¹ The initiative has secured 1.9 billion doses for 2021, and an additional 0.9 billion for 2022.³² Advanced economies have also agreed to donate excess doses from their domestic vaccination efforts to COVAX, with 780 million doses pledged so far.³³ Though this news is encouraging, so far vaccine distribution has been far from equitable. High-income countries have bought half of all doses to date,³⁴ while Africa has received just 2%³⁵ and Haiti has yet to receive a single dose.³⁶ As vaccination efforts in advanced economies begin to reach herd immunity, more work is needed to ensure equitable access and burden sharing in developing countries.

Another example of aid shortfalls concerns the UN Office for the Coordination of Humanitarian Assistance (UN OCHA), which in 2020 issued appeals for a Global Humanitarian Response Plan (GHRP)

for COVID-19 covering 63 countries, for an amount totalling US\$ 9.5 billion. As of 15 February 2021, funding received had reached US\$ 3.7 billion, or 39% of the required amount.³⁷ An additional US\$ 2.87 billion was provided outside the GHRP to the Red Cross/Red Crescent, the World Health Organization Strategic Response plan and other pooled efforts incorporating countries not covered by the GHRP.

Some regions were particularly affected by the shortfall between appeals and funding in the GHRP: Latin America and the Caribbean only received 23% of needs, and South and East Africa received 27%. Eastern Europe had the highest coverage: 83% of its needs.

While it is understandable that rich country governments look to their own needs first, the potential multiplier effects of a concerted effort to tackle COVID-19 are several orders of magnitude higher than the multipliers associated with domestic spending. Targeted spending on domestic labour and cash transfer programmes, for example, have multipliers of 0.9–1.3, whereas the multipliers from ACT-Accelerator spending range from 40 to 166.³⁸ Cooperative burden sharing among rich countries is needed to ensure that aid delivers on global public goods, such as the pandemic response, and helps the least fortunate in the world.

Debt distress and reforming the international financial architecture

Half of all low-income countries were in debt distress or at high risk of debt distress before the pandemic, while six developing countries have defaulted in the past year.³⁹ Others have seen their credit rating lowered, with access to capital markets becoming more limited and with higher spreads. Though many middle-income countries have returned to international bond markets since the pandemic began, only two sub-Saharan African countries accessed the market in 2020.⁴⁰ The large share of private debt, often at much higher interest rates and shorter maturities than bilateral or multilateral loans, has contributed to unstable debt dynamics in many countries.

The traditional approach to debt relief has involved adjusting public spending downwards to limit further indebtedness, while undertaking structural policy reforms to revive growth. In the current context of a global recession and low risk-free interest rates, this is sub-optimal. COVID-19 has created major social hardships, meaning larger – rather than smaller – deficits are the appropriate policy response for countries with reasonable growth track records. In 2021, 150 countries will see lower GDP per capita levels than in 2019.⁴¹

This growth setback will stall needed sustainable development investments in many countries and further compromise country creditworthiness.

In light of these twin debt and development crises, there have been calls to dramatically expand public sector financing in order to help countries cope with short-term liquidity issues caused by the pandemic and make needed investments in long-term sustainable development. In May 2020, the G20 paused official bilateral debt service payments to World Bank IDA-eligible countries plus Angola under the Debt Service Suspension Initiative (DSSI), which has since been extended to year-end 2021.⁴² This effort has freed up about US\$ 6 billion for developing countries thus far, enabling necessary spending on health, vaccines and personal protective equipment. The G20 also released a Common Framework on Debt Treatment, providing a case-by-case approach for countries needing larger-scale debt relief and restructuring.⁴³ However, these programmes have left out many vulnerable middle-income countries that have been hit hard by the pandemic and hold the bulk of the debt service due in 2021 and 2022. As of April 2021, only three countries had entered into the Common Framework.

COVID-19 has brought to light underlying weaknesses in the international financial architecture. The procyclical nature of private financing, the slow and ad-hoc approach to debt restructuring efforts, and the steep austerity measures many countries take as part of their debt workout come with substantial developmental costs. The remainder of 2021 presents an opportunity to not only mobilise additional short-term financing to help countries recover, but to make needed reforms for long-term stability.

The creditor universe's growing diversity has made issues of debt transparency more urgent. The World Bank's International Debt Statistics database publishes monthly principal and interest payments by country and creditor, as reported by the debtor alongside a process for data reconciliation with creditors. While this process is well established for traditional bilateral and multilateral creditors, new non-DAC creditors such as China, collateralised and syndicated loans from the private sector, domestic debt and contingent liabilities, often fall outside this reporting system. Furthermore, the World Bank estimates that half of all IDA countries do not have adequate capacity in their debt management policy and institutions, including poor data quality.⁴⁴ Thus, the full picture of a country's debt portfolio is often not known until a country is in distress and creditors come calling. There is an urgent need for consensus-building around norms and standards for transparency in debt reporting and data reconciliation between creditors and debtors.

More work is also needed to mitigate the procyclical nature of private financial flows. While a number of innovations have strengthened the architecture in specific instances, they are yet to be widely incorporated. Collective action clauses (CACs) have been included in most recent sovereign bonds. These allow the majority of creditors of a given class to bind an uncooperative minority in debt restructuring efforts, limiting the power of hold-out creditors.⁴⁵ Restructurings in Argentina and Ecuador in 2020 made use of this mechanism, and, beginning in 2022, EU finance ministers have agreed in principle to incorporate CACs into Eurobond agreements. CACs can also be used in conjunction with anti-vulture fund legislation (currently in place in the Belgium, France and the United Kingdom), which limits the ability of hold-out creditors to use the courts to get payment. Creditor committees – which provide a shared platform for creditors with similar interests to negotiate together, with a common set of information – can likewise facilitate workout negotiations.⁴⁶ If consensus is reached, committees can limit hold-out creditors by endorsing the deal and pressuring others to sign. State-contingent mechanisms, such as GDP- or disaster-linked bonds, can also play a role in stemming procyclical flows, especially in small island and climate-vulnerable states.⁴⁷ In the immediately wake of a shock, these clauses automatically extend loan maturities and suspend interest payments. These kinds of counter-cyclical instruments are already in use by official financial institutions. Examples include the World Bank's Catastrophe Deferred Drawdown (Cat DDO) and Contingency Emergency Response Component (CERC) instruments, which have been used to redirect existing project financing towards COVID-19 relief efforts in 2020.

These mechanisms are merely illustrative of the need for broader conversations around sustainable international financial reforms in 2021. As COVID-19 has made plain, the tools of the past are not designed to meet the problems of the present. More work around transparency and standards, shared accountability, and equitable processes for debt restructuring efforts are needed to ensure future debt and development issues do not lead to system-wide crises.

Conclusion

These order of magnitude estimates for total development financing flows in 2019 and 2020 reveal a rather gloomy picture – international development financing fell in 2019 and initial estimates for 2020 indicate a major slide in selected components. The demands on official aid are large and growing. Furthermore, as each appeal is made, it becomes harder to ensure that the funds appropriated are additional rather than reallocations from one programme to another.

Countries need ongoing support to finance sustainable infrastructure, nature preservation, climate adaptation, education, health and poverty alleviation measures in order to achieve the 2030 Agenda, and these needs have only grown in response to COVID-19. While private flows continue to play an important role, their procyclical nature means that they will never replace

the need for official financing. The remainder of 2021 represents an opportunity for the international financial system to step up its efforts by providing more ambitious lending through MDBs, additional liquidity support through a new SDR allocation, and renewed support for needed architecture reforms.

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Fit-for-purpose financing in the Anthropocene: Quantifying risks and valuing the biosphere¹

By Pedro Conceição

A new dawn in the world of finance?

In early April 2021, a new exchange-traded fund (ETF) focused on investing in those United States companies best positioned for a low-carbon energy transition registered the biggest launch in the 30-year history of the ETF industry. An ETF is similar to a traditional mutual fund (a collection of investments in stocks, bonds and other securities or commodities) but can be valued and traded in real time, like a stock on an exchange. On the opening day of trading, investors channelled US\$ 1.25 billion to this new ETF (US Carbon Transition Readiness).² The recent trend in investment and credit analysis of incorporating environmental, social and governance (ESG) criteria when assessing risk, returns and impact has exploded in recent months. In terms of ETFs, a record US\$ 31 billion flowed to ESG-centred funds in 2020, four times more than in 2019, including US\$ 6.3 billion in January 2020 alone – a record monthly flow.³

Amid growing concerns about ‘sustainability’, ESG analysis started as a means of accounting for risks associated with changes in regulation and consumer tastes, and of identifying the preparedness of firms to cope with such risks. For a while, these risks were regarded as relatively unlikely to occur, though it was recognised that if they did they could be very large.⁴ However, 2021 has seen a rapid change in context, with growing awareness of the stakes at play when it comes to addressing climate change, and renewed policy impetus to reduce greenhouse gas emissions. Does this represent a new dawn in the world of finance? Is climate change all there is to worry about?

Enter the Anthropocene

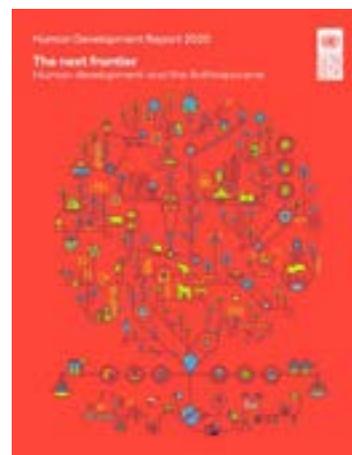
Climate change is part of a broader process of dangerous planetary change – for humans and all life on the planet – bringing about a new set of Anthropocene risks.⁵ While geologists are still debating the issue, the concept of the Anthropocene – initially proposed as a new geologic epoch in which human activity is

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changing processes at a planetary scale – is now increasingly used to describe our current reality.⁶

COVID-19 provides another illustration of these new risks, with the pandemic likely originating in a virus that jumped from animals to humans – even if this has not yet been fully established, it is undeniable that there has been an increase in new zoonotic diseases recently.⁷ The increasing transmission of disease from wildlife to humans reflects the pressures being put on the planet as a result – in part – of the opening up of areas for the purposes of people exploiting wildlife.⁸ For the first time in human history, anthropogenic factors outweigh natural hazards in driving catastrophic risks.⁹

Debates around the Anthropocene are leading to greater appreciation of the interdependence between ecological, social and economic systems. For instance, the notion of ecosystems as providers of services has been systematised since the turn of the century,¹⁰



Human Development Report 2020: The Next Frontier – Human Development and the Anthropocene.

with anthropogenic drivers of change in nature now understood as being embedded in institutions and governance systems, and the intrinsic value of preserving ecosystem integrity acknowledged.¹¹

The complex and interdependent relationship between socioeconomic and natural systems points to the links between dangerous planetary change (planetary imbalances) and inequalities in resources, power and voice (social imbalances), which interact and often reinforce each other. As long as planetary imbalances persist they will engender risks that can materialise in shocks to human development, which in turn exacerbate inequalities. In terms of COVID-19, for example, the impact of the pandemic has generally been harsher and deeper on those who were already vulnerable, marginalised or with fewer resources and capabilities.¹²

Such social imbalances constrain the space for deliberative reasoning and collective action.¹³ Those who are more powerful (and for the most part benefit from the status quo) shape the framing of available information, including scientific evidence. In doing so, they leverage resources and influence to preserve their power, often in ways that oppose transformation. This resistance perpetuates pressures on the planet, further driving planetary imbalances and engendering associated risks – and so the cycle starts afresh.

Finance and the Anthropocene: Coming together?

The flow of investment to ESG-focused products and the growth of sustainable finance may be an indication that financial markets are becoming more aware of both Anthropocene risks and the value of the biosphere. For instance, European stock exchange-listed firms that are highly carbon intensive (in sectors such as oil extraction, air transport and petroleum refining) suffered larger than average declines in stock value after the outbreak of COVID-19. While this underperformance may be related to the oil price war at the beginning of 2020, it could also signal an awareness by financial market actors that firms in carbon-intensive industries risk becoming burdened with stranded assets.¹⁴

At the same time, there are questions about the extent to which products labelled as ESG-focused or sustainable actually make a difference. For instance, big-tech firms hold the largest number of shares in the US Carbon Transition Readiness ETF.¹⁵ In fact, a key open question is how to evaluate ESG impact, which is complicated by a lack of high-quality data, difficulties in quantifying certain aspects and limitations in standards of disclosure.

Several central banks have also taken an interest in evaluating ESG impact.¹⁶ The Network for Greening the Financial Sector, launched in 2017, comprises central banks and supervisors working together to help countries cope with the economic and financial impacts of climate change.¹⁷ Meanwhile, the Financial Stability Board, an international body that advises key global financial institutions, has created the Task Force on Climate-Related Financial Disclosures to help companies voluntarily disclose climate-related financial risks to their lenders, investors and insurers.¹⁸

Elsewhere, the European Central Bank president recently questioned the principle of market neutrality – whereby central banks purchase assets that mirror the composition of the bond market – on the grounds that it is increasingly risky to trust markets that do not price in climate change and its effects.¹⁹ Finally, the US Federal Reserve Board has also issued a report concluding that climate change increases the likelihood of dislocations and disruptions in the economy, which in turn are likely to exacerbate financial shocks and financial system vulnerabilities.²⁰

A number of recent advances may help future efforts to account for Anthropocene risks and value the biosphere.

Accounting for risks in the Anthropocene

When it comes to conceptualising climate risks for financial institutions and their regulators, there is an approach that offers a way of thinking more broadly about Anthropocene risks. It involves dividing risks into two categories: 1) physical risks related to the exposure of assets to natural hazards, which may result in the assets being destroyed or losing value as a result of climate-induced shocks; and 2) transition risks associated with the process of adjustment to a low-carbon economy. A 2020 survey conducted by the Basel Committee on Banking Supervision shows recognition of this categorisation, with indicators used to quantify different manifestations of these two sets of risks.²¹

Valuing the biosphere more visibly

There are many reasons to preserve the integrity of ecosystem functionality, perhaps the most important of them being the intrinsic and ethical question: Why should humans be permitted to destroy ecosystems at will and shape the evolution of countless other forms of life, in many cases to extinction? Moreover, loss of biodiversity often parallels cultural losses and harms people in other ways, damaging livelihoods and impoverishing people dependent on fisheries or forests. It also depletes what we leave to future generations. A proper (welfare-based) accounting of the value of the

biosphere has been pursued through such initiatives as The Economics of Ecosystems and Biodiversity, the European Union's Mapping and Assessment of Ecosystems and Their Services, and the comprehensive mapping of nature's contributions to people.²²

Appreciating the benefits and vast economic value that ecosystems provide can help change incentives in financial markets. Consider, for example, how our understanding and valuing of wetlands – which historically have been considered places that bred diseases and should therefore be avoided – has changed over time. Now science has established that wetlands are rich ecosystems that serve as habitats for diverse species and provide a variety of services, such as wastewater treatment, flood protection, and removal of excess nitrogen and phosphorous from water.²³

Valuing the biosphere has gained heightened political importance. In 2020, the United Kingdom's Chancellor of the Exchequer commissioned an independent global review of the economics of biodiversity. The review analysed the sustainability of the services we receive from nature and what needs to be done to safeguard it for future generations. Published in early 2021, the so-called 'Dasgupta Review' argues that when it comes to undervaluing nature, part of the problem stems from our perceptions, which are shaped in part by what we are taught as children.²⁴ The report suggests starting with reforms in the education system aimed at deepening our appreciation and understanding of nature from a young age. Growing urbanisation has detached us, and our children, from nature – bringing this understanding into our nurturing and education systems would potentially bring about major changes in behaviour and social norms.

The Dasgupta Review also reflects recent analytical and empirical advances in wealth accounting. Newly available measures of economic activity and social welfare include contributions from nature, the costs of extraction from it, and how pollution depreciates capital.²⁵ These contributions relate to the measurement of what the *Human Development Report 2020* describes as 'comprehensive wealth'. This term is used to distinguish it from other measures, including 'inclusive wealth' (which is often associated with more broadly shared outcomes, such as inclusive growth) and 'total wealth' (which could imply there are no disputes on considering parts of nature as capital).²⁶

Comprehensive wealth includes produced and human capital, along with 'natural capital', which is defined by the Natural Capital Coalition as 'the stock of renewable and non-renewable resources that combine

to yield a flow of benefits to people'.²⁷ Natural capital comprises nature's assets and is depleted by pollution, non-sustainable use of natural resources and other damage that leads to the stock of these assets suffering net losses.²⁸ While sometimes criticised for attempting to 'commodify' or 'put a price on' nature, these approaches have been defended as having a deeper foundation not driven by market prices.²⁹ Instead, they attempt to value natural resources as assets, and in doing so understand how these assets may be affected by decisions today on the margin.³⁰

Empirical estimates of comprehensive wealth were informed by the pioneering work of Kirk Hamilton and Michael Clemens on genuine savings.³¹ Over time, these estimates have evolved from just a few cases³² to estimates for dozens of countries, published by both the United Nations Environment Programme and the World Bank.³³ These institutional efforts are complemented by active ongoing research on global environmental accounting.³⁴

Towards finance fit-for-purpose in the Anthropocene

Given that both Anthropocene risks and the value of the biosphere – as well as the costs imposed through planetary pressures – are weakly reflected in the incentive structure of societies, efforts aimed at accounting for risks and valuing biodiversity would contribute to deepening '[our] understanding [of] ecosystem dynamics and [the development of] appropriate indicators of change'.³⁵ The systematic use of these indicators by financial actors and their supervisory authorities would be an important step towards ensuring that finance is fit-for-purpose in the Anthropocene.

Footnotes

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COVID-19 and the Access to COVID-19 Tools (ACT)-Accelerator

By Bruce Aylward

The world continues to face an unprecedented and rapidly evolving threat from COVID-19. By early May 2021, cases had exceeded 158 million worldwide, with more than 3.2 million deaths. Susceptibility to the virus remains high, with many countries experiencing a resurgence in cases often more extreme than previous waves, which in turn is putting immense strain on healthcare systems. While approximately 1.3 billion vaccine doses have been administered, billions of at-risk people have not yet received a shot. Vaccine supply remains constrained and is not in itself enough to end the acute phase of the crisis.

The pandemic has unquestionably raised challenges for the United Nations, not least in terms of the scale of the problem. While the UN is well equipped to deal with individual crises – particularly in those countries where it has significant standing capacity – it has never previously had to deal with a challenge that has simultaneously impacted *every* country globally. The UN has excelled in this crisis both as a technical lead through the World Health Organization (WHO) and at the operational level in low-income countries, with the UN Children’s Fund (UNICEF) and the World Food Programme (WFP) playing strong roles. One key area closely linked to financing has been the UN’s convening role regarding the Access to COVID-19 Tools (ACT)-Accelerator.¹

The ACT-Accelerator is a time-limited global collaboration designed to expedite the end of the pandemic’s acute phase through rapidly leveraging existing global public health infrastructure and expertise, with the aim of accelerating equitable access to, and development and production of, COVID-19 tests, treatments and vaccines. The ACT-Accelerator brings together the diverse expertise of multilateral and global health institutions, academic researchers and the private sector, including manufacturers. Through these co-conveners and partners, it can provide a wealth of world-class knowledge in research and development (R&D), manufacturing,

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policy development, regulatory procedures, market shaping, procurement and delivery. Since its launch in April 2020, the ACT-Accelerator has supported the fastest and most coordinated global effort to develop tools to fight a disease in history. It is now scaling up access to COVID-19 tools in every part of the world, which will require active partnership with all countries.

In the first half of 2021, three major shifts have characterised the COVID-19 pandemic and thus the operating environment for the ACT-Accelerator. These shifts necessitate that the ACT-Accelerator’s priorities, financing requirements and investment case be refreshed.

First, due to unprecedented scientific endeavour, the era of COVID-19 vaccines has arrived. The world now has a reliable tool at hand to prevent COVID-19 and protect the most vulnerable populations. However, given the immense demand, there are constraints on supply.

Second, virus variants are emerging with increasingly concerning characteristics. As of early March 2021, three variants of concern had been detected, with others under active investigation.

Third, despite valuable support from governments, regulators, manufacturers and other stakeholders, there has been insufficient investment in global solutions to scale up COVID-19 tools.

The ACT-Accelerator is well positioned to respond to these challenges. In less than a year, it has brought together an unprecedented partnership of global health partners to accelerate the end of the COVID-19 pandemic. Perhaps most significantly, it enabled the first international deliveries of vaccines to low- and middle-income economies within 12 weeks of their introduction to high-income countries, and is on track to deliver at least 2 billion doses in 2021. The ACT-Accelerator has also identified and validated quality rapid diagnostic tests, as well as significantly reducing their cost for low-income countries. In addition, the ACT-Accelerator supported identification of the first life-saving therapy (dexamethasone), securing 2.9 million treatment courses and procuring more than US\$ 500 million worth of personal protective equipment (PPE).

Over the course of 2021, the ACT-Accelerator will intensify its drive for equity and scale in the delivery of essential COVID-19 tools, while managing emerging viral risks. To address these major shifts and maintain momentum, the ACT-Accelerator has defined four strategic priorities for 2021:

1. rapidly scale up the delivery of at least 2 billion vaccine doses;
2. bolster R&D, evaluations and regulatory pathways to optimise products and address variants;
3. stimulate rapid, effective uptake and use of COVID-19 tests, treatments and PPE; and
4. ensure a robust pipeline of essential tests, treatments and PPE.

In order to manage resource constraints, the ACT-Accelerator has sequenced its 2021 activities based on these strategic priorities. In 2020, substantial focus was placed on developing and evaluating a sound product portfolio through investing in R&D, product assessment and market shaping, while laying the groundwork for large-scale procurement and in-country delivery. Now that an initial set of effective and affordable COVID-19 tools is available, resources are increasingly being directed towards optimising their public health impact. Throughout 2021, the

ACT-Accelerator aims to fully leverage these existing tools and available volumes, as well as expand manufacturing. At the same time, it will continue to invest in further R&D and product optimisation. Despite generous donor contributions amounting to US\$ 17.1 billion as of the end of June 2021, the ACT-Accelerator still requires an additional US\$ 16.8 billion by the end of the year to deliver fully on its promise. To encourage countries to contribute their share to these collective efforts, the ACT-Accelerator Facilitation Council, through its Financial Working Group, has developed a financing framework for the ACT-Accelerator and proposed a burden-sharing model to help donors understand how to close the funding gap.²

The 2021 financial needs of ACT-Accelerator – while substantial – represent only a subset of the overall funding required to comprehensively and equitably respond to the COVID-19 crisis. Beyond the ambition of accelerating the development of COVID-19 tools and ensuring equitable access, the ACT-Accelerator also aims to complement broader ongoing efforts to drive sustainable, long-term improvements in national health systems.

While tackling COVID-19 undoubtedly requires substantial financial investments, the economic ramifications of inaction are far greater. In January 2021, a study commissioned by the International Chamber of Commerce demonstrated that even with strong COVID-19 vaccine coverage in high-income countries, inequitable access to COVID-19 tools elsewhere would cost high-income economies an additional US\$ 2.4 trillion in 2021 alone. Investment in the ACT-Accelerator dwarfs the potential multiplier benefits of domestic fiscal support investments. If COVID-19 transmission is uncontrolled anywhere in the world, it remains a threat to everyone, everywhere.

What lessons, then, can be drawn from this? The economic case is clear and experts are unanimous on the need for greater finance. Nevertheless, in the past, chronic underfunding has been widespread due to the public good nature of some of the required actions, competing demands for scarce public monies in low- and middle-income countries, and a reliance on small-scale aid and philanthropy as sources of finance. Despite the extraordinary success of the ACT-Accelerator in terms of fundraising, it still has a mountain left to climb.

Though immediate funding issues must be addressed first, as global leaders consider what comes next, there is also a need for: a clearer definition of what constitutes the minimum acceptable standard of preparedness;

a closer look at how best to pitch the sizing, organisation and incentives of financing at both the national and global level; and, of course, dedicated and sustained financing sources.

One upcoming opportunity for prioritising preparedness will be when the World Bank hosts an early replenishment of its main concessional window, the International Development Association, later this year (IDA20). While the last replenishment, IDA19, featured a policy paper on pandemic preparedness, there were no major actions beyond a suggestion from donors that the World Bank engage in dialogue with its borrowers on relevant issues. Other proposals are circulating, such as the Global Health Security Challenge Fund being floated by the Pandemic Action Network, and possible new modalities from the Independent Panel for Pandemic Preparedness and Response.

Furthermore, major economies – including the United States, the European Union, China and other Group of 20 (G20) countries – have already signalled their support for a new US\$ 650 billion allocation of special drawing rights, the International Monetary Fund’s reserve asset, to ensure that governments in low- and middle-income countries have the means to combat the COVID-19 pandemic and embark on a path of investment-led recovery.³ The progress of this initiative will be an indicator of potential ways forward on this issue. Meanwhile, the Pandemic Action Network has suggested that the UN convene a High-Level Summit on Pandemic Preparedness before the end of 2021 in order to mobilise increased domestic and international financing commitments for preparedness.

The current cycle of panic and neglect must end once and for all with COVID-19. In the past, world leaders have provided fit-for-purpose financing solutions to drive action on other global challenges, such as HIV/AIDS, tuberculosis and malaria, childhood vaccines, climate change, and maternal and child health. A global financing initiative dedicated to bolstering and incentivising preparedness for emerging pandemic threats is long overdue.

Footnotes

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A better financed World Health Organization*

By Leen Meulenbergs and Brian Elliott

Introduction

The COVID-19 pandemic has demonstrated the fundamental importance of strong health systems and universal access to quality health care. It has also highlighted the critical work of the World Health Organization (WHO) and the importance of the Triple Billion targets captured in its Thirteenth General Programme of Work (GPW13) 2019–25,¹ as well as the organisation’s mission statement of ‘Promote health, keep the world safe, serve the vulnerable’. Since the last update on financing for the WHO in the 2019 edition of the *Financing the UN Development System* report, our world has changed significantly.²

Various independent panels reviewing the impact of the COVID-19 pandemic have emphasised that WHO needs more predictable and sustainable financing, in particular for its work aimed at averting health emergencies. The Independent Panel for Pandemic Preparedness and Response even went as far as recommending: ‘Establish WHO’s financial independence, based on fully unearmarked resources, increase Member States fees to two-thirds of the budget for the WHO base programme and have an organised replenishment process for the remainder of the budget.’³

While such recommendations may not be fully realised in the foreseeable future, it has become clear that WHO needs to be better financed – now more than ever – if it is to continue playing its critical role in keeping the world safe.

Update on resource mobilisation initiatives

Since 2019 and the last iteration of this contribution, WHO has taken important steps to increase and change the type of funding that goes to the organisation, with the following resource mobilisation initiatives undertaken:

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- Member States endorsed the WHO’s Resource Mobilization Strategy to finance WHO’s Thirteenth General Programme of Work 2019–25;⁴
- Reflecting this strategy, calculated and consistent negotiation for greater flexibility in incoming funding has resulted in an increasing number of government contributors shifting their contributions to more thematic, multi-annual (two to four years) funding;
- A resource allocation committee involving headquarters and all regions was set up, chaired by WHO’s Deputy Director-General, to ensure that thematic funding is effectively distributed across offices and areas of work;
- There has been greater strategic engagement with philanthropic foundations, with a focus on decreasing the level of earmarking and enabling more meaningful involvement in programmatic discussions. This is currently being tested in the area of mental health;
- In 2020, the WHO Foundation – an independent grant-making entity that will support the organisation’s efforts to address the most pressing global health challenges – was created.⁵ It aims to attract contributions from high net worth individuals and the private sector, especially for chronically underfunded areas of work.

While these are positive developments, shortcomings remain in financing WHO’s upcoming programme budget for 2022–23. Currently, WHO’s programme budget draws on two funding types: assessed contributions and voluntary contributions. Assessed contributions (ie Member State ‘dues’) have remained at a stable

* This contribution is an update to ‘improving the world health organization’s financing’, which appeared in the 2019 edition of *Financing the UN Development System*

level since the 1990s, while the overall budget of the organisation has grown, resulting in just 17% of WHO's budget currently being funded from this more sustainable source. Assessed contributions will remain unchanged for 2022–23, meaning the increase in WHO's budget envelope for this period will need to be financed from voluntary contributions. As of the first quarter of 2021, the overall financing forecast for 2022–23 is estimated to be less than 45% of the entire proposed programme budget, at US\$ 2.5 billion.⁶ A more sustainable approach is urgently required to ensure WHO is appropriately financed to carry out its mandate.

Financing a sustainable World Health Organization

While sustainable financing of WHO has been a recurring topic, the COVID-19 pandemic has highlighted the discrepancy between what the world expects of WHO and what it is able to deliver given the resources and capacity it has at its disposal. As such, WHO received unprecedented funding in 2020 to tackle COVID-19, with more than 400 contributions totalling US\$ 1.47 billion.⁷ Although WHO asked donors to contribute to a COVID-19 Member States Pooled Fund, many were unable to provide funding through this mechanism due to their own constraints. This highlights the challenge for WHO, with many donors choosing to give a higher proportion of funding through various grants, each with their own reporting requirement, rather than agreeing to pooling funds, which would allow for more agile implementation and impose less of an administrative burden. All this further underlines the need for increased sustainable financing of WHO.

This, alongside WHO's historical financing challenges, has resulted in Member States launching a review of WHO's financing (Working Group on Sustainable Financing in 2021).⁸ This working group will focus on establishing principles setting out what should be funded and by how much, as well as who should provide this funding through what mechanism.

Sustainable financing is increasingly understood as being key to WHO having the robust structures and capacities it needs to fulfil its core functions, and so provide effective and efficient support to its Member States. Critically, of course, this includes preventing, detecting and responding to disease outbreaks.

Sustainable financing aims to:

- move WHO's funding model from a medium-term to long-term time horizon – ie for at least the duration of a General Programme of Work (five years);
- move to predictable funding whereby WHO can rely on a steadier stream of funding before the commencement of a new funding cycle, enabling, for example, the retention of critical expertise;

- move to flexible funding with no limitations on activity type, location, outcomes or outputs – this is key to tackling perennially underfunded areas;
- ensure WHO is not dependent on or driven by a small number of contributors or the size of their contributions; and
- shift financing support towards the base – or core – segment of the approved WHO programme budget.

WHO's Member States will receive recommendations from the working group in early 2022 and will then decide on how to take the financing issue forward.

Conclusion

Ultimately, fully and sustainably financing WHO's budget is an investment in a safer world – one that is less vulnerable to pandemics and health emergencies. It is an investment in driving impacts in all countries to ensure healthy lives and the promotion of wellbeing at all ages. It is an investment in the economic prosperity of countries and the world. Above all, it is also an investment in delivering our collective ambition to achieve the SDGs.

Footnotes

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Dollars and sense: A business case for funding UN Human Rights

By Nada Al-Nashif

Amid the COVID-19 pandemic, which has touched every part of our societies, financing human rights is increasingly being recognised as a powerful investment in sustainable development. If the Office of the United Nations High Commissioner for Human Rights (OHCHR) is to be able to fully deliver on its mandate, its funding requirements must also be adequately addressed.

Making the case for human rights

The 2030 Agenda for Sustainable Development is grounded in the Universal Declaration of Human Rights and international human rights treaties.¹ Its pledge that ‘no one will be left behind’ finds expression as ‘the central, transformative promise’ at the heart of the Sustainable Development Goals (SDGs), which commit all UN Member States to eradicating poverty and achieving social justice.² Efforts to meet the SDGs have nevertheless faced challenges amid strong pushback on human rights, as well as an upsurge of social protests and unrest in many parts of the world – often sparked by popular frustrations at rising inequalities, unmet aspirations and the slow realisation of economic and social rights.

In the context of the COVID-19 pandemic, women, minorities, marginalised and vulnerable groups, and those facing structural discrimination have experienced further setbacks. In short, the pandemic has unmasked the injustice – and resulting vulnerability – of our societies. In the words of UN Development Programme, it has ‘revealed the unsustainability of our development path’.³ Never has it been more urgent to support the protection and promotion of human rights.

The UN human rights system exists to advance such efforts. It has developed practical recommendations to guide the UN family, Member States and other stakeholders in upholding human rights. OHCHR has the unique dual role of identifying human rights issues and trends, and helping Member States make change

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happen. Since the COVID-19 outbreak, OHCHR has stepped up its monitoring of civil and political rights, advocating against the worrying trend of a shrinking civic space. It has also supported efforts to rebuild trust in institutions through its work on strengthening public dialogue and participation. In addition, there has been a strong effort to step up its work on economic, social and cultural rights, with the aim of ensuring rights-based, gender-responsive economic policies can effectively tackle inequalities.⁴

While COVID-19 has made a compelling case for the centrality and practical value of human rights in response and recovery efforts, the business case for making a commensurate financial commitment to the third pillar of the UN still needs to be made. Longstanding underinvestment has created structural, contextual and political impediments to human rights financing. If the international community is serious about building a better future, it is time to provide the necessary financial and political support for human rights-based solutions.

Figure 1: Human rights at the heart of the response: Key figures

Guidance and technical support



UN system guidance

1 comprehensive UN-wide policy brief
(on COVID-19 and human rights)

18 focused UN policy briefs and technical documents
(on COVID-19 impacts on vulnerable groups and on thematic and geographical issues)



UN Human Rights guidance

12 targeted guidance notes
(with recommendations for governments, UN bodies and others)



Socio-economic impacts of COVID-19

The Surge Initiative contributed operational advice to

59 countries
(on integrating ESCRs, SDGs and human rights-based macroeconomic analyses into responses)

Monitoring and reporting



Data and analysis

10 specific indicators developed
(to assess COVID-19 human rights impacts)



Human rights trends and good practices

1 COVID-19 information management tool created



Persons in detention

At least **267,500** people benefited from urgent releases/alternatives to detention

Awareness-raising and advocacy



Human Rights Day #RecoverBetter

90 million people reached



Engagement by human rights mechanisms

30 country infographics
(with recommendations)

Human Rights Council
1st virtual informal conversations (with the HC and SPs);
1st decision undertaken by silent procedure

Treaty bodies

5 detailed guidance notes, **8** legal opinions and **1** toolkit on treaty law and jurisprudence

Special procedures
124 press releases, **206** communications, **15** reports and **13** tools

Adjusting working methods



Human Rights Council and UPR Working Group

Annual programme of work completed (remotely or in a hybrid format)



Treaty bodies

8 (out of 10) migrated their work online



Human rights training

Approximately **58%** of workshops delivered online

Source: OHCHR, 'United Nations Human Rights Report 2020', p. 14. The infographic is part of the COVID-19 response and recovery 'Build back better' chapter

Introducing the under-funded pillar

The 2005 World Summit emphasised the importance of human rights as the third pillar of the UN system, alongside development, and peace and security.⁵ The international community's recognition of the centrality of human rights included an acknowledgement of the need to step up implementation of human rights norms and standards. A commitment was made to double funding for OHCHR by 2010, while the UN Human Rights Council was established to give new impetus to efforts addressing critical human rights issues. Since then, new special procedures mandates have proliferated, with a total of 55 thematic and country mandates created as of 2020.⁶ The Council's ground-breaking Universal Periodic Review has twice scrutinised the human rights record of every Member State and is now engaged in its third round.⁷ Accessions

to international human rights treaties and conventions have also increased.

By 2020, OHCHR, which supports all these mandates, employed 1,551 staff in its headquarters and across 92 field presences – up from 190 staff in 9 offices in 1997.⁸ However, the unprecedented – though welcome – increase in its work for international human rights mechanisms has meant its resources are being spread increasingly thin.

At this time of global crisis – when the UN's human rights machinery is most needed – these resource constraints are having deep effects, notably in terms of protection gaps. In 2021, only US\$ 129.3 million, a meagre 4% of the overall UN regular budget (excluding humanitarian affairs), was allocated to the human rights pillar.⁹

Figure 2: Human rights as part of the UN's regular budget

Total United Nations Budget 2020:	US\$ 3,073,830,500	(GA Resolution 74/264 A-C)
Political affairs (Peace and Security) (Budget sections 3-6)	US\$ 842 993 200	27.4% of total UN budget
International/regional cooperation for development (Budget sections 9-23)	US\$ 551 748 700	17.9% of total UN budget
Human rights and humanitarian affairs (Budget sections 24-27)	US\$ 212 707 700	6.9% of total UN budget
of which Human Rights alone (OHCHR, section 24)	US\$ 114 562 900	3.7% of total UN budget
'Three Pillars'* as overall percentage of UN budget:	US\$ 1,607,449,600	52.3% of total UN budget
Peace and Security Pillar		52.4% of 'Pillar' resources
Development Pillar		34.3% of 'Pillar' resources
Human Rights Pillar (including humanitarian affairs)		13.2% of 'Pillar' resources
Human Rights Pillar (if human rights section/OHCHR only)		7.6% of 'Pillar' resources (excluding humanitarian affairs)
Human Rights as compared to Peace and Security: 13.6% of resources devoted to Peace and Security		
Human Rights as compared to Development: 20.8% of resources devoted to Development		

* These statistics are for the relevant programmes of work only and do not include budget allocations for conference services or other services.

Table 1: Human Rights Council (HRC) resolutions, 2015–2020

Year	No. of sessions (incl. special sessions)	HRC resolutions, decisions and President's statements			Types of HRC resolution		
		Total	With resource requirements	Total new resource requirements (US\$)	Extension of perennial mandate	Additional/expanded mandate	Discontinued mandate
2015	28, 29, 30, S-23	138	57	15,049,100	11	46	–
2016	31, 32, 33, S-24, S-25	149	74	20,414,500	20	54	2
2017	34, 35, 36, S-26	139	78	25,366,000	26	52	1
2018	37, 38, 39, S-27, S-28	130	55	35,035,100	8	47	1
2019	40, 41, 42	135	65	38,402,400	19	46	–
2020	43, 44, 45	131	85	32,338,400	34	55	1

Source: OHCHR inter-office memorandum

While this allocation represents a 0.5% increase since 2016, it is not sufficient to adequately support the UN treaty bodies or address the rise in mandates established by the Human Rights Council, including new accountability and investigative mechanisms such as commissions of inquiry and fact-finding missions.¹⁰ Between 2015 and 2020, the number of resolutions adopted requiring resources rose from 57 to 85, with a corresponding increase in resource requirements from US\$ 15 million to US\$ 32.3 million. This is far short of what is needed to respond to the rising demands of victims and Member States across the world. Table 1 above provides information on resolutions and decisions during this period, including information on whether each mandate is perennial, additional or an expansion of an existing mandate, as well as whether it has been discontinued.

This deficit was further compounded by chronic liquidity problems affecting the UN regular budget due to late or missed payments by Member States,

which meant that OHCHR received only 75% of its allocation, further undermining delivery of many activities mandated by both the General Assembly and the Human Rights Council in 2020 and into 2022.

What does this say about the global commitment to human rights? Despite a number of cross-regional initiatives to strengthen funding for the human rights pillar since 2012, stark divisions have continued to fuel discussions in the General Assembly's Fifth Committee, which decides on budget allocations and scrutinises new posts for OHCHR, along with the rest of the UN Secretariat. While arguments that attempt to politicise the human rights agenda – and which may seek to undermine the universality of human rights – are sometimes evident, apparently value-neutral budget cutting may also have inadvertent effects. In reality, overall zero growth approaches mean the prospects of any increase in allocations to human rights in the UN regular budget are remote.

The increasing dependence on voluntary contributions

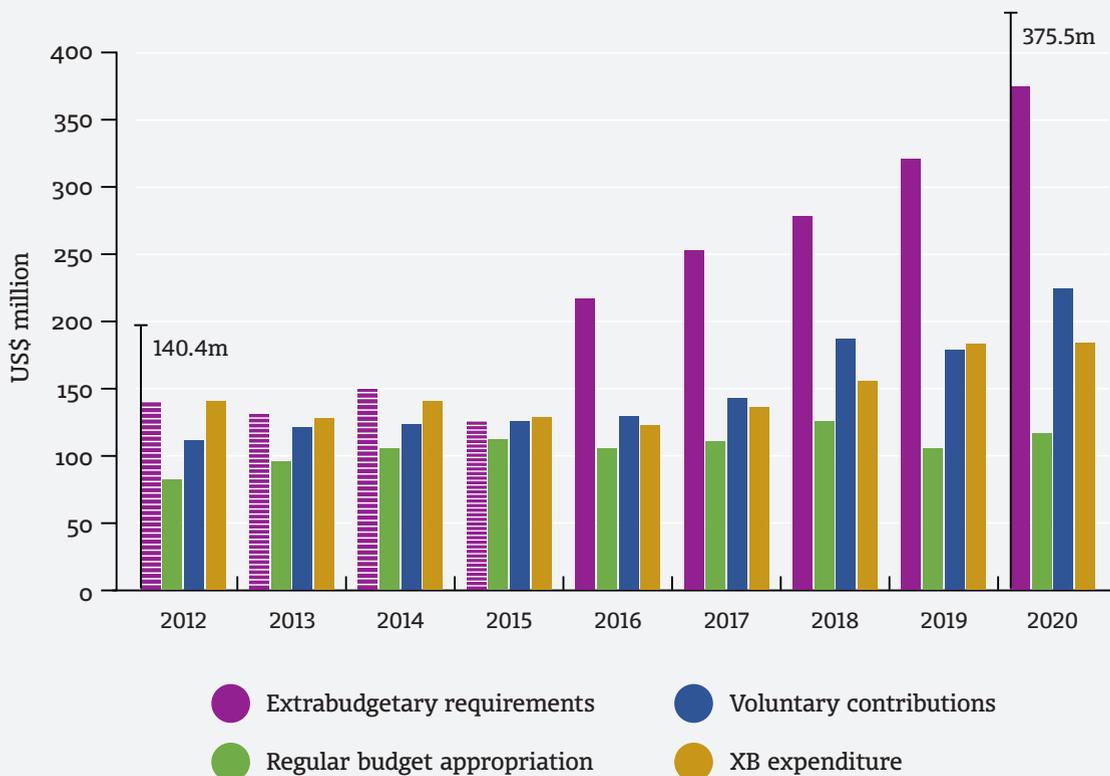
What is the alternative? Over the years, OHCHR has sought to make up budget shortfalls by relying on voluntary contributions, mostly from Member States, which have come to fund almost 60% of its activities. Increases in donor funding over the past five years culminated in contributions reaching an all-time high in 2020: US\$ 224.3 million from 79 donors, including 61 Member States, 41% of which are in the ‘Western European and others’ group. In 2020, only 29 donors provided voluntary contributions of US\$ 500,000 or above, while 13 donors each gave more than US\$ 5 million, increasing OHCHR’s reliance on these latter donors.¹¹

However, excessive reliance on voluntary contributions can come at a cost for human rights. Contributions can be unpredictable, creating systemic financial and institutional insecurity, and reducing flexibility. Moreover, almost three-quarters of voluntary contributions in 2020 included some form of earmarking for designated activities. Earmarked contributions can lead to higher transactional costs, reduce OHCHR’s capacity to provide effective and agile responses to emerging needs, and can generate perceptions that UN human rights work lacks sufficient independence.

Figure 3: Funding needs, income and expenditure

Funding needs, income and expenditure

Extrabudgetary requirements, RB, XB income and expenditure evolution 2012-2020 (US\$ million)

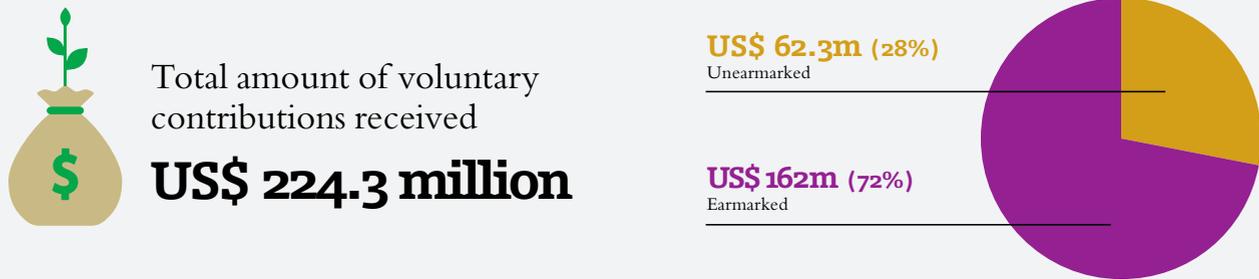


Until 2015, the extrabudgetary requirements (Annual Appeal) consisted of mere cost plans based on projected income. In 2016, OHCHR introduced a new approach to demonstrate the Office’s true requirements, ie, a needs-based budget of all the funds that the Office would need, in a single year, if it was to respond to and implement all requests of assistance it received.

Source: OHCHR, ‘United Nations Human Rights Report 2020’

Figure 4: Funding needs, income and expenditure

Earmarked versus unearmarked funding 2020



Supporting and leveraging the UN system

Human rights have increasingly become central to the success and sustainability of the development and peace and security pillars. Recognising and magnifying this driving force was the core message of the Secretary-General's Call to Action for Human Rights.¹² As seen throughout the COVID-19 pandemic, the alignment of development plans and human rights priorities has reinforced national protection systems. The human rights-based approach now underpins much of UN country teams' programming around the world. This is also true of the peace and security pillar, where human rights have strengthened conflict prevention, early warning and accountability.

However, robust inter-agency and cross-pillar synergies coupled with ad-hoc financial support from donors will not, regrettably, suffice in tackling the structural problem of underfunding of the human rights pillar.

Given an effectively capped regular budget allocation and constrained voluntary contributions – as well as the escalating needs of people, Member States and organisations around the world – how can the UN human rights system deliver of its mandate and meet the increasing demand it faces?

If the allocation of regular budget resources remains at present levels, then yes, supportive Member States can make a real difference by establishing or reinforcing multi-year commitments to the UN human rights system, thereby ensuring its continuing sustainability, stability and independence.

In February 2021, Secretary-General Guterres called on Member States to 'ensure that the Office of the High Commissioner for Human Rights, the treaty body mechanisms and other critical human rights activities have the necessary means to carry on this mandate and fulfil our shared promise to protect and advance human rights'. This is work that every member of the international community needs to advance – for the good of all.

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Maintaining UN capacities for conflict prevention in a changing peace and security landscape

By Jake Sherman

Introduction

If it is to effectively prevent conflict and address its consequences, the United Nations of the twenty-first century requires greater flexibility to quickly and temporarily surge capacity to special political missions, UN country teams, and partners such as the African Union. Moreover, in responding to climate-related security risks, rapid changes in the technological landscape (including dis/misinformation) and other emerging threats, the UN needs revamped recruitment and secondment mechanisms that will allow it to tap into a wider range of skills and expertise. Both these elements require new thinking about how best to ensure the sustainability and interoperability of different UN funding streams, and the expertise and capacities they support.

The scope and assessment of UN peacekeeping operations

For more than seven decades, UN peacekeeping has been a relatively effective and cost-efficient means of maintaining international peace and security. Peacekeeping missions limit the amount of violence during conflict, and countries with peacekeeping missions are more likely to establish lasting peace after violence.¹ Since 1948, the UN has deployed almost 70 missions around the world,² the most recent being the operations in Mali and the Central African Republic (deployed in, respectively, 2013 and 2014), and the mission in Haiti, which ran from 2017 to 2019. Peacekeeping has become a global enterprise, not only in the scope of deployments, but in how they are resourced and staffed. Currently, almost 82,000 troops and police from nearly 100 countries, as well as more than 14,000 civilians, are deployed across 12 operations.³ The majority of troop and police contributions are now from the Global South, following a sharp decline in European participation in peacekeeping in the mid-1990s following failures in Rwanda, Somalia and the Balkans.⁴

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Given that the UN Charter did not anticipate the creation of peacekeeping, a means of sustainably financing these operations became necessary. However, as the scale and ambition of these operations grew, many UN Member States were increasingly reluctant to cover the increased costs from their regular budget assessments. Some went further, arguing that the costs were not legitimate expenses, and should be met through voluntary contributions. Years of diplomatic wrangling, financial crises and inconsistencies in how funding for peacekeeping was generated led to a 1962 ruling by the International Court of Justice, and, eventually, the establishment of a separate assessed peacekeeping budget to which all members of the organisation contribute.⁵

Under the current scale of assessment, the five permanent members of the Security Council (the so-called P5) pay a premium, collectively contributing just over 56% of the peacekeeping budget. High-income countries – including most countries in Europe, together with Australia, Israel, Japan, New Zealand, the Republic of Korea and Saudi Arabia – pay a further 37%. Meanwhile, the assessments for the vast majority of UN Member States are steeply discounted.⁶ Many of the top troop and police contributors are least-developed countries, which are assessed as contributing a symbolic share of the peacekeeping budget.⁷ For example, the top three contributors – Bangladesh, Ethiopia and Rwanda, with over 6,000 uniformed personnel each – are assessed as contributing, respectively, .001%, .001%, and .0003% of the peacekeeping budget.⁸ This scale of assessment has led to a longstanding divide – and differential in political influence – between countries providing the bulk of personnel and those providing the bulk of finances.

Changes in multilateral responses to armed conflict

Since the end of the Cold War, large multidimensional missions have been the predominant form of peacekeeping operations. This has reflected a shift from monitoring ceasefires and peace agreements between states to addressing intrastate conflict. Such peacekeeping missions typically comprise a mix of civilian, police and military personnel mandated under Chapter VII of the UN Charter to support comprehensive peace agreements, protect civilians, monitor and report on human rights, and support early peacebuilding. In terms of the latter, this includes assisting in disarmament, demobilisation and reintegration (DDR) programmes for former combatants, supporting justice and security sector reform (SSR), and monitoring or organising elections.

In the past five years, however, peacekeeping has undergone a significant contraction. Longstanding UN missions in Côte d'Ivoire, Darfur, Haiti and Liberia have closed, while the current mission in the Democratic Republic of the Congo is in the early stages of a phased drawdown. The annual peacekeeping budget has dropped 23%, from US\$ 8.3 billion in 2015–16 (15 missions), to less than US\$ 6.6 billion in 2020–21 (12 missions), while the number of deployed personnel has fallen 24% during this period.

This reduction is, in part, a mark of success – the achievement of sufficient peace and stability. However, it may also be a sign of increased geopolitical competition among the P5: no new mission has been deployed since 2015, despite crises in Ethiopia, Myanmar, Nagorno-Karabakh, Ukraine and Venezuela. Moreover, it points towards fatigue on the part of major financial contributors, Security Council members and host governments. Financial contributors criticise the cost and duration of peacekeeping missions, while Security Council members and host governments highlight the absence of sustainable peace agreements, an inability to address drivers of conflict and violence, and intrusive politics.

This trend appears to indicate a diminished interest in and role for large-scale UN peacekeeping operations. In cases where UN involvement is viewed as necessary, the international consensus seems to be shifting in favour of smaller, less intrusive, civilian special political missions (SPMs) or, as in Burkina Faso, more robust, scaled-up responses by the UN's development and humanitarian arms, as well as regional and subregional responses.

The continued need for conflict prevention

Despite these changes, the need for UN peace operations and conflict-prevention activities has not diminished. As of the end of 2019, nearly 80 million people

worldwide were forcibly displaced due to conflict, violence, persecution and human rights violations.⁹ In 2020, half of countries worldwide experienced an increase in political violence and related fatalities, even as overall numbers decreased.¹⁰ The boundary between conflict and instability has become murkier, with high levels of violence outside of war. Civilians are often the target of such violence, accounting for close to 33,800 fatalities in 2020 alone. As noted by the Armed Conflict Location & Event Data Project, high numbers of civilian fatalities were recorded outside of conflict zones, including in Brazil, India and Mexico, as well as in conflict contexts such as Afghanistan, Syria, Ukraine and Yemen.¹¹

The forms of violence and conflict – including violent extremism; international and regional involvement; transnational organised crime; and often highly local, fragmented non-stated armed groups – are also evolving, adding to the complexity of resolving them.¹² The spread of misinformation and hate speech through social media poses new challenges, as do cyberattacks. Climate change is also negatively impacting livelihoods, exacerbating existing risks, bringing communities into conflict and spurring migration. Moreover, the economic consequences of COVID-19 may have additional peace and security implications, as indicated by recent protests and social movements.

As multidimensional UN peacekeeping missions fall out of favour, more flexible – and mostly civilian – SPMs and UN country teams will increasingly find themselves on the front lines, responding to armed conflict and protection threats. In Sudan, where the Security Council has given the UN Integrated Transition Assistance Mission a protection mandate but not the means to provide physical protection, the UN will need to rely on other forms of protection.¹³ In Burkina Faso, a 'super country team', including several integrated regional offices, is trying to respond to growing extremist violence and a humanitarian crisis. In Myanmar, the UN is struggling to respond to the military coup d'état amid a tepid response from the Security Council. Similarly weak condemnation has greeted the violence in the Tigray region of Ethiopia, where humanitarian organisations are attempting to mitigate the consequences.

Recalibrating the UN's support for peace operations

'Backstopping' is a term used to describe the political, operational and administrative support provided by UN headquarters to its missions in the field, both as a share of funding and of headquarters-based posts. The scale of the day-to-day backstopping provided by the UN Department of Peace Operations (DPO) is proportionate to the number and size of peacekeeping missions. As peacekeeping missions close and their

budgets decline, headquarters-based expertise in the areas of rule of law, SSR, DDR, mine action, military planning, policing, gender, local mediation and strategic communications should likewise decrease to scale. In this context, the UN Secretariat and Member States need to consider what level of capacity the DPO needs to maintain; how this technical expertise could be better accessed by the rest of the UN, including Resident Coordinators; and how DPO can better transfer skills and expertise to counterparts in national and local government, regional organisations and civil society.

Most of the New York-based posts that support peacekeeping are funded through the UN support account, which is financed as a portion of the peacekeeping budget – each mission bears a share of the staffing and non-staffing resources at UN headquarters. Where Member States have declined to fund additional posts – including in policy areas such as gender, human rights and protection – voluntary funding becomes necessary to cover a number of posts. The availability of such ‘extrabudgetary’ funding is expected to fall, with protection and other posts already being cut due to belt-tightening on the part of major financial contributors in response to the COVID-19 pandemic’s economic consequences.

Since the establishment of the UN Department of Operational Support, the services previously provided by the Department of Field Support to peacekeeping operations (and, on an as-needed basis, SPMs) have been expanded across the Secretariat. These services now routinely include peacekeeping operations and SPMs, Resident Coordinator offices, and the field presences of the Office for the Coordination of Humanitarian Affairs and the Office of the UN High Commissioner for Human Rights. They also include the non-headquarters UN offices (in Bangkok, Geneva, Nairobi and Vienna) and the regional economic commissions in Africa, Asia, Europe, Latin America and the Middle East. Over time, DPO may increasingly become a provider of technical advice across the UN system – not just in response to crises, but in order to prevent them.

Several existing mechanisms could be expanded to strengthen this engagement and reduce fragmentation, including the mediation standby team of the UN Department of Political and Peacebuilding Affairs (DPPA), and DPO’s standing capacities in police, justice, corrections, SSR, DDR and mine action.¹⁴ In addition, the Global Focal Point (GFP) for the Rule of Law system, led jointly by DPO and United Nations Development Programme (UNDP), has reduced competition and fragmentation in the provision of police, justice and corrections assistance to recipient countries.¹⁵ Finally, UNDP’s SURGE advisors – short-term, rapidly

deployable UNDP staff with extensive technical expertise and experience in crisis situations – could be engaged.¹⁶

Nearly all these mechanisms are voluntary funded – as a result, there are often limits on the ability of these mechanisms to respond to all requests, scale up their assistance or provide the range of expertise required. An evaluation of the GFP, for example, found that its outcomes ‘have often not moved to a scale sufficient to address country-level challenges’, and that resource mobilisation can enforce rather than break down silos among partner entities.¹⁷ An early evaluation of DPPA’s mediation standby team stated that in the long run funding through the regular budget would be required to ensure the team’s sustainability. Moreover, as the evaluation notes, such mechanisms need to draw on the reserves of practical expertise held by staff serving in field missions.¹⁸ In addition, these mechanisms also provide potential models for deploying new and emerging skills and capacities.

To support Member States and partners in addressing emerging threats and risks, the UN also increasingly requires expertise in areas such as climate security, strategic communication, predictive analytics, behavioural science, cybersecurity and public health. Existing generic UN job descriptions are not fit for purpose, and difficult to update and tailor to rapidly evolving fields. The Secretariat’s human resources system is rigid, bureaucratic and slow, while attempts at reform have often exacerbated challenges due to micromanagement by Member States and the vested interests of key stakeholders.¹⁹ Former UN Secretary-General Ban Ki-moon’s CivCap initiative, for example, recognised the need to ‘draw on a greater variety of sources of civilian capacity to meet specialised needs and to complement the UN workforce with additional capacities from external partners’, but ultimately failed due to complications and lack of political support.²⁰ A new initiative is required to identify emerging capacity needs and staffing and expertise gaps, as well as how such gaps can be filled in ways that ensure the right expertise is deployed where and when it is needed.

Conclusion

Preventing and ending conflict was a primary motivation in establishing the UN. Yet the UN’s existing capacities in support of this goal, particularly outside peacekeeping environments, are reliant on a mix of unpredictable funding mechanisms and accountable to different governing authorities. Much of this capacity is either voluntarily funded or dependent on the scale of peacekeeping. The withholding of a significant portion of assessed funding by the previous United States administration, alongside cutbacks in voluntary funding by other major donors due to

COVID-19, have underscored the precariousness of the UN's finances in these areas. Almost none of this capacity is supported through the UN's regular programme budget.

With the downsizing of peacekeeping and the savings arising therein, Member States should look to mitigate the emergence or escalation of violence through reinvesting in the UN's conflict-prevention and peacebuilding capabilities. In this regard, the UN should – based on recent demand and likely trends –

identify a minimum core pool of skills and capacities, with the goal of transitioning these to the regular budget. This would provide greater predictability and reduce competition for funding. The current UN Secretary-General, António Guterres, has sought to reform the UN system to better respond to twenty-first century challenges.²¹ Doing so will require a workforce capable of meeting this task and a funding structure to match. Only then will the UN have the means to provide assistance to all partners who request it.

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Innovative ways for peace financing: The case for 'blue investments'

By Christoph Heusgen

Peacebuilding – rebuilding a society emerging from war, addressing root causes of violent conflict, creating inclusive and just institutions, and fostering social cohesion – is an extremely complex challenge. It is an inherently local process, as, in the end, it is local communities and the citizens of the countries concerned who will shape their future and lay the foundations for peace and development. The international community, while respecting and strengthening local ownership, has to play a critical role in such transition periods. In this regard, the United Nations Secretary-General's Peacebuilding Fund (PBF) has become a key part of the puzzle, supporting and often kick-starting projects and development that have the biggest impact when it comes to building national capacities, preventing violent conflict and building peace.

The limits of traditional funding for peace

Despite the best efforts of the UN membership in recent years, the need for peacebuilding financing remains immense. A recent report by the World Bank highlights that, based on current trajectories, by 2030 up to two-thirds of the world's extreme poor will live in fragile and conflict-affected countries. Despite this, less than 13% of official development assistance to conflict-affected countries has been directed towards peacebuilding. Currently, the PBF relies primarily on voluntary contributions from a relatively small and consistent donor base, with Germany the largest contributor (roughly US\$ 46 million) in 2020. Discussions regarding how to increase available funding for the PBF have so far centred on increasing, enhancing or re-distributing assessed or voluntary contributions from Member States, building on the concrete proposals advanced by the UN Secretary-General in his 2018 report on Peacebuilding and Sustaining Peace.¹ This is an important discussion – peacebuilding in fragile contexts necessarily has to rely on public funding, meaning we should continue advocating for new donors to join the PBF and existing donors to provide more predictable funding.

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Nevertheless, given the current fiscal pressures felt everywhere in the world – further aggravated by the COVID-19 pandemic – we must be ready to explore new financing options in pursuit of a third avenue for peacebuilding finance. Given that it is unlikely that traditional funding instruments alone will be able to meet the world's peacebuilding needs, we need to adopt a comprehensive approach to the question of peacebuilding financing. When it comes to supporting the UN peacebuilding agenda, this includes exploring the feasibility of innovative financing tools, and in particular blended finance.

The opportunities of non-traditional funding for peace

This is not just a matter of convenience. Since peacebuilding is a process that involves society as a whole, the private sector can and must play a crucial role in helping make peace more sustainable. Specifically, employment generation, economic inclusion and more equitable access to social services are veritable 'peace dividends' – concrete effects that not only improve the economic outlook of individuals

but help stabilise communities and foster social cohesion. Non-traditional funding instruments such as blended finance could, if done right, help crowd in private sector investment in the service of peace. Ideally, this would lead to a greater focus on local entrepreneurship and, ultimately, local peacebuilding solutions.

Peacebuilding needs to focus on local ownership. In contexts where income opportunities, infrastructure and services are in dire need, local entrepreneurs are often the most effective peacebuilders. The underlying insight is simple: stable and peaceful societies cannot be created solely from the outside. Put another way, societies cannot thrive in the long term on international public spending alone – the goal must be to enable peace positive investments that contribute to vibrant, self-sustaining communities. Moreover, for communities and societies to thrive, we need governments that assume responsibility for fighting corruption, build functioning institutions and independent judiciaries, value an independent media, and respect human rights.

In recent years, blended finance has attracted increasing interest as an option to complement donor funding, especially with regard to implementation of the Sustainable Development Goals. The partnership between the UN and international financial institutions (IFIs) has been intensified, with joint planning and programming processes implemented in a number of countries, leading to, for example, joint UN–World Bank projects. Some private equity funds and impact funds are increasingly operating in fragile contexts. To date, however, these efforts remain isolated, lacking both scope and scale, with little research conducted on the feasibility and impact of blended finance mechanisms in peacebuilding contexts.

Currently, there are too many questions and too few answers. This includes the key question of what characterises a ‘peace positive’ investment. We know that general improvements in economic and social conditions do not automatically reduce the propensity for conflict, and that a focus on profitable market opportunities may even ‘do harm’ by reinforcing or exacerbating existing economic and political inequalities. It is crucial, therefore, that investments are not only conflict sensitive but have a tangible and positive impact on peace. This is the essence of peace finance.

In addition, in-depth consideration is needed regarding how best to overcome the practical and political barriers that currently impede peace positive investments in peacebuilding contexts. Attracting capital to such markets is not easy: development finance institutions (DFIs) and IFIs face various obstacles to investing in fragile states, including a challenging enabling environment

for investment, especially where institutional oversight may be weak and regulatory frameworks not yet fully established, local capital is scarce and the formal private sector is small. Moreover, there are organisational constraints within DFIs, such as minimum investment-size requirements that are frequently too big for a post-conflict context, or risk policies that are not suited to the volatile environments that characterise peacebuilding contexts. In addition, even if an investor is willing to step forward, there is the challenge of ensuring their investment does actually contribute to peace.

Achieving peace impact through ‘blue investments’

Carving out a space where investments are both profitable and ‘peace positive’ requires extensive local knowledge, close collaboration between stakeholders from the financial and peacebuilding spheres, and a willingness to innovate. At present, local and regional stakeholders are leading the way. Ongoing initiatives and partnerships demonstrate that ample economic opportunities do exist, as do dynamic enterprises and practical ideas on enhancing the social impact of investments.

There are also encouraging examples from other, related, fields, such as climate finance. Over the past decade, climate experts have been both innovative and versatile when it comes to financing national and international efforts to offset or curb CO₂ emissions through so-called ‘green investments’. Here, the Global Innovation Lab for Climate Finance, the Green Climate Fund and the Global Environment Facility’s blended finance programme spring to mind.

In terms of making and building lasting peace, climate finance can serve as inspiration for efforts aimed at funding the international community’s agenda. From now on, the struggle for peace will require not only the deployment of ‘blue helmets’, but of ‘blue capital’ in fragile states across the globe.

A ‘Blue Capital Fund’ to finance peace?

In order to identify and assess practical solutions, the German Federal Foreign Office commissioned a study on options for innovative funding in support of UN peacebuilding.² Having evaluated various options for innovative financing, the study came up with a proposal for a new blended finance vehicle focused on financing peace. The idea is to bring together investors – particularly DFIs and IFIs – with the PBF, driven by the explicit aim of not only generating a return on investment but achieving peace impact. In Colombia, the UN has already, with support from the PBF, gained experience in using blended finance solutions

in conflict-affected municipalities. The PBF can play a key role in both catalysing greater volumes of finance into peacebuilding priority countries, and helping ensure that such investments are made in a conflict-sensitive, and ideally peace positive, way.

To finance peace, we must bring together IFIs, peacebuilders and development actors in order to create new partnerships and find new ways of collaborating. In this regard, a start was made at a high-level virtual event in May 2021 focused on financing for peace, which was hosted by the governments of Germany and Colombia, with support from the PBF. The event brought together, possibly for the first time, the UN community of Member States and leading practitioners in the field of peace finance, including those from IFIs, DFIs and regional development banks. This is very much in line with the UN Secretary-General's Sustaining Peace agenda, which has prioritised a stronger role for civil society, the private sector and regional organisations, as well as closer partnerships between the UN and IFIs.

Of course, no single option in isolation – from more voluntary contributions to assessed contributions to innovative financing options – is likely to serve as a magic bullet. Yet we also know that time is short: the demand for peace and peace financing is massive, and UN Member States have committed themselves to a High-Level Meeting on Financing for Peace during the 76th Session of the General Assembly. As such, now is the time to be creative and jointly explore new options for peacebuilding finance, and to renew efforts to generate adequate and more predictable funding for peace.

Footnotes

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Renewal of Multilateralism

**Maximising UN leverage where it matters most:
At the country level**

By John Hendra and Per Knutsson

Financing peacebuilding: The role of private sector actors

By the Dag Hammarskjöld Foundation

**From funding to financing:
Leveraging the private sector for peacebuilding in Colombia**

By Aanchal Bhatia

**'Walking the talk':
Accelerating the United Nation's role in leveraging the
private sector for the Sustainable Development Goals**

By John Hendra and Arif Neky

**The EU's contribution to rules-based multilateralism:
Moving towards 'multilateralising' bilateral engagement
and 'bilateralising' the multilateral approach**

**Whither global public goods?
No one is safe until everyone is safe**

By John Hendra and Silke Weinlich

The promises and pitfalls of COVID-19 vaccine equity

By Kanni Wignaraja and Swarnim Waglé

**Strengthening weather and climate observations:
A foundational global public good**

By Johannes F. Linn, Anthony Rea, Markus Repnik and Laura Tuck

Overview

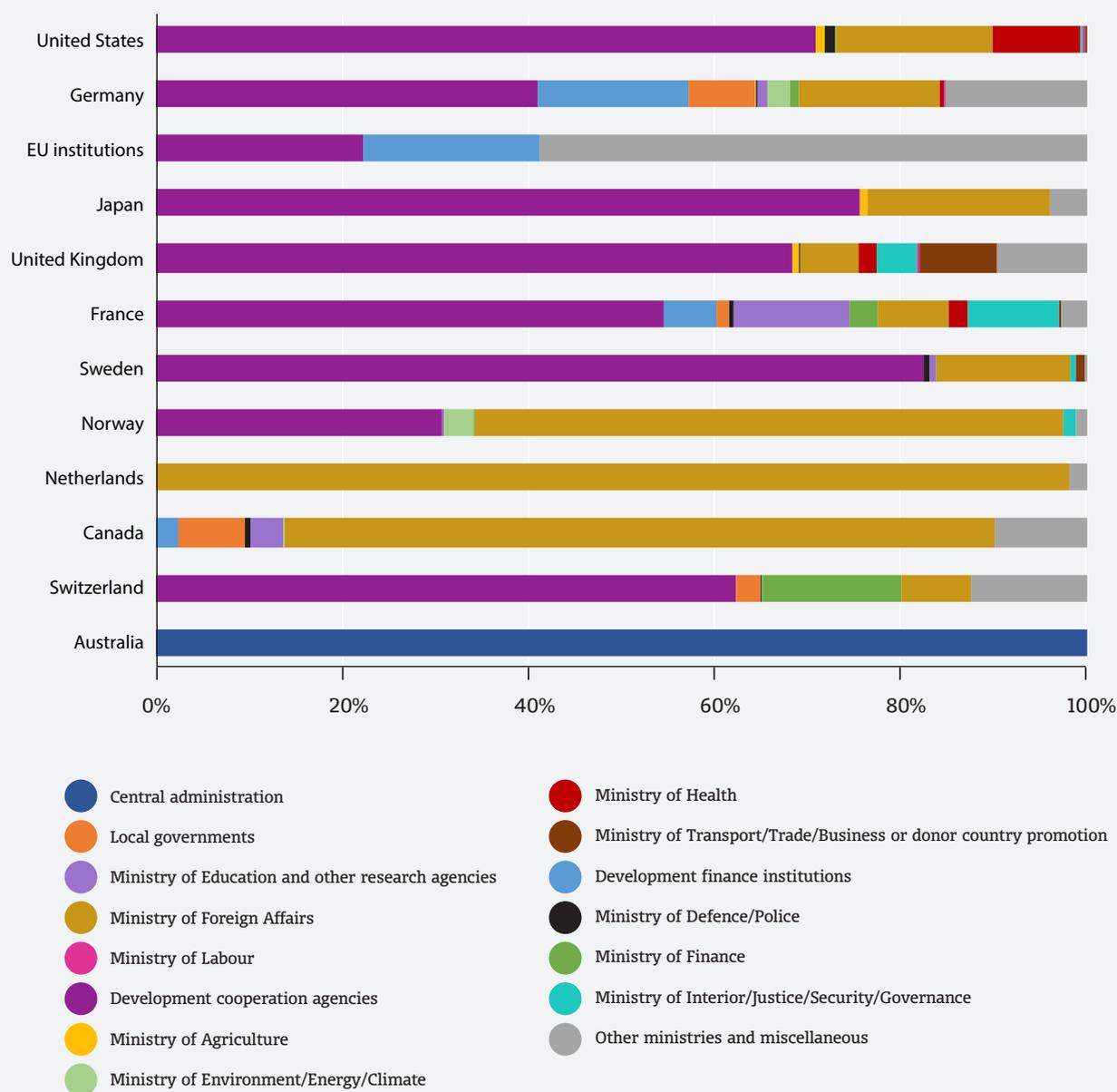
Part Three builds on Part Two's broad analysis to take a deep dive into two spheres that have often been highlighted in previous editions of this report: United Nations renewal and UN leverage at the country level, and the re-emergence of global public goods (GPGs).

In the first piece, **John Hendra** and **Per Knutsson**, both of the Dag Hammarskjöld Foundation, take stock of the progress made towards more integrated and inclusive country-level analysis and planning among UN agencies and Member States. Following on from this, a contribution by the **Dag Hammarskjöld Foundation** outlines different approaches to engaging with the private sector in order to scale up its contribution to peacebuilding. The next two contributions look at country cases. First, **Aanchal Bhatia** from the UN's Peacebuilding Support Office (PBSO) looks at how the UN leveraged private financing for peacebuilding in Colombia, before **John Hendra** and **Arif Neky** – the latter from the Office of the Resident Coordinator in Kenya – provide insights into the realities of blended finance in Kenya. The latter contribution draws on two country-level initiatives: Kenya's Sustainable Development Goal (SDG) Partnership Platform and the Joint SDG Fund's SDG Invest portfolio. Finally, the **Dag Hammarskjöld Foundation** provides a summary of the European Union's new approach to strengthen rules-based multilateralism and what it means for multilateral funding and cooperation with the UN specifically (see box 4).

The next three contributions take an in-depth look at GPGs and their relevance to the UN, beginning with a general review of the current state of the GPG agenda provided by **John Hendra** and **Silke Weinlich**, of the German Development Institute, who identify key dimensions of the UN's role in delivering on it. This is followed by a piece by **Kanni Wignaraja** and **Swarnim Waglé**, both of the UN Development Programme (UNDP), in which they make the case for ensuring that the miracle of vaccine production is matched by the miracle of universal reach. A very different challenge is addressed by **Johannes F. Linn**, **Anthony Rea**, **Markus Replik** and **Laura Tuck** in the final contribution: that of strengthening weather and climate observations as a foundational GPG. Here, the authors note that weather prediction services are estimated conservatively to produce annual global benefits worth US\$ 162 billion.

The annual *Financing the UN Development System* report has always been rooted in the importance of cultivating a marketplace of ideas, with the diversity of examples contained within this year's report serving to illustrate this point. We believe that the range of challenges covered by the GPGs agenda will ensure that it continues to remain centre-stage.

International financial institutions net disbursements during the 2009 financial crisis and COVID-19



Source: World Bank quarterly financial reports, IMF financial query system, ADB annual reports, IDB annual reports, and AfDB annual reports. Totals exclude lending to high-income countries where possible

This figure identifies the sources of official development assistance (ODA) within the 12 largest OECD Development Assistance Committee (OECD-DAC) members as a proportion of the total. A wide range of government institutions continue to be sources of ODA, which is in line with the development that the SDGs are increasingly being achieved through broad partnerships. Here, line ministries are not only taking the lead in global discussions on, for example, health or the environment, but are being given relevant ODA resources to dispose of.

Maximising UN leverage where it matters most: At the country level

By John Hendra and Per Knutsson

A key feature of Secretary-General António Guterres' vision for a reformed UN is enhancing its convening capacity so as to leverage greater political attention, action and financing towards the world's greatest challenges, perhaps best represented as the 2030 Agenda for Sustainable Development. This ambition has become even more important during the COVID-19 pandemic, where competition between nations has too often been the response, coming at the expense of global coordination, multilateral cooperation and solidarity.

The Secretary-General has called for stronger leadership of the global agenda as a means of encouraging countries to raise their eyes above today's nationalistic parapets and instead focus on the widespread socio-economic fallout, exploding inequality and singular lack of fairness that is now in evidence across the world. At the global level, the actions taken by the Secretary-General include:

1. stepping into the breach – alongside the prime ministers of Canada and Jamaica – to convene high-level events on 'Financing for Development in the Era of COVID-19 and Beyond', and calling for urgent measures to address an emerging debt crisis, when perhaps more appropriate forums such as the G20 had become paralysed by inaction;
2. setting out bold recommendations through 'Our Common Agenda' 'for transformative global action to address shared problems, deliver on critical global public goods and prepare for the threats and opportunities of the future';¹ and
3. advocating for a UN that acts as a catalyst and platform for a more inclusive, networked and effective multilateralism.

Beyond these global efforts, it is at the country level where the UN development system (UNDS) can have the greatest impact. Other contributions in this chapter look at emerging good practices within the

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Per Knutsson is the Deputy Executive Director and one of two Programme Directors at the Dag Hammarskjöld Foundation, with management responsibility for thematic areas on Multilateralism, UN Repositioning, Development Finance and Leadership. Per most recently served as the Head of the United Nations Resident Coordinators Office in Kenya, 2014–20. With a nearly 30 year civil service career in Swedish international development, Per has held senior management positions at Sida, leading Multilateral Coordination and policy, programmes and methods. Per headed regional sections at the Swedish Embassies in Ethiopia and Tanzania and led partner groups for African Union affairs and Regional Economic Commissions for Africa. Per has represented Sweden in the EU Development Fund, Brussels. Per holds a Masters in Global Management from Salford Business School/University of Salford, UK, and studied Social Anthropology, History of Economics and History of Ideas at Stockholm University.

UNDS aimed at more effectively leveraging private sector financing for the Sustainable Development Goals (SDGs) and peacebuilding efforts. This article argues

that, in addition to this, we must look at whether the introduction of the new UN Sustainable Development Cooperation Frameworks has: 1) resulted in more integrated and coherent policy and programming support; and 2) helped leverage more strategic funding for the UN at the country level.

Leveraging UN country frameworks for more integrated, effective support to countries

A key element of UNDS reform has been the shift towards more cohesive and comprehensive single-strategy frameworks at the country level through the new UN Sustainable Development Cooperation Frameworks. This has given the UN, its Member States and host countries an opportunity to better leverage development efforts and improve results.

While acknowledging the Cooperation Frameworks are still at an early stage of implementation, this article asks, in terms of the UN's support to Agenda 2030, what evidence exists that the new frameworks offer a more integrated and effective response at the country level. Specifically, do the Cooperation Frameworks address some of the key shortcomings of previous UN Development Assistance Frameworks (UNDAFs) – that is, do they serve as a framework for the whole of the UN, with individual agency programmes fully aligned to them? And, importantly, do they provide the most coherent offer/value proposition possible? One way of assessing this is to look at whether Member States, who have been calling for a more coordinated UN, are utilising the new frameworks, engaging more strategically with the UN, and reducing more fragmented project support.

As reflected in the 2021 Quadrennial Comprehensive Policy Review Report,² the UN's investment in the new strategy frameworks is already showing significant progress and leveraging potential. The new Cooperation Frameworks are much more conducive to a whole-of-system response than their predecessors. Most countries that designed a Cooperation Framework in 2020 saw unprecedented involvement from UN entities (irrespective of their physical presence in the country), which greatly improved the host country's access to the UN's offer. The UN Department of Economic and Social Affairs (UN DESA), for example, supported 22 Common Country Assessments that covered 48 countries, providing analysis of macroeconomic and transboundary risks; fiscal issues; Integrated National Financing Framework (INFF) methodology; political economy; and statistics and data quality. Regional Economic Commissions are now members of 47 UN country teams (UNCT). Several UNCTs report that structured country team configuration dialogues have helped in tapping the

best and most relevant UNDS capacities to deliver on the Cooperation Framework, thereby facilitating more integrated support to programme countries.³

In terms of greater alignment, recent surveys conducted by UN DESA demonstrate that 92% of programme country governments agree that the Cooperation Frameworks have enabled them in helping ensure UN operational activities effectively respond to national priorities; while 78% of governments see an improved focus on common results (compared to 74% in 2019).⁴

At the same time, 65% of UNDS entities are still not formally required to derive their country programme outcomes from the Cooperation Framework, and 40% have yet to take action to harmonise their agency-specific programming with Cooperation Framework guidance and practice.⁵ Starting in 2021, the UN Population Fund (UNFPA), the UN Children's Fund (UNICEF) and the UN Development Programme (UNDP) will ensure that country programme documents presented at Executive Board sessions will be accompanied by an advanced draft of the Cooperation Framework or agreed results framework, to be made publicly available on the UN Development Cooperation Office (DCO) website. Continued attention and action by UNDS principals and consistent messaging by Member States at boards and other respective governing bodies is needed to ensure alignment of programme outcomes with Cooperation Frameworks at the country level.

The jury is still out on whether the new Cooperation Frameworks will be utilised to their full potential by UNCTs. Even so, great effort has gone into developing new tools, including the Common Country Analysis and UN Sustainable Development Cooperation Framework guidance for UNCTs.⁶ These 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.

The UN's country-level response to the COVID-19 pandemic has demonstrated UNCTs' strong ability to collaborate in response to a crisis. The majority of UNCTs were able to develop Socio-Economic Response Plans (SERPs) in a very short time – 118 SERPs covering 136 countries were developed within nine months of the pandemic's outbreak.⁷ Evidence suggests that these plans helped enable a coherent country response. The Multilateral Organisation Performance Assessment Network (MOPAN) conducted interviews as part of an analytical study of UNDS reform. The results indicate that this pandemic response provides a good example of the benefits arising from a reconfigured Resident Coordinator function and the new generation of UNCTs, as well as of the flexibility and agility of coordination within the system.⁸

In particular, in-country agency interviewees noted that, due to increased virtual UNCT engagement, they were more aware of other agencies' contributions to the health and economic response. Host government officials mirrored these comments in their interviews and often described the clarity of leadership.⁹ This suggests that UN socio-economic impact assessments and response plans addressing COVID-19 were developed in a more collaborative and substantive manner in many countries, with greater attention paid to the provision of quality policy advice. This was in part due to the robust global UN socio-economic response framework developed by UNDP and DCO, which became a useful template for similar national SERPs.¹⁰

Following the success of this approach, a recent system-wide evaluation of the UN's COVID-19 Response and Recovery Multi-Partner Trust Fund recommended developing a similar robust, global framework on 'Recovering Better and Greener'. This could be used to inform Cooperation Frameworks in a correspondingly substantive manner, addressing areas where countries have suffered disproportionate impact and ensuring innovative approaches and climate action.¹¹ While it is still too early to make an objective assessment, these key initial innovations appear to hold significant potential in enabling a more coherent UN offer through the new, dynamic Cooperation Frameworks.

Leveraging more coherent funding at the country level

To the extent the new Cooperation Frameworks offer a strategy for coordinated UN programming at the country level, they potentially also offer a strategic platform for more coherent Member State funding. The trend in UN programming at the country level shows that the Cooperation Frameworks have transitioned from being patchworks of agency funding, supplementing agency-specific programming, to increasingly becoming a single programming framework across the whole UN at country level. There is currently a positive trend whereby the Cooperation Frameworks comprise both humanitarian and development programming, meaning they now represent the majority of the UN's response to countries' development priorities. In the past, humanitarian funds were programmed outside the previous UNDAFs. This new trend offers opportunities for Member States, including donors, to contribute to programming across mandates and development contexts, and to fund more integrated and effective strategies.

Some good practices have already started to emerge. Ideally, joint analysis and planning between the UN and Member States in developing and implementing a

country-level Cooperation Framework should enable strategic dialogue on funding issues, in turn strengthening the alignment between Cooperation Frameworks and bilateral development strategies. To take one example, the European Union (EU) and the UN established a strategy-based senior management dialogue in Kenya that aligned with the development of the EU's 2018–22 Joint Programme with Kenya and the 2018–22 UN Framework. With a common objective of supporting Kenya's development through focused contributions to the 'Kenya Vision 2030' national development programme, the EU and UN established a joint platform to explore how the EU's next long-term funding cycle can be optimised in terms of policy integration and funding, in alignment with the Cooperation Framework. In another example from the country level, the establishment of the SDG Acceleration Fund in Malawi facilitated improved coordination, with the aim of enhancing the scale and quality of funding for the new UN Sustainable Development Cooperation Framework 2019–23.

Despite these examples, many UN agencies, as well as embassies and Member States, indicate that funding and strategic funding dialogues through the Cooperation Frameworks remain limited and less integrated than they could be. This is in part due to their recent roll-out, especially given that – because of the urgency of responding to COVID-19 and sequencing challenges with respect to INFFs – some Cooperation Frameworks did not include required Common Financial Frameworks.

Primarily, though, such issues are due to continued bilateral donor earmarking. Many donors continue to base their decisions on funding to UN agencies at the country level on foreign policy objectives, bilateral development strategies and assessments of UN agencies' comparative advantages as implementers, rather than on the leveraging potential of the UN's unique multilateral character. Bilateral priorities – often policy objectives agreed at the global level – could more regularly result in better, more sustainable results if coordinated and integrated in joint responses.

Consequently, changing funding patterns are an integral part of the reform of the UNDS. The Funding Compact was put in place with the objectives of making funding more predictable, flexible and strategic; improving the UN's ability to deliver on Member State expectations; and supporting countries to realise the SDGs. It is thus both an accountability framework and a framework for change.

Although voluntary in nature, Member States and UN entities welcomed the introduction of the Funding Compact in 2019. In a comprehensive follow-up with

country-level stakeholders as to whether funding patterns are indeed changing in line with the Funding Compact, the Dag Hammarskjöld Foundation has conducted extensive consultations in six country contexts, comprising both Member States and UNCTs.¹² Findings show that while Cooperation Frameworks are being put in place more often and positive examples do exist, funding – as well as funding dialogues – remain predominantly fragmented. The list below outlines some of the key findings derived from the study so far. Further consultations are currently being undertaken and the full study will be published later in 2021.

Key messages on awareness of the Funding Compact and its potential for more coherent UN funding at the country level¹³

- The potential of the UN Funding Compact as a strategic framework for change remains unfulfilled. Nearly two years since its introduction, the slow pace of change in the funding of development activities is a critical concern for the UN, which has undertaken significant efforts to reform its systems and improve accountability and coordination.
- The strategic activities embedded within UN Cooperation Frameworks – including the Common Country Analysis, stakeholder consultations, strategic prioritisation and joint funding dialogue – offer opportunities to resource joint work plans.
- Providing effective support to countries trying to achieve the SDGs requires funding models based on shared analysis and the integration of priorities into multilateral responses.
- While going it alone often creates tangible results and individual visibility from a donor perspective, the impact of ad-hoc or short-term funding on poverty reduction and resilience building is limited. This type of project support needs to be reduced and, in future, become the exception rather than the default modality it currently is.
- Given the increased pressure on resources resulting from the COVID-19 pandemic and other global challenges, Member States have an opportunity to accelerate change by harnessing the power of strategic and coordinated multilateral funding.
- While the Funding Compact is conceptually an important attempt at addressing what is a systemic problem, the required changes in funding behaviour will only come about if resources match institutional change and have an impact on collective results.

MOPAN’s analytical study of UNDS reform reached similar conclusions to those outlined above. While UNDS entities have made important progress on their

side of the ledger – especially in terms of increased transparency, efficiency and reporting of results – the necessary transformation of financing envisioned in the Funding Compact has not yet materialised. This is particularly the case with regard to the use of pooled funding mechanisms at the global level (eg the Joint SDG Fund) and slow improvements in the quality and predictability of funding to the UNDS. Continued competition for resources (made more acute by recent cuts in multilateral official development assistance due to the pandemic) and donors’ predilection for earmarked bilateral funding routes were highlighted by interviewees of the analytical study as factors that tend to undermine the reform’s collaborative goals.¹⁴

Recommendations for change

The discussion above points to a number of actions that could be undertaken to bring about change. These are elaborated in the recommendations below.

Policy dialogue and joint analysis should continue to be utilised in order to facilitate improved coordination

The two studies discussed in this article show that policy dialogue and joint analysis have contributed to effective joint programmes and have facilitated mobilisation of pooled funding. Policy dialogue entails working with partner countries to develop and implement policies that accelerate sustainable and equitable growth, improve the allocation of the entire budget, and enable a broad cross-section of stakeholders to engage in policymaking. Joint analysis entails collaboration between the UN, Member States and other partners. At the same time, several Member States, as well as the EU and multilateral development banks, have underscored the critical role played by the UN in coordinating multilateral responses in contexts where government capacity is limited. In countries where the host government is clearly a part of the Cooperation Framework governance structure, there are improved opportunities for host governments, Member States and the UN to coordinate their efforts.

Emphasis in Cooperation Frameworks should be on the post-COVID-19 response, the Funding Compact and pooled funding

If the new UN Cooperation Frameworks are to become more effective at leveraging higher quality funding, it is critical that: 1) they outline a clear value proposition in the wake of the COVID-19 response; 2) Member States, particularly donor countries, significantly step-up country-based awareness of, and commitments to, the Funding Compact; and 3) greater emphasis is accorded to pooled funding.

UN Resident Coordinators and UNCTs should utilise Cooperation Frameworks as a means of prioritising joint efforts

With regard to maximising Cooperation Frameworks, UN Resident Coordinators and UNCTs should:

1) when calling for improved coordination and alignment between the UN, governments and civil society, seize the opportunities that the new generation of UN Cooperation Frameworks offer; 2) through joint analysis and planning, strengthen alignment between Cooperation Frameworks and their accompanying Common Financial Frameworks and bilateral strategies; 3) persist in systematically engaging with Member States to co-create strategies for multilateral country-level development assistance, which can enable improved dialogue on strategic funding; and 4) prioritise joint efforts and mobilise Member State funding around country-level multi-partner pooled funds that blend resources and integrate and apply agreed policy.

Member States and UNDS entities should ensure their commitments to the Funding Compact are translated in concrete action

With regard to the Funding Compact: 1) each Member State should translate their global commitments to the Funding Compact into concrete country-level commitments to the UNDS. This will strengthen transparency and accountability, and so enable Member States to better hold one another to account;¹⁵ 2) UNDS entities should continue to act on their Funding Compact commitments, including improving

the visibility of Member State contributions to the UN and the benefits resulting for host countries, thereby creating further incentives for Member States to increase flexible funding; 3) all partners should build greater ownership and understanding of Funding Compact commitments, communicate evidence of change, and work towards long-term and more coordinated arrangements with Member States and other donors; and 4) the DCO should encourage UN Resident Coordinators to establish country-level joint monitoring teams – between UNCTs and Member States – as a concrete way of realising the full potential of the joint Funding Compact commitments at country level.

Members States should proactively contribute to pooled funding for the SDGs

With regard to pooled funding: 1) Member States committed to multilateral responses should lead by example and proactively contribute to potentially game-changing pooled funding for the SDGs – Multi-Partner Trust Funds – thereby sharing risk and enabling innovation; 2) given pooled funding mechanisms constitute an important driver of joint programming in support of the SDGs, it is critical that the global Joint SDG Fund be re-capitalised as soon as possible; and 3) pooled fund mechanisms that have the transformational potential to bring stakeholders and resources together in an effective way seem to be more catalytic if they include transformative criteria that qualifies entry and access to resources according to how well a programme integrates policy and blends resources.

Footnotes

¹ United Nations, 'Declaration of the Commemoration of the Seventy-Fifth Anniversary of the United Nations', 21 September 2020, www.un.org/pga/74/wp-content/uploads/sites/99/2020/06/200625-UN75-highlight.pdf

² UN Department of Economic and Social Affairs, 'Implementation of General Assembly Resolution 75/233 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (QCPR): QCPR Monitoring and reporting framework', 6 May 2021, www.un.org/ecosoc/sites/www.un.org.ecosoc/files/files/en/qcpr/2021doc/SGR2021-Annex-QCPR_Framework-Working_6May2021.pdf

³ Monitoring by DCO of countries that have conducted configuration exercises.

⁴ UN Department of Economic and Social Affairs (note 2), p. 10.

⁵ UN Department of Economic and Social Affairs (note 2), p. 11.

⁶ UN Sustainable Development Group, 'United Nations Sustainable Development Cooperation Framework: Internal Guidance', 3 June 2019, https://unsdg.un.org/sites/default/files/2019-10/UN-Cooperation-Framework-Internal-Guidance-Final-June-2019_1.pdf

⁷ UN Office of Internal Oversight Services, 'Early Assessment of Resident Coordinator System', 30 November 2020, p. 4.

⁸ MOPAN Secretariat, 'UNDS Reform: Progress, Challenges and Opportunities (Draft for Public Comment)', May 2021, p. 25.

⁹ MOPAN Secretariat (note 8), p. 25.

¹⁰ Max-Otto Baumann and John Hendra, 'Towards More Policy Advice: Maximising the UN's Assets to Build Back Better', November 2020, www.die-gdi.de/uploads/media/BP__24.2020.pdf

¹¹ UN Executive Office of the Secretary General, 'Early Lessons and Evaluability of the UN COVID-19 Response and Recovery MPTF', April 2021, <http://mdtf.undp.org/document/download/26699>.

¹² In partnership with the DCO, the Foundation conducted consultations in Guatemala, Indonesia, Jordan, Kenya, Papua New Guinea and Malawi as part of its Funding Compact project in 2020–21.

¹³ Dag Hammarskjöld Foundation, 'Fulfilling the Potential of the Funding Compact at the Country Level (Advance copy)', May 2021.

¹⁴ MOPAN Secretariat (note 8), p. 50.

¹⁵ MOPAN Secretariat (note 8), p. 51.

Financing peacebuilding: The role of private sector actors

By the Dag Hammarskjöld Foundation

Introduction

It has become customary to think of peacebuilding as a task that should be funded by international organisations such as the United Nations, with these costs borne by UN Member States or other multilateral organisations. However, the growing gap in funding for peacebuilding activities has hindered the UN's ability to address conflict risks and promote peaceful development. In this context, the roles and contributions of private sector actors may seem unclear or even irrelevant – nevertheless, they warrant greater attention. In what ways can and do these private sector actors play a role in sustaining peace?

This contribution offers some preliminary answers to this question. In doing so, it proposes a taxonomy of private sector actors and principles, with a focus on the multinational private sector and its role in peacebuilding. The article outlines the key tensions that arise when private sector actors fund peacebuilding initiatives and argues that – despite the business case for peace – guidance on standards and best practice is required to ensure that private actors contribute positively to peace, rather than merely avoiding conflict or causing harm.

Background

The Advisory Group of Experts (AGE)'s seminal report on the 2015 review of the Peacebuilding Architecture highlighted that 'a decade of focus on peacebuilding notwithstanding, financing remains scarce, inconsistent and unpredictable',¹ and made several recommendations for achieving more predictable, adequate and sustainable peacebuilding financing. In January 2018, UN Secretary-General António Guterres released a report on implementation of the twin UN General Assembly and Security Council resolutions on peacebuilding and sustaining peace,² which had taken note of the AGE's recommendations.³ The Secretary-General's report pointed to worrying gaps in the funding provided by Member States for peacebuilding

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

activities, with a 2020 follow-up report affirming this discouraging trend.⁴ Despite this, little mention is made in the Secretary-General's latest report of the potential for utilising innovative approaches for financing peacebuilding, nor does it recognise the role that a broader range of actors – including private sector actors – could play in such financing.

The private sector and peacebuilding

Engaging the private sector to fund development, humanitarian and peacebuilding programming holds the allure of unlocking a seemingly limitless wellspring of resources. This has become an even more appealing prospect in light of a rise in violent conflict across the world and the fact that the economic and human impacts of the COVID-19 pandemic have stretched already scarce funding for peacebuilding. As such, increased private sector involvement may be necessary to augment and diversify existing funding approaches.

However, the private sector – which is made up of a diverse and complex web of actors, including large multinational corporations; individual entrepreneurs; family-owned businesses; and small and medium-sized enterprises (SMEs) – does not approach its engagement in peacebuilding in a unified or coherent way. Moreover, private sector actors' agendas, funding capacities and postures in fragile and conflict-affected settings are influenced by their differing roles and business operations.

While peacebuilding actors face challenges in engaging with private sector, disregarding the risks overlooking a catalytic source of funding for activities that have the potential to address major social issues. At the same time, involving private sector actors in peacebuilding

without putting in place accepted norms for their engagement can also prove problematic. The reality, however, is that the private sector is already funding peacebuilding, meaning guidance on standards and best practice is urgently needed to increase the potential for private actors to contribute positively to peace. As a first step, it is necessary to map and explore these actors and approaches.

A proposed taxonomy of private sector funding engagement

Five approaches to engaging the private sector in peacebuilding financing are identified in the 2021 Dag Hammarskjöld Foundation Development Dialogue Paper, ‘Financing Peacebuilding: The Role of Private-Sector Actors’:⁵

1. **Business for Peace (B4P):** Formalised within the UN Global Compact and the business and human rights paradigm, B4P adopts a needs-centred approach to engaging private sector actors (such as corporations, SMEs and entrepreneurs) operating in conflict zones with activities that go beyond doing no harm, to activities that contribute to positive peace. Examples include companies forging public-private alliances to address community-level social issues, including environmental concerns, health care, education and youth engagement.
2. **Corporate social responsibility (CSR):** CSR usually takes the form of voluntary initiatives by corporations – often in collaboration with non-governmental or civil society organisations – that contribute to social and environmental progress. Activities may be connected to the impact of a business’ operations or involve engagement with voluntary initiatives. More recently, CSR initiatives may be related to a private sector actor’s efforts to address climate change or environmental, social and corporate governance goals.
3. **Entrepreneurship:** A broad term applicable in many contexts, entrepreneurship can be viewed as a means of creating jobs and increasing economic prosperity, which in turn can create more stable and peaceful societies and/or finance local peace projects. Entrepreneurship can also be used in helping develop innovative solutions aimed at bringing peace to societies, with examples including initiatives related to documenting human rights abuses, promoting reliable journalism and mainstreaming conflict early-warning systems.
4. **Socially responsible investment (SRI) and funding practices:** Sometimes called impact investing, community investment or public-private

partnerships, SRI refers to investment and funding practices that, in addition to financial returns, consider positive environmental and social impacts. It can also entail public-private partnerships – between, for example, foundations, multilateral organisations and high-net-worth individuals – that contribute to economic prosperity and social cohesion in conflict regions.

5. **Innovative finance:** Innovative finance involves adapting existing financing tools to make them more effective; addressing gaps in funding, particularly through leveraging more flexible funding; integrating new tools into existing funding approaches; providing efficient national-level funding to enable countries to establish their own priorities; and financing innovation. Taken together, they refer to a set of tools (such as social impact bonds, diaspora bonds or taxation on arms) that can potentially leverage private sector funding to finance peacebuilding.

Key tensions of private-sector-financed peacebuilding

The above categories of private sector involvement, which are not static and may overlap in some instances, reveal several key tensions in relation to peacebuilding. These tensions highlight the incoherence present within the field of private sector-financed peacebuilding, and underscore a range of assumptions made about social change.

- **Impact and financial return:** In peacebuilding, donor expectations and traditional funding practices have emphasised short-term funding models and rigid outcomes, sometimes coupled with an expectation of financial return. This understanding of ‘impact’ or ‘success’ is often imposed by external donors that are working with knowledge, norms and metrics created in the Global North. In this context, private sector funding of peacebuilding risks becoming ineffective if it is based on what is valued by shareholders rather than what works at the country level.
- **Peacebuilding and social justice:** Peacebuilding is inherently related to equality, human rights and social justice. Despite these issues being at the forefront of public consciousness (as exemplified in 2020 by the Black Lives Matter movement’s protests and demands for equality and justice), private funders have remained hesitant about investing in peacebuilding due to a perception that it is too ‘political’. This sheds light on the difficulties the peacebuilding field faces in explaining the link between resolving violent conflict and other social justice movements that funders may see as less political and more pressing.

- **Risk and accountability:** In general, the private sector is less likely than other actors to assume financial or reputational risks. However, there remains a clear business case for private sector actors operating in fragile contexts to finance peacebuilding. For example, investments in activities or organisations that address conflict drivers may lower operational risks and associated financial costs. More knowledge is needed, however, regarding what accountability looks like for the private sector in terms of exacerbating conflict or causing harm to already fragile communities, as well as the extent to which the private sector has a responsibility to support peacebuilding.
- **Transformation versus transaction:** There is a lack of consistency in how ‘change’ is understood across the five peacebuilding approaches listed above. For example, CSR initiatives tend to be more ‘transactional’, focusing on change through tangible projects and short-term measurable outcomes. On the other hand, entrepreneurial initiatives tend to be more ‘transformational’, focusing on processes that offer solutions to the problems at hand. Transformational approaches to change are more inclusive and participatory, and are more likely to address the root causes of conflict and so have lasting impacts on peace.

Conclusion

Private sector engagement in peacebuilding has the potential to leverage new resources, actors and approaches. However, current efforts are scattered and, at worst, risk perpetuating harm in some of the world’s most vulnerable communities. While there is potential to leverage the tools and approaches highlighted above in a more coordinated and potentially transformative way, a more systematic understanding of the spectrum of tools and actors that fund peacebuilding is required. Ultimately, the assumptions underlying these tools lead down very different paths in terms of how social change is understood; whose perspectives and what types of knowledge and priorities are privileged; and what counts as evidence in generating solutions to social issues.

Developing a set of guiding principles for private sector engagement in peacebuilding could provide a means of re-examining these default assumptions. As part of this process, a number of critical questions would need to be addressed, such as how private sector actors can more consistently apply the *do no harm* doctrine – ideally leading not just to more conflict-sensitive investments, but to investments that are peace positive. The process could also deepen thinking on the sustainability and impact of such interventions, as Ambassador Christoph Heusgen encourages in his contribution on ‘blue investments’ (see page 118).

Ambassador Heusgen highlights the potential of investments that combine profitability with a positive impact on peace advanced through blended financing models, and urges greater willingness to innovate, learn from other sectors and forge stronger partnerships.

The devastating, multi-dimensional impact of the COVID-19 pandemic on economies and societies has dramatically increased the need for peacebuilding efforts, while at the same time severely straining available resources, in large part due to a drop in official development assistance. Given the scale of demand, peacebuilding financing will need to leverage a broader range of actors – including the private sector – than are currently engaged. Advancing these efforts requires decisive leadership in support of an institutional culture supportive of the new funding approaches integral to this transformational vision. The High-level Meeting on Financing for Peace, mandated to take place during the 76th Session of the General Assembly, and the process leading up to it, provide a prime opportunity for Member States, donors, heads of UN agencies and private sector leaders to demonstrate such leadership.

Footnotes

- ¹ Secretary-General’s Advisory Group of Experts, ‘The Challenge of Sustaining Peace: Report of the Advisory Group of Experts for the 2015 Review of the United Nations Peacebuilding Architecture’, 29 June 2015, <https://reliefweb.int/report/world/challenge-sustaining-peace-report-advisory-group-experts-2015-review-united-nations>.
- ² UN General Assembly Resolution 70/262, ‘Review of the United Nations peacebuilding architecture’, 12 May 2016, <https://undocs.org/A/RES/70/262>; and UN Security Council Resolution 2282 (2016), 27 April 2016, [https://undocs.org/S/RES/2282\(2016\)](https://undocs.org/S/RES/2282(2016)).
- ³ UN General Assembly and UN Security Council, ‘Peacebuilding and Sustaining Peace: Report of the Secretary-General’, A/72/707–S/2018/45, 18 January 2018, <https://undocs.org/A/72/707>.
- ⁴ UN General Assembly and UN Security Council, ‘Peacebuilding and Sustaining Peace: Report of the Secretary-General’, A/74/976–S/2020/773, 30 July 2020, para. 4, www.undocs.org/en/S/2020/773.
- ⁵ Riva Kantowitz, Ebba Berggrund and Sigrid Gruener, ‘Financing Peacebuilding: The Role of Private-Sector Actors’, Development Dialogue Paper No. 29, Dag Hammarskjöld Foundation, 26 January 2021, www.daghammarskjold.se/publication/financing-peacebuilding/.

From funding to financing: Leveraging the private sector for peacebuilding in Colombia

By Aanchal Bhatia

Background

The Secretary-General's Peacebuilding Fund (PBF), which invests in a variety of United Nations entities, governments, regional organisations, multilateral banks, national multi-donor trust funds and civil society organisations, is the UN's instrument of first resort in responding to and preventing violent conflict. Through its most recent ambitious strategy yet – Strategy 2020–24 – the PBF aims to invest US\$ 1.5 billion for peacebuilding in approximately 40 countries. In doing so, it is scaling up its support for cross-border and regional approaches, transition contexts, prevention and inclusion. At the same time, the PBF is maintaining the core peacebuilding focus areas mandated in its terms of reference: implementing and sustaining peace agreements; dialogue and peaceful co-existence; peace dividends; and re-establishing basic services.

In response to escalating levels of violent conflict in the 2010s, Secretary-General António Guterres embarked on an ambitious reform agenda for the UN. In pursuit of this, he called for a shift from response to prevention through cross-pillar strategies for greater alignment and acceleration, as well as a 'quantum leap' of donor contributions to support the PBF and strengthen UN system support for governments and societies facing complex conflict risks.

The UN General Assembly and the UN Security Council concluded the 2020 Review of the UN Peacebuilding Architecture¹ by adopting new twin resolutions on peacebuilding and sustaining peace.² Moreover, they decided to convene a high-level meeting of the General Assembly to further advance options for ensuring adequate, predictable and sustained financing for peacebuilding.

In relation to this latter objective, the importance of unlocking private capital through public resources in a blended finance mechanism for development and peacebuilding has often been recognised, yet

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seldom acted upon. This is because national strategies in conflict-affected settings rarely reflect the role of private investors. Instead, the perceived 'high-risk' of fragile contexts – due to low institutional capacity, insecurity, instability, corruption, weak judicial systems, and weakened transparency and accountability frameworks – is often sufficient to keep international private sector actors at bay. Thus, making investments in these contexts is heavily dependent on concessional lending or 'patient' capital, mostly in the form of grants and official development assistance (ODA).

Turning theory into action

Blended finance is ‘the strategic use of development finance for the mobilization of additional finance towards sustainable development’, according to OECD.³ More specifically, it is a blend of concessional resources – usually ODA, grants, or philanthropic funds, which does not require returns or have minimal returns – and non-concessional resources, such as financing from private sector actors, whom expect a return on investment. These instruments are used to consolidate partnerships aiming to bridge the financing gap for sustainable development.

Although some blended finance instruments, private equity and impact funds exist in conflict-affected contexts, they remain limited in scale and scope.⁴ In 2018, in recognition of the challenges of setting up such models in conflict-affected settings, the Resident Coordinator’s Office in Colombia designed a pilot blended finance facility, using the UN Multi-Partner Trust Fund (MPTF) for Sustaining Peace as the implementing vehicle and the PBF as the funding partner.

The UN MPTF for Sustaining Peace in Colombia is a tripartite mechanism between the Government of Colombia, the UN system, and more than 15 donor countries and other UN funds, such as the PBF. Overall, the MPTF has raised more than US\$ 172 million and invested in 189 projects, focused on four areas: 1) stabilisation in remote municipalities; 2) reintegration of former combatants; 3) victims and transitional justice; and 4) communication of the implementation of the 2016 Final Agreement to End the Armed Conflict and Build a Stable and Lasting Peace.

The 2016 peace agreement signed between the government of President Juan Manuel Santos and the Revolutionary Armed Forces of Colombia (FARC–EP) includes Territorially Focused Development Plans (Spanish acronym: PDETs) in its chapter on comprehensive rural reform. These plans were designed by the government, together with rural and ethnic communities, and are accompanied and supported financially by the European Union (EU) Trust Fund for Peace in Colombia. This initiative aims to close the financing gap in the PDET regions, made up of 170 municipalities affected by armed conflict and currently largely reliant on resources from the national government and international donors.

As a first step, the MPTF mapped and met with all the actors present within the social impact ecosystem, with the aim of identifying the gaps to be addressed by the initiative. The MPTF partnered with consulting firm Deloitte to ensure financial and business criteria were included in the terms of reference, and that there was

an evaluation methodology for the investments. The call was launched in April 2019, and following a thorough evaluation and selection process based on both peacebuilding criteria and financial indicators, the MPTF identified seven viable investments for the pilot programme. Each received approximately US\$ 300,000 in funding, representing a total investment of US\$ 2.1 million. Based on these public resources, the project has mobilised an additional US\$ 12.9 million from private sector actors, thus leveraging at a ratio of 1:6 between public and private resources. In other words, for every dollar invested by the PBF, an average of US\$ 6 was unlocked by a private sector entity towards each investment.

Catalysing transformation beyond capital

Several challenges during the design, planning and implementation of the pilot project to allocate blended finance to the seven investment projects contributed to significant set-up costs for the mechanism. The legal structuring of each investment project required the UN system to develop new standard agreements, and to define the necessary terms and conditions for working with diverse, non-governmental, private entities in the field. The varied financial leveraging power of each investment made it difficult to measure value for investment in terms of size and scale, with expected returns unlikely to be fully materialised within the two-year monitoring period. Measuring non-financial impact requires in-depth, country-specific conflict analysis that is unique to the local landscape in terms of relevant actors and conflict drivers. Moreover, if the UN system is to replicate this model in an efficient and successful manner in other regions, then internal administrative and procurement processes must be strengthened by new frameworks and guiding principles when working directly with local private sector entities in conflict-affected settings.

Nevertheless, despite minor delays due to mobility restrictions and connectivity issues during the COVID-19 global pandemic, the project has already delivered substantial results. These have directly impacted stabilisation and development in the PDET territories, and in doing so contributed to sustaining peace and the Sustainable Development Goals.

As of April 2021, the following results and anticipated impacts have been reported by the implementing partners:

- More than 2,000 farmers and producers developed and strengthened their production, mainly for açai, paddy rice, cocoa, coffee and sugarcane crops;

- An estimated 5,500 loans will be issued to farmers and micro-entrepreneurs in the agricultural sector, mainly in PDET municipalities;
- Two of the investments are directly aimed at strengthening and empowering women and will impact 450 female coffee growers; moreover, through the other five investments, over 1,700 women are receiving direct benefits, including access to loans;
- All investments include activities with positive impacts on environmental sustainability – of particular note in this regard are the special credit line available for 11 microfinance institutions to finance ecosystem-based adaptation technologies (developed by the UN Environment Programme’s Microfinance for Ecosystem-based Adaptation initiative), the positive contribution to reducing carbon emissions by promoting reforestation processes through the cultivation of Açai, and the promotion of fair trade principles in cocoa production; and
- Currently, 33 PDET municipalities are being directly impacted through six investments – over time, the investments are expected to impact more than 60 of the 170 PDET municipalities, with the additional municipalities to be identified as progress is made on the national development finance institution’s special credit line placements.

As for future aspirations, in order to achieve demonstrable effects in other contexts, it is important to identify, connect and promote public–private alliances in support of initiatives that need strengthening, as well as to recognise the instances where ‘blending’ resources through partnerships with the private sector can be catalytic and impactful in pursuit of a more inclusive economic revitalisation.

Footnotes

- ¹ United Nations, ‘2020 Review of the UN Peacebuilding Architecture’, 2020, www.un.org/peacebuilding/content/2020-review-un-peacebuilding-architecture.
- ² UN General Assembly Resolution 75/201, ‘Review of the United Nations peacebuilding architecture’, 28 December 2020, <https://undocs.org/en/A/RES/75/201>; and UN Security Council Resolution 2558 (2020), 21 December 2020, [https://undocs.org/en/S/RES/2558\(2020\)](https://undocs.org/en/S/RES/2558(2020)).
- ³ The Organisation for Economic Co-operation and Development (OECD), ‘The OECD DAC Blended Finance Guidance’, 2021, p. 2, <https://doi.org/10.1787/ded656b4-en>.
- ⁴ UN Capital Development Fund (UNCDF) and the Organisation for Economic Co-operation and Development (OECD), *Blended Finance in the Least Developed Countries 2020: Supporting a Resilient COVID-19 Recovery* (Paris: OECD Publishing, 2020), <https://doi.org/10.1787/57620d04-en>.

Conclusion

The financing landscape for peacebuilding, development and humanitarian activities is increasingly diversified. While establishing a blended finance mechanism in conflict-affected settings does present challenges, it is nevertheless possible to provide financing institutions and impact investors with incentives to develop programmes, and to identify specific opportunities to intervene in grassroots projects. This in turn can create an enabling environment for peace sustainability in a fragile or conflict-affected setting. With the UN’s convening power and nuanced conflict-sensitivity analyses working in concert with alliances built around impact and smart capital between multilateral institutions, governmental entities and the private sector, local capacities can be strengthened by peace dividends in the form of employment generation, infrastructure building and access to basic services. Private sector actors play a crucial role in assisting economic growth and job creation, which can directly address the drivers of conflict through enhanced social cohesion, increased investments in conflict-affected areas, government revenues and post-conflict reconstruction.

‘Walking the talk’: Accelerating the United Nations’ role in leveraging the private sector for the Sustainable Development Goals

By John Hendra and Arif Neky

Introduction

At present, policy in most countries is focused on controlling the spread of COVID-19 through accelerated vaccination, while implementing the key fiscal policies required for an inclusive and resilient economic recovery that will allow the world to get back on track to meet the Sustainable Development Goals (SDGs) – the global roadmap to a more sustainable, equitable future.

Despite the pandemic continuing to cast a long shadow, sustainable finance is rapidly gaining credence. Environmental, social and governance (ESG) funds attracted record inflows in 2020. In March 2021, BlackRock, the Vanguard Group and 41 other investment firms – which between them manage more than US\$ 22.8 trillion of assets – joined the Net Zero Asset Managers Initiative, pledging to target net-zero emissions by 2050 across all their holdings.¹ More recently still, the European Union outlined the actions it will take to regulate the definition of sustainable financial products.²

Furthermore, a recent *Harvard Business Review* article cites a study by BlackRock that shows investors expect to double their allocation to sustainable and impact investment over the next five years.³ If anything, COVID-19 has quickened the pace – one in five people surveyed in the report indicated that their experience of the pandemic has increased their interest in sustainable investing.

Given the sheer size, scale and level of sophistication of the global financial system – with global gross financial assets estimated at over US\$ 200 trillion – financing is theoretically available for one of the United Nations’ top Decade of Action priorities: filling the annual gap of at least US\$ 2.5 trillion needed to meet the SDGs. Exploding debt levels, especially in the Global South, have made this challenge much greater, but one country alone – the United States – has committed US\$ 1.9 trillion in pandemic social support and economic stimulus, almost 80% of the lower end estimate of what is needed globally for the SDGs.

John Hendra provides advice on sustainable development issues and multilateral reform through his consultancy practice. He served the United Nations for 32 years, most recently as Assistant Secretary-General (ASG), helping the UN become more ‘fit for purpose’ in implementing the Sustainable Development Goals. Prior to this, he served as Assistant Secretary-General and Deputy Executive Director at UN Women, and as UN Resident Coordinator and UN Development Programme (UNDP) Resident Representative in Vietnam, Tanzania and Latvia. In his consulting capacity, he serves as a part-time Senior Advisor to the Dag Hammarskjöld Foundation and to the Joint SDG Fund, and is also an Associate Researcher with the German Development Institute.

Arif Neky is Senior Advisor for UN Strategic Partnerships at the UN Resident Coordinator’s Office in Kenya. He is also the founding Coordinator of the SDG Partnership Platform, Kenya – a pioneering multistakeholder innovation and ecosystem enabler co-created between the UN system and the Kenyan government and launched at the UN General Assembly in 2017. Arif was previously founding Coordinator of the SDG Philanthropy Platform for three years and Regional CEO of Aga Khan Foundation for Kenya, Uganda and Tanzania for over 13 years. Prior to that, he was founding Director and owner of a Microsoft Certified ICT training centre in Canada and Regional Resident Representative of the French Bank Société Générale in Eastern Africa.

Tapping into such capital is not, however, straightforward, nor an easy feat given the risk involved. This is where ‘blended finance’ comes in. Derisking on the front end – that is, taking on a share of the risk and remaining engaged for the duration – allows more investment to be attracted and enables a greater number of investors to participate. Moreover, a relatively modest investment –

in collaboration with development banks, other partners and increasingly the UN – can attract many times its initial value from private sector financing.

From a broader multilateral perspective, a key question is what more can be done to leverage greater levels of private sector financing for the SDGs. The UN Secretary-General has, through the Global Investors for Sustainable Development (GISD) alliance, convened the CEOs of 30 major corporations with the aim of enhancing the impact of private investment on the SDGs. In addition, the Secretary-General has – along with the prime ministers of Canada and Jamaica, and amongst other initiatives – convened important High-Level Events on Financing for Development in the Era of COVID-19 and Beyond. Moreover, there are increasingly other relevant global UN initiatives, such as SDG 500, a groundbreaking coalition of partners – including the UN Capital Development Fund (UNCDF), the International Trade Centre (ITC), the International Fund for Agricultural Development (IFAD), Stop TB Partnership, Smart Africa, CARE USA and impact asset manager Bamboo Capital Partners – focused on raising US\$ 500 million for six funds dedicated to financing the SDGs.⁴

At the country level, many UN agencies, funds and programmes have a number of innovative partnerships with the private sector. That said, most of these agency-specific initiatives are focused on mobilising funding for the particular agency's programmes. The UN's broader role in leveraging all sources of finance to meet national SDG needs is still in its nascent phase, despite it increasingly becoming a key function of a reformed UN Resident Coordinator (RC) system. This contribution looks at two key country-level initiatives – Kenya's SDG Partnership Platform and the Joint SDG Fund's SDGInvest portfolio – in order to better understand how this potential can be maximised going forward.

The SDG Partnership Platform, Kenya

With Kenya facing declining official development assistance and increasing government debt levels, the UN was presented with an opportunity to increase its impact through helping catalyse private sector investments to meet government SDG priorities. Building on previous UN Kenya experiences – with the Conrad N. Hilton Foundation, Ford Foundation and MasterCard Foundation through the UN Development Programme (UNDP) via the SDG Philanthropy Platform and the UN Population Fund (UNFPA)-led Private Sector Health Platform – the multistakeholder SDG Partnership Platform (SDGPP) was launched in 2017 by the Kenyan government and the UN under the leadership of the RC. Bringing together government, development partners, the private sector (including blended financing networks),

philanthropy, civil society and academia, SDGPP has created a number of SDG accelerator windows aimed at enhancing development impact through catalysing partnerships, private and philanthropic investments, and innovations. SDGPP has since become a flagship programme under the US\$ 1.9 billion UN 2018–22 development partnership framework with the Kenyan government. Thus far, it has mobilised about US\$ 7 million in funding (partly through its Multi-Partner Trust Fund) and in-kind support to sustain the platform itself, including the Secretariat at the UN RC's office, which in turn has catalysed significant investment pipelines through the private sector.

So far, SDGPP has activated two of its four windows: the Primary Healthcare (PHC) and the Food and Nutrition Security windows. Meanwhile, the Manufacturing and the Affordable Housing windows are currently at the active planning stage with key stakeholders, and are due for launch later in 2021.

Building on new data provided by its McKinsey/US Agency for International Development study – which uncovered a US\$ 6 billion growth opportunity for PHC private sector investments in Kenya – SDGPP identified and facilitated a US\$ 165 million investment pipeline to bring quality affordable primary healthcare closer to all Kenyans. In addition to supporting an emerging US\$ 100 million PHC Fund for Africa, SDGPP is coordinating a scalable US\$ 7 million Development Impact Bond for Adolescent Sexual Reproductive Health with the Joint SDG Fund in partnership with UNFPA, the Joint United Nations Programme on HIV/AIDS (UNAIDS), Children's Investment Fund Foundation (CIFF) and the United Kingdom. Moreover, co-creating the National Business Compact Against COVID-19 with private sector and civil society partners helped reach 10 million people through behaviour-change messaging. For the first time in Kenya, SDGPP was able to converge all key blended financing associations and networks across banks, impact funds, venture philanthropy, private equity, pensions and cooperatives to unlock more private capital and better match it with SDG-aligned investments.

The PHC Window Steering Committee is co-chaired by the Cabinet Secretary for Health, the Council of Governors Health Committee Chairman (for 47 county governments), and UNAIDS on behalf of the RC. Relevant UN agencies – UNFPA, the World Health Organization (WHO), the UN Children's Fund (UNICEF) – plus the World Bank, the Kenya Private Sector Alliance, and private sector and bilateral investors, all actively participate. Through its Food and Nutrition Security Window – co-led by the Food and Agriculture Organization (FAO), IFAD and WFP,

with the UN Industrial Development Organization (UNIDO) – SDGPP has launched a multistakeholder strategy to support a US\$ 100 million pipeline in key value chain partnerships, investments and financing across crops, livestock and fisheries. In addition, co-creating the private sector Agriculture Sector Network of Kenya has opened up further opportunities in regional and global markets.

UN Joint SDG Fund's SDGInvest portfolio

In early March 2021, the UN Joint SDG Fund – which aspires to shift how the UN ‘does development’ through placing the focus on integrated policy support, strategic investments and financing – announced a US\$ 41 million portfolio to catalyse strategic financing aimed at accelerating the SDGs in Fiji, Indonesia, Malawi and Uruguay.⁵

Each of the four programmes combines public and private money. Fiji will conserve and protect coastal reefs and marine life ecosystems, while empowering local communities who rely on reefs for their survival. Indonesia will create a new generation of financial products to combat climate change by transitioning towards low-impact energy and empowering the creation of women-led small businesses (see below). Malawi will reduce poverty, hunger and inequality by creating jobs and supporting small businesses in the country's severely undercapitalised agricultural sector. Uruguay will combat climate change by helping transition the country's transportation and industrial sectors to green energy, while reducing poverty and providing affordable access to innovative clean technologies. All four programmes draw on the expertise of at least three different UN agencies, as well

as regional development banks, commercial banks and private investors, and between them are anticipated to leverage an estimated US\$ 4.7 billion in additional finance for the SDGs.

Implications for expanding UN engagement with the private sector going forward

A consistent theme in recent *Financing the UN Development System* reports has been that of more strategically positioning UN development system grant resources in order to leverage more diverse financing flows for the SDGs, especially from the private sector. Despite progress taking place and reform taking hold, accelerated progress must be underpinned by more robust capacity, more nimble skillsets, and more specific expertise, data and language.⁶ It is also clear from the pioneering externally funded efforts of the SDGPP in Kenya that – especially in middle-income countries with rapidly shifting financing contexts – catalytic UN funding and technical support for such initiatives at a country level hold great potential when it comes to leveraging and accelerating private sector and philanthropy partnerships, investments and financing. The UN's ‘trusted broker’ role, along with its support to the government and private sector in structuring more enabling public-private partnerships, have been well appreciated in Kenya.

Mindset, skillsets and capacity

As the examples above show, what is needed first and foremost is a change in mindset. Despite the UN's limited and restricted financial assets, if it truly deploys its vast convening power and normative mandates, it can have a major impact on creating enabling environments.

Driving public and private capital towards green and social investments in Indonesia

The US\$ 10 million grant from the UN Joint SDG Fund to the Joint Programme in Indonesia – which involves a partnership between the UN Development Programme (UNDP), the UN Environment Programme (UNEP), the UN Children's Fund (UNICEF) and the UN Industrial Development Organization (UNIDO) (additional co-funding of US\$ 2.5 million) – will help create a new generation of financial products to combat climate change, bringing to scale both proven and new financing instruments and actions. These include: 1) issuing thematic bonds and green sukuk to new sectors (blue and SDG bonds) and the sub-national level through collaboration with 14 banks and SDG-linked loans to small and medium-sized enterprises; 2) supporting banks to launch SDG-linked products, including through a green/SDG catalogue that will streamline loan approvals and enhance metrics on impact; and 3) capitalising the growing impact investment ecosystem by operationalising an impact fund in collaboration with Mandiri Capital Indonesia and the Indonesia APEC Business Advisory Council. The innovative financing instruments deployed are expected to leverage up to an additional US\$ 4.5 billion (other partners include the Asian Development Bank, BNP Paribas, CSO, HSBC, IsDB, World Bank and ‘500 Startups’) and will accelerate impact on climate change mitigation and adaptation, as well as water and sanitation and marine resource management. Moreover, it will help ensure gender inclusiveness and the targeting of vulnerable communities.

This is a key expectation of the repositioned RC function, with each RC office to be substantively backed by a senior economist and a senior partnerships specialist. In some cases, core financial literacy and capacity can be supplemented. In Kenya, for example, the capacity of the small SDGPP Secretariat in the RC's office is supplemented through secondments to various strategic departments in national and county government structures, and some direct influence on curating investment pipelines via co-created private sector platforms and networks.

In the case of the Joint SDG Fund, it independently engaged Convergence – the global network for blended finance – to technically review and shortlist proposals to SDGInvest, a UN platform established to co-create a pipeline of SDG solutions, as well as to provide expertise in investor matching and facilitation, preparatory funding, and coaching, learning and sharing. To date, 60 carefully selected investment leaders from commercial banks, impact investing, venture capitalism and philanthropy have agreed to support the Joint SDG Fund pro bono in this pioneering undertaking. Over 20 UN agencies and external partners – including the Organisation for Economic Co-operation and Development (OECD), the Rockefeller Foundation, Transform Finance, Bamboo Capital and Convergence – backed the exercise with numbers and staff.

Measuring impact and unlocking innovation

The universally agreed SDG framework of goals, targets and indicators has been a welcome cross-cutting enabler in breaking down traditional silos separating the public and private sectors (including both corporate social responsibility and core investments), and is increasingly accepted – though to varying extents – by all as a means of impact measurement. This has helped in comparing and aggregating impact metrics, and in turn fostering greater convergence of efforts through partnerships. It is also important to understand the needs of your partner. The SDGPP's value for private sector investors comes from its convening of multistakeholder partners, transparency and derisking, as well as its ability to match demand and supply when it comes to private capital for impactful investments that go beyond short-term political cycles and small pilot projects. Innovation has also become a ready part of programme design, allowing transformation in an iterative way that goes beyond technology to incorporate new financing models. Nevertheless, key challenges remain, including the need for greater mentoring support and early-stage financing for local innovators.

Rolling out good practice faster

The SDG Platform in Kenya has received global recognition as a potential best practice to accelerate the transition from SDG funding to financing. Public funding flows for development have been increasingly constrained by significant debt repayments and recurrent costs, thereby requiring strategies to unlock complementary private capital flows that impact sustainable development on a shared value basis. In the spirit of 'walking the talk' on UN reform, it is of crucial significance that this good practice is already being replicated in other countries – including China, South Africa and Uganda – and UN country teams.⁷ Moreover, the Joint SDG Fund is further developing a pipeline of 12 additional promising investment proposals: from a technology-enabled outcome fund for financing the SDGs in Jamaica to solar-powered health clinics in Rwanda. Should the Joint SDG Fund be urgently replenished, these innovative joint investment programmes could be launched as soon as possible.

Maximising reform opportunities to scale up leverage

Amid a context of middle-income countries transitioning from funding to SDG financing, SDGPP's achievements in Kenya – without any core UN funding thus far – have been largely due to the Secretary-General encouraging RCs and UN country teams (UNCTs), under the reform agenda, to create deeper, systematic partnerships with the private sector. It is therefore important that, as the Secretary-General reviews the RC system and its funding, even greater focus is placed on maximising the country-level convening and leveraging power of RCs and UNCTs. Moreover, the capitalisation of key instruments such as the Joint SDG Fund – which is playing a catalytic role in facilitating SDG financing – will need to be prioritised.

With SDG progress knocked asunder by the pandemic, getting back on track toward the 2030 Agenda will require an unprecedented level of collaboration and partnerships – as such, leveraging greater engagement of the private sector is no longer an option but a *sine qua non* for success.

Footnotes

- ¹ Alastair Marsh, 'Vanguard, BlackRock join investors pledging to hit net zero', Bloomberg News, 29 March 2021, www.bloomberg.com/news/articles/2021-03-29/vanguard-blackrock-join-investors-pledging-net-zero-emissions.
- ² European Commission, 'Sustainable Finance', https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en.
- ³ Saadia Madsbjerg and Judith Rodin, 'What impact investors can learn from the organizations they work with', *Harvard Business Review*, 8 February 2021, <https://hbr-org.cdn.ampproject.org/c/s/hbr.org/amp/2021/02/what-impact-investors-can-learn-from-the-organizations-they-work-with>.
- ⁴ UN Capital Development Fund, 'The SDG500 Platform Investment Opportunity', 4 February 2020, www.unCDF.org/lfi/article/5311/the-sdg500-platform-investment-opportunity.
- ⁵ For more on the Joint SDG Fund, see John Hendra and Silke Weinlich, 'The UN Joint SDG Fund: Turning transformational potential into reality', in *Financing the UN Development System: Time to Walk the Talk* (Uppsala/New York: Dag Hammarskjöld Foundation/UN Multi-Partner Trust Fund Office, 2020), pp. 94–7.
- ⁶ For a good treatment of the challenges facing UN country teams, see Richard Bailey and Lisa Orrenius, 'Local insights, global ambition: What's needed to allow the UN to advance its financing roles in countries?', in *Financing the UN Development System: Opening Doors* (Uppsala/New York: Dag Hammarskjöld Foundation/UN Multi-Partner Trust Fund Office, 2018), pp. 117–20.
- ⁷ It is also being widely documented through case studies conducted by the Dag Hammarskjöld Foundation, Conrad N. Hilton Foundation, Dalberg, UN Department of Economic and Social Affairs (UN DESA)/The Partnering Initiative (TPI), World Economic Forum and various universities.

Box 4:

The EU's contribution to rules-based multilateralism:

Moving towards 'multilateralising' bilateral engagement and 'bilateralising' the multilateral approach

In February 2021, the European Commission issued a joint communication to the European Parliament and Council, outlining a new approach aimed at strengthening rules-based multilateralism.¹ This communication: 1) defined what the European Union (EU) wants for and from the multilateral system; 2) described how the EU could achieve this by reinforcing the system and its ability to deliver; and 3) demonstrated what the EU could do to leverage its strength more effectively. This assertive approach to multilateralism constitutes a response to geopolitical and economic power shifts, with relations between major powers turning increasingly confrontational and unilateralist.

To maximise its role and influence in global fora, the EU will pursue more efficient coordination mechanisms with its member states around joint priorities. Moreover, the EU will leverage its collective strength in order to project its values and priorities abroad. Adopting a 'Team Europe' approach, the EU and its member states will use their funding, normative power and country presence to engage with partner countries, multilateral organisations and other partners around joint priorities at a country, regional and multilateral level.

What does this mean for multilateral funding and cooperation specifically?

In terms of multilateral funding, the EU aims to more effectively *leverage the collective contributions* of the EU and its member states, in support of and linked to the implementation of agreed policy priorities and greater coherence in international fora. In addition, the EU wishes to continue to make clear what it expects from its partners and make better use of this leverage. This means that, where necessary, it intends to *calibrate its funding to specific multilateral initiatives* or organisations in accordance with how such policy priorities are met.

A key element of the new approach is to *establish high-level political dialogues* (EU–United Nations Summit), complemented by regular political-level stocktaking in EU priority areas. The new EU financial cycle offers potential opportunities to drive multilateral reforms and efficiency. As such, the EU will place increased focus on what can be done together at a country, regional and multilateral level, under a *policy-driven approach*. This approach allows for the defining of a common agenda, and – in terms of engaging with partner countries, multilateral organisations and other partners around joint priorities at a country, regional and multilateral level – the leveraging of the funding, normative power and strong country presence of the EU and its member states.

To increase the effectiveness of its external actions, the EU intends working towards *aligning its agreed policy priorities more closely with its funding to the multilateral system*, and to continue working towards a more strategic approach to *quality voluntary funding* for key UN funds, programmes and specialised agencies, as well as other international organisations. Moreover, the EU wishes to regularly and strategically assess its funding to key multilateral organisations, and in doing so *identify and update clearer priorities per entity*, track implementation, and increase its visibility.

To facilitate alliance-building, the EU will more actively make the case for multilateralism and mobilise support for EU initiatives. Here, the EU wishes to ensure greater consistency between its multilateral and bilateral diplomacy – *'multilateralising' bilateral engagement and 'bilateralising' the multilateral approach*. In terms of the multilateral dimension, this will be integrated more systematically into all the EU's political dialogues with third countries, from summits to working level contacts.

Footnote

¹ European Commission, 'Joint communication to the European Parliament and the Council on strengthening the EU's contribution to rules-based multilateralism', 17 February 2021, https://eeas.europa.eu/sites/default/files/en_strategy_on_strengthening_the_eus_contribution_to_rules-based_multilateralism.pdf.

Whither global public goods? No one is safe until everyone is safe

By John Hendra and Silke Weinlich

The COVID-19 pandemic has not only reinforced the importance of agreeing that certain critical global public goods (GPGs) should be available to everyone, everywhere. It has highlighted the spectacular failure of many countries – including those that have long advocated for the provision of GPGs – to look beyond their own borders and ensure a fairer, more multilateral, GPG-centred normative approach. In this context, the relevant GPGs concern, broadly, public health and, specifically, equitable access to COVID-19 drugs, diagnostics and vaccines. Thus far, the pandemic has demonstrated that global structures, which could assist countries in overcoming collective action problems and nudge them into concerted action, remain extremely weak.

GPGs and sustainable development are very much interlinked. Failure to effectively address issues such as climate change, financial stability or cybersecurity in our increasingly interconnected world threatens sustainable development not only within countries but on a global scale. The fact that GPGs have cross-border effects was recognised by United Nations Member States in the 2030 Agenda for Sustainable Development, which includes measures to safeguard environmental GPGs – climate, biodiversity, oceans, forests – in order to secure the physical foundations of human existence. The 2030 Agenda also incorporates other priorities that can be viewed as GPGs, such as ending poverty and hunger, ensuring access to adequate health and educational services, and building stable and strong institutions.

This article provides an introduction to the debate on GPGs and, in doing so, the two other contributions that follow. Specifically, it discusses three roles that the UN can play with regard to GPG provision that merit close attention: 1) data and monitoring; 2) catalysing action; and 3) funding.

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Current status of the GPG debate

Though the GPG concept has been around for many years, the concept has – despite prominent proponents within the UN, in particular within the UN Development Programme – thus far failed to gain traction in the global organisation. It has often been impossible to refer to GPGs in intergovernmental decision-making at the UN. Many developing countries have been afraid a focus on GPGs may divert attention and resources away from economic and social development. Meanwhile, in the context of the 2030 Agenda negotiations, more affluent middle-income countries worried that by making GPGs part of agreed language, a stronger onus

would be placed on them to contribute to the GPGs' protection and provision.¹ It is noteworthy that, on the occasion of the UN's seventy-fifth anniversary, Member States omitted explicit use of GPGs in the political declaration, 'Our Common Agenda'.

More recently, hopes have been raised that GPGs may be able to emerge from the shadows of the negotiation sidelines. Secretary-General António Guterres has frequently referred to GPGs in his speeches, calling for more and better action, not least in his vision statement for the next five years. At the same time, the COVID-19 pandemic has made clearly visible the pitfalls of underproviding GPGs. Nevertheless, such optimism should be treated with caution. Many countries at the World Health Assembly in May 2020 explicitly called for vaccines, once developed, to be referenced as GPGs – yet tragically, over a year later, the Global South's access to life-saving vaccines remains but a tiny fraction compared to that of the rich world. A genuine GPG focus would have suspended intellectual property rights for drugs and vaccines related to COVID-19 and ensured that the private market is unable to squeeze out a free public market – a danger that Kanni Wignaraja and Swarnim Waglé warn about in their article (see page 145). Instead, the current stand-off at the World Trade Organization has laid waste to the term 'people's vaccine'.

COVID-19 has further highlighted the need for action at national and local/provincial levels, as well as better governance and multilateral structures that allow for providing GPGs in a more effective manner. The final report of the Independent Panel for Pandemic Preparedness and Response – 'COVID-19: Make It the Last Pandemic', released in May 2021 – emphasises the urgent need to elevate pandemic preparedness and response to the highest level of political leadership through:

- 1) establishing a high-level Global Health Threats Council led by heads of state and government;
- 2) adopting a political declaration at a special session of the UN General Assembly committing to transformation of pandemic preparedness and response; and
- 3) adopting a global Pandemic Framework Convention by the end of 2021.² With regard to action, the Independent Panel recommended transforming the current Access to COVID-19 Tools (ACT)-Accelerator into a truly global end-to-end platform for vaccines, diagnostics, therapeutics and essential supplies, shifting from a model where innovation is left to the market to a model aimed at delivering GPGs.³

In a similar vein, the Monti Commission has called on the Group of Twenty (G20) to consider a Global Health Board that brings together health, economic, financial and other policy authorities and experts, in

order to identify vulnerabilities that threaten the lives of humans, animals and the environment ('One Health'). The Commission regards this as possibly evolving into a Global Public Goods Board, 'identifying failures in the provision of global public goods and marshalling support from the international community to address them'.⁴ This proposal echoes earlier ideas about a global stewardship council under the auspices of the UN, as well as similar recommendations made in the context of the UN's seventy-fifth anniversary concerning how best to equip the organisation to deal with transnational challenges, for example with regard to a UN sustainable development council.⁵

Despite the recent prominence of GPGs in the political discourse, numerous challenges remain. It is not easy to agree on what counts as a GPG, especially as the GPG concept has been used to describe a broad variety of – natural and anthropogenic – abstract goods, ranging from the global environment and international financial stability to shipping routes, health, knowledge, peace and security, human rights, the UN and the UN Charter itself.

Nevertheless, the economic definition of GPGs – in which GPGs are contrasted with private goods – is relatively straightforward. GPGs are commonly defined as goods and services that are 'non-rival' and 'non-excludable' in consumption: one person's use of a good does not prevent another person using it, and one person cannot prevent another person from using the good. Often, GPGs are not 'pure', in the sense that only one of these two criteria applies. As Kanni Wignaraja and Swarnim Waglé outline in their contribution, there is an ongoing debate on the 'public goods' nature of COVID-19 vaccines – they are 'non-excludable' but not necessarily 'non-rival'.

Which GPGs should be given the highest priority? If decisive action is further postponed, interlinked social, economic and ecological crises risk intensifying. Given the potential tightening of public resources, the question of prioritisation is pressing. Currently, there is little research that either assesses the importance of GPGs or considers interlinkages and trade-offs between them.⁶ Efforts to measure GPGs, and contributions to their provision, are also not very far advanced. Hence, Inge Kaul, as one of the key proponents of the concept, calls for greater engagement by social science scholarship both in capturing the complexity of GPGs and in helping design GPG policies that can better ensure their production and provision. Despite outlining some limited policy innovations and incremental action towards providing GPGs, overall Kaul deplores the fact that a true global public policy – which would suit the purpose of GPG provision – is lacking, both in theory and practice.⁷

In the political discourse, usage of GPGs usually underlines two issues: first, there are crucial issues that can affect people worldwide, and second, there is a need for some sort of coordinated international action. GPGs provide benefits to people in both rich and poor countries, and can create negative externalities across borders. This does not, however, mean that the externalities are evenly distributed – COVID-19 has demonstrated the devastating yet highly unequal implications of the failure of a GPG. UNDP's *Human Development Report 2020* further warns that climate change and other ecological threats will worsen inequalities.⁸

In debates regarding the future of development (studies), it is increasingly argued that GPGs should be at the centre of what is called global sustainable development. Here, the traditional concept of aid based on accelerated development would be superseded by a broader global paradigm that builds on commonalities between, and within, the Global North and South, rather than concentrating on how the two are distinct. While it is clear that the Global South remains a key – although not exclusive – focus, global interconnectedness, including through GPGs and globalisation, necessitates a broader approach to development.⁹ Calls for a 'new universal development commitment' or 'global public investment' to finance the 2030 Agenda complement such an approach.¹⁰

Regarding the second issue, GPGs are frequently used to underscore the need for some sort of coordinated international action, often with a view to differentiated responsibilities. For example, action in many countries is needed to slow down biodiversity loss. It is noteworthy, however, that international action is by no means the only action needed to secure a GPG – policy action at the national and regional levels is also often necessary. Moreover, despite still having a key role to play, governments alone are no longer sufficient to deliver public goods that transcend national boundaries. Usually, international action is not only about coordinating policies but about costly changes in behaviour. This leads to a social dilemma: everyone would be better off if the GPG was provided/secured, but no one wants to act unless everyone else acts as well. Given incentives to freeride, the problem remains unresolved, resulting in everyone being worse off.

What role for the United Nations?

International organisations such as the UN have been helping address the collective action problem inherent within the collective provision of GPGs through, among other things: 1) supporting the negotiation of treaties, norms and standards, including facilitating reciprocity, creating trust and managing expectations; 2) producing and collecting data, and monitoring progress; 3) catalysing action; and 4) mobilising funding.

There are emerging lessons to be taken, in particular, from the latter three of these elements, with relevant insights also provided in the two other GPG-related articles that constitute this section.

1. Data and monitoring

As outlined in previous *Financing the UN Development System* reports, monitoring and verification is crucial to holding parties accountable when it comes to allocation of responsibility for a GPG.¹¹ Often, there is a need to support the generation of good data, as is the case for many Sustainable Development Goal indicators. In the article that follows by Johannes F. Linn et al., (see page 148) data are both a GPG in itself, as well as a means of verifying compliance with the World Meteorological Organization (WMO) treaty on the Global Basic Observation Network (GBON) standard, which commits all signatories to sharing detailed surface-based weather observations. Sharing of better data will lead to significant improvements in global weather predictions, which may in turn translate into better development and climate outcomes. The Systematic Observations Financing Facility (SOFF), to be established in November 2021, will support least developed countries (LDC) and small island developing states (SIDS) in becoming compliant with the standard, with success measured by whether or not data are being shared effectively with the international community.

2. Catalysing action

GPG provision in the realms of sustainable development depends on a large number of actors with highly variable preferences, which makes it hard for governments to calculate the cost of non-cooperation. Under these circumstances, the biggest hurdle to cooperation is not freeriding but overcoming the lack of incentive to act in the first place. This opens up new strategies for international organisations.

Climate mitigation is the most prominent example of what has been called 'catalytic cooperation', fostered by catalytic institutions – the Paris Agreement and the UN Framework Convention on Climate Change (UNFCCC) – that over time seek to shift preferences and strategies toward cooperative outcomes. Their task is to spur first movers – not only among governments but among cities and businesses, whose calculations of costs and benefits may be different – and provide opportunities for increasing returns to take hold, especially as awareness of the collective benefits of climate action increases.¹² While the success of catalytic climate cooperation has yet to fully materialise, it may be worthwhile reflecting on similar institutional innovations in other policy realms, such as human rights, gender equality and food security.

3. Ensuring funding

For many GPGs, due to policy interdependence, it is often crucial to address the ‘weak link’ – for example, Ebola in a single country, if left unattended, could turn into a threat for others. A variety of financing mechanisms have therefore been created to encourage countries to reduce or prevent such cross-border spillovers. As outlined in the article by Linne et al., the SOFF provides: 1) grants to help LDCs and SIDS meet their commitments in exchange for the delivery of globally significant data; and 2) assistance not only for initial investment projects, but for the ongoing financing of operation and maintenance, thereby demonstrating the importance of long-term financing for GPG benefits.

To an extent, funding the provision of GPGs competes with official development assistance (ODA). Thus far, measurements capturing GPG expenditures that are not spent within developing countries and therefore count as ODA are still in their infancy. If the GPG agenda is to be advanced, universality must be addressed in greater earnest. To date, there exists only a single accepted formula for dividing the costs of collective action among all Member States: the UN’s scale of assessment. This formula applies to a relatively minor sum: the UN’s general regular budget and the core budgets of specialised agencies, which have been deliberately kept at a level of stagnation for many years. It is also applied, in a modified version, to sharing the financial burden of UN peace operations. Going forward, there is significant potential for the scale of assessment to be put into service for financing other global public priorities.

In this context, the Independent Panel for Pandemic Preparedness and Response recommended the establishment of an International Pandemic Financing Facility that – in the event of a pandemic being declared – could mobilise long-term financing to immediately fill gaps in funding for GPGs at the national, regional and global level. In addition, an ability-to-pay formula should be adopted, whereby larger and wealthier economies pay the most, preferably from non-ODA budget lines and in addition to established ODA budget levels.¹³

In short, the multitude of challenges arising from the COVID-19 pandemic, as well as from current global warming levels and the need for greater climate action, has brought renewed focus on the concept of GPGs – and especially the devastating impact when they are severely underprovided for.

Footnotes

- ¹ Bruce Jenks, ‘From an MDG World to an SDG/GPG World: Why the United Nations Should Embrace the Concept of Global Public Goods’, Development Dialogue Paper No. 15, Dag Hammarskjöld Foundation, September 2015.
- ² The Independent Panel for Pandemic Preparedness and Response, ‘COVID-19: Make It the Last Pandemic’, May 2021, p. 47.
- ³ The Independent Panel for Pandemic Preparedness and Response (note 2), p. 55.
- ⁴ Pan-European Commission on Health and Sustainable Development, ‘Rethinking Policy Priorities in the Light of Pandemics: A Call to Action’, March 2021, www.euro.who.int/__data/assets/pdf_file/0010/495856/Pan-European-Commission-Call-to-action-eng.pdf.
- ⁵ Beisheim Marianne et al., ‘Reform Options for Effective UN Sustainable Development Governance’, German Council for Sustainable Development, March 2021.
- ⁶ Kenny, Snyder and Patel have compiled a list of GPGs that span health, environment, economy, security, knowledge and technology, migration and norms, and examined their distribution across time and space: Charles Kenny, Mallika Snyder and Dev Patel, ‘Measures of Global Public Goods and International Spillovers’, Working Paper No. 474, Center for Global Development, February 2018.
- ⁷ Inge Kaul, ‘Conceptualizing global public policy: A global public good perspective’, in Diane Stone and Kim Moloney (eds), *The Oxford Handbook of Global Policy and Transnational Administration* (Oxford: Oxford University Press, 2019).
- ⁸ United Nations Development Programme (UNDP), *Human Development Report 2020: The Next Frontier – Human Development and the Anthropocene* (New York: UNDP, 2020), <http://hdr.undp.org/en/2020-report>.
- ⁹ Rory Horner, ‘Towards a new paradigm of global development? Beyond the limits of international development’, *Progress in Human Geography* 44/3 (2020), <https://doi.org/10.1177/0309132519836158>; and Johan A. Oldekop et al., ‘COVID-19 and the case for global development’, *World Development* 134/105044 (2020), <https://doi.org/10.1016/j.worlddev.2020.105044>.
- ¹⁰ Jonathan Glennie, *The Future of Aid: Global Public Investment* (Routledge, 2020).
- ¹¹ Bruce Jenks, ‘Multilateralism: An instrument of choice’, in *Financing the UN Development System: Time for Hard Choices* (Uppsala: Dag Hammarskjöld Foundation/UN MPTFO, 2019), pp. 168–71.
- ¹² Thomas Hale, ‘Catalytic cooperation’, *Global Environmental Politics* 20/4 (November 2020), pp. 73–98, https://doi.org/10.1162/glep_a_00561.
- ¹³ Independent Panel for Pandemic Preparedness and Response (note 2), p. 57.

The promises and pitfalls of COVID-19 vaccine equity

By Kanni Wignaraja and Swarnim Waglé

Introduction

Following the miraculous speed and ingenuity involved in developing vaccines against COVID-19, the world is inoculating about 8 million people each day. At the time of writing in February 2021, the global number of vaccinations exceeded the number of identified cases of COVID-19 for the first time. While the overall numbers of those being vaccinated are heartening, they are also heavily skewed, with 90% of this global drive confined to the European Union, along with 11 other countries. In Asia and the Pacific, the numbers vaccinated remain very low – given current rates, it will take bold new measures if global herd immunity is to be achieved by the end of 2022.¹ This also assumes that all who need to get vaccinated choose to do so, and that there are no supply-side impediments. The global fight against COVID-19 will not succeed unless vaccines are made available to all, and everyone believes in the science underlying them to keep us safe. The character of a pandemic is that it respects neither borders nor personal beliefs.²

Vaccines as a global public good?

There is an ongoing debate on the ‘public goods’ nature of COVID-19 vaccines. While vaccines are not a global public good in the technical sense of being non-excludable and non-rival, they can in theory be produced and disbursed in such abundant quantities that everyone wishing to get vaccinated can access them at an affordable price, rendering the non-rival property moot. We would like to unpack this a little.

While ensuring equitable access to COVID-19 vaccines requires an epic effort of coordination involving multiple actors across multiple disciplines – from science to logistics, development ethics to global governance – five key factors put this global ambition to vaccinate everyone within reach.

First, the number of vaccines that have secured credible regulatory approval is rising, even if – due to potential side-effects – this has been stop-start for some of them.

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Swarnim Waglé is the Chief Economic Advisor at the UNDP Regional Bureau for Asia and the Pacific in New York. Swarnim also chairs the Institute for Integrated Development Studies (IIDS), a South Asian think-tank. Previously, he served as a member and vice-chair of the National Planning Commission of Nepal, and as a senior economist at the World Bank in Washington, DC and UNDP in Hanoi, Colombo and New York. Swarnim holds a Doctorate in economics from Australian National University and a Master’s in international development from Harvard University.

Second, the current production capacity appears to be adequate to vaccinate 5.8 billion people (those 16 years old and above), unless new variants introduce complexities. Third, logistical concerns over the need to store some vaccines in ultra-cold freezers have proven less of a challenge than first anticipated. Fourth, while prices of various vaccines are differentiated, they appear to be largely affordable for public procurement. Fifth, while a proportion of the global population will decide not to get vaccinated – posing a degree of risk in terms of the pandemic being completely tamed – the demonstration of life and liberty projected by those who receive the vaccine may shift some of this hesitancy.

Supply and pricing issues

Manufacturing adequate doses of vaccines is perhaps the most important issue in achieving vaccine equity, followed by the ability to get supplies distributed evenly to all parts of the world. There is progress here, with manufacturers even collaborating with competitors to expand capacity. While developing countries such as Brazil, South Africa and Thailand have signed manufacturing agreements to locally produce foreign vaccines, the United States has invoked wartime legislation (the Defense Production Act) to ease supply chain frictions.³ Meanwhile, the World Trade Organization is debating whether and how to waive patent rights to boost vaccine production.⁴

On the matter of pricing, leading vaccines (such as AstraZeneca and Johnson & Johnson) cost on average around US\$ 10 per person (at the time of writing), which is not prohibitive, though there is wide variation in the prices of available vaccines. More problematic is the secrecy involved, with the contractual terms agreed between manufacturers and governments not generally made public. While almost all procurement to date has been spearheaded by governments and therefore mostly funded via taxation, in parts of Asia there are now moves to have private firms procure vaccines as well.⁵ Though this may increase the supply of vaccines, by allowing governments to divert saved resources to accelerate procurement, the private market can also squeeze out a free public market and slow down public distribution of vaccines. Such a scenario would potentially result in a zero-sum game in which the poor lose out. Thus, regulations, penalties and oversight are needed to encourage fair and prudent behaviour.

Moving forward, anticipating new variants of the virus and addressing it through boosters represents an important goal of the vaccine drive. While this is necessary and appears feasible, it will involve a considerable longer-term financial and logistical burden. Many countries in Asia and the Pacific neither anticipated nor had planned for the mass adult immunisation campaigns that may now be required on a regular basis. With some countries and communities yet to undergo the first round of immunisation, demand for new boosters holds the risk of diverting resources away, thereby affecting inoculation of unvaccinated countries.⁶ Should this happen, the ‘unvaccinated gap’ may continue to widen.

Such a situation would call for joint action to reduce collective vulnerability. The tragic intensification of COVID-19 infections and deaths in India in April 2021 is a case in point. For months, India supplied tens of millions of doses to almost 100 countries around the world; however, its production capacity – one of the largest in the world – has been hamstrung

by a lack of raw materials and components. Death rates are spiralling due to an unforeseen shortage of liquid oxygen in tanks and military-grade oxygen concentrators.⁷ In general, coordination and cooperation between exporting and producing countries has only sped up after the reaching of crisis points.

Early lessons from COVAX

The COVAX Advanced Market Commitment, co-led by the World Health Organization (WHO); Gavi, the Vaccine Alliance; and the Coalition for Epidemic Preparedness Innovations (CEPI), is a key part of the solution. The facility is an attempt to ensure 92 low- and middle-income countries get access to a COVID-19 vaccine, with the aim of delivering 2 billion doses by the end of 2021. As part of this, a proportion of the vaccine costs will be covered. As of 1 June 2021, however, Asia-Pacific had administered only 23.8 doses per 100 people, a rate far behind North and South America, and Europe.⁸ While the intent and aspirations are on track, delivery is less so.

An early lesson from ongoing vaccination campaigns is that the cold chain issue – which was supposedly a deal breaker – has actually been managed, with newer vaccines produced that do not require the extreme-cold storage facilities that early vaccines needed. A second lesson is that the countries that previously invested in their primary healthcare systems, and had primary care facilities and workers managing routine annual immunisation campaigns, are better off – New Zealand, the Republic of Korea and Singapore have all, for example, been praised for their quick and effective responses.⁹

Among the UN Development Programme (UNDP)’s Asia-Pacific programme countries, Thailand was praised for its pandemic response in 2020, with its success coming because ‘for over 40 years, Thailand has invested in health infrastructure and achieving universal health coverage’.¹⁰ WHO Director Tedros Ghebreyesus has also attributed Thailand’s success to its ‘investment in public health and all-of-society engagement’.¹¹ This does not, of course, mean that adjustments and new training and systems are not needed. Rather, the country’s starting point in meeting the pandemic – in terms of the robustness of the general health system – has shown the value of making consistent investments in the health and wellbeing of people.

Potential obstacles to vaccine equity

Ensuring universal vaccine access raises a number of crucial questions that countries must answer. While there may not be any single correct response, tracking how these issues are addressed will be essential to our shared global learning.

Who gets priority?

Almost all countries have started out by immunising healthcare and frontline workers, before moving on to the elderly and other groups. One outlier is Indonesia, where young people were targeted first, on the basis that – compared to the elderly, who tend to stay at home – their mobility makes them more likely to transmit the virus.¹²

Who pays first, and who pays next?

The initial financing of COVID-19 vaccine production demonstrated the vital role played by the state in stepping up¹³ – just as was the case when it came to, among other things, investing in nuclear energy, development of the internet, and basic research and development (R&D) of key technologies. Whether in China, India, Russia or the United States, this initial government investment in R&D for COVID-19 vaccines was critical. The question is: Who pays next? The hoarding of vaccines by rich countries and restricted supply to low-income countries runs counter to the cooperation principles and protocols established in the development phase.

How do we overcome vaccine hesitancy?

Countries such as Israel, the Republic of Korea, Bangladesh and Vietnam have set up official COVID-19 portals, including hotlines, telemedicine services, videos and other resources,¹⁴ with UNDP supporting these efforts in the latter two countries. Transparent, accurate and regular information-sharing by governments has been key, as this tends to increase trust among citizens regarding basic safety and wellbeing protocols, and in turn immunisation.

What is the optimal way to distribute COVID-19 vaccines?

Different modalities for vaccine distribution are being tested, including setting up temporary vaccine centres, and delegating it to hospitals or pharmacies. Even door-to-door vaccination drives have been discussed and tested. This is not – nor should there be – a one-size-fits-all strategy.

Conclusion

The global COVID-19 vaccine drive is ongoing, with – production hiccups and distributional pauses aside – the fundamental challenge being one of ensuring universal access. New variants complicate the science of vaccines and the art of pandemic governance. As long as a substantial number of people are unvaccinated, a reservoir of hosts will remain within which the virus can recoup. Therefore, it will be crucial to: establish cooperation protocols among national, regional and global stakeholders; ensure affordability; maintain an efficient

logistics system; and take strategic decisions on the prioritisation and sequencing of public health and public financing policy. These actions will be key to ensuring that the miracle of vaccine development is matched by the miracle of vaccines achieving universal reach.

Footnotes

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Strengthening weather and climate observations: A foundational global public good

By Johannes F. Linn, Anthony Rea, Markus Reppnik and Laura Tuck

Introduction

Weather and climate prediction generates many benefits locally, nationally, regionally and globally. Short-to-medium-term weather forecasts are essential for agriculture, water supply, energy (especially wind and solar), transportation, construction and tourism, and are critical for early warnings and disaster risk management (see Figure 1 on the following page). According to a conservative estimate cited in a recent World Bank publication, weather prediction services potentially produce annual global benefits worth US\$ 162 billion.¹ Long-term climate analysis and prediction are essential for climate mitigation, and even more so for climate adaptation – you cannot adapt if you do not know what you are adapting to.

Weather and climate predictions are produced by scientific models that draw on weather observation data collected from around the globe, mostly by satellites. However, about 25% of the impact on forecast accuracy comes from ground stations with surface-based instruments or upper-air balloons (also known as radiosondes).² Ground-based weather data are needed in order to produce observations that satellites are unable to capture, as well as to validate satellite data.

The earth's weather and climate system is globally interlinked – today's weather in one location will influence the weather elsewhere on the planet over the coming days or weeks. Hence, for weather forecasts looking more than four days ahead, meteorological models require weather observation data from the entire globe (Figure 2 on page 150), which in turn means that more accurate weather and climate forecasts for such time periods require improved weather observations worldwide. For example, besides having negative effects in the local region, a lack of observations in the Pacific Islands can limit the quality of seven- to ten-day forecasts in Europe. Given that global Weather Model forecasts serve as the basis for longer-range local weather forecasts everywhere in the world, their lower quality will then reduce the quality

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of weather prediction everywhere, including in the Pacific Islands. These global effects are exacerbated at the local level where the lack of observations also affects the ability to verify and improve forecasts. Therefore, investing in improved weather observation capacity in the Pacific Islands will have global benefits beyond those reaped directly in the region – in other words, national weather observations that are shared globally are a global public good (GPG).

The Global Basic Observation Network

In 2019, in recognition of this global interdependence, the 193 member states and territories of the World Meteorological Organization (WMO) reached a binding agreement on implementing the Global Basic Observation Network (GBON). This agreement commits all signatories to sharing surface-based weather observations at a required minimum geographic density and temporal frequency. It has been estimated that reaching this global standard will produce minimum annual benefits equivalent to approximately US\$ 5.2 billion due to the resulting improvements in global weather prediction.³

The benefits from improving observations are especially significant for locations that currently fall far short of the GBON requirements. For example, an additional radiosonde flown over French Polynesia would improve forecast accuracy by up to 50 times more that of an additional radiosonde flown over France.⁴

Figure 1: Minimum annual socio-economic benefits of weather prediction

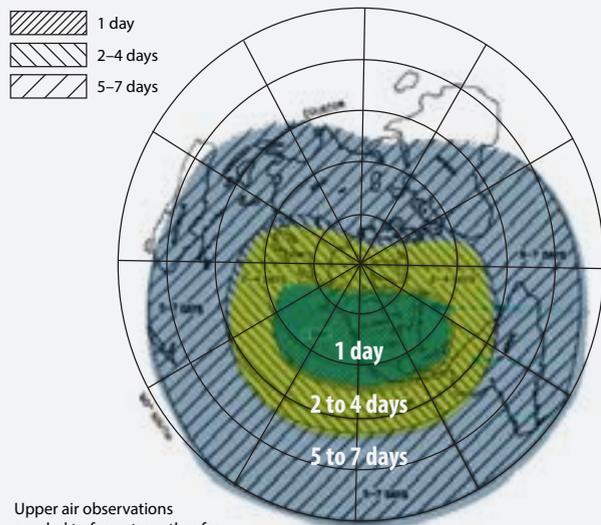


Source: World Meteorological Organization, 'Systematic Observations Financing Facility: Report for First Funders' Forum', 24 March 2021, https://library.wmo.int/doc_num.php?explnum_id=10562 (adapted from Daniel Kull et al., 'The value of surface-based meteorological observation data', World Bank, 2021, <https://openknowledge.worldbank.org/bitstream/handle/10986/35178/The-Value-of-Surface-based-Meteorological-Observation-Data.pdf?sequence=1&isAllowed=y>)

In fact, the lack of adequate observation capacity and data sharing is highly concentrated in the least developed countries (LDCs), especially in Africa, and in the small islands developing states (SIDS). The red and pink shaded areas in Figure 3 (on the following page) demonstrate this for one of the metrics of weather observation (horizontal resolution of surface observation based on stations actively reporting). Moreover, for many of these countries, the situation is getting worse: in terms of upper-air balloon observations, the quantity of data dropped by 50% in Africa between 2015 and early 2020, and is likely to have dropped even further since then due to the COVID-19 crisis.

Unless they are supported by the international community, it is clear that LDCs and SIDS will have great difficulty meeting their obligations under GBON, as they face multiple constraints. First, they do not have the institutional or fiscal capacity to invest in weather stations, nor do they have the capacity to effectively operate and maintain the stations they do have, and so cannot share the data. Second, given a significant share of the benefit from the stations accrues to the rest of the world, there is no strong incentive for them to collect weather data – a typical problem with any GPG. And third, national policy-makers often fail to recognise that improved global weather and climate data allows

Figure 2. Lack of data severely impacts quality of weather forecasts and climate prediction everywhere



Upper air observations needed to forecast weather for the lower 48 states for 1 day, 2-4 days, and 6-7 days.

Source: World Meteorological Organization, 'Systematic Observations Financing Facility: Report for First Funders' Forum', 24 March 2021, https://library.wmo.int/doc_num.php?explnum_id=10562

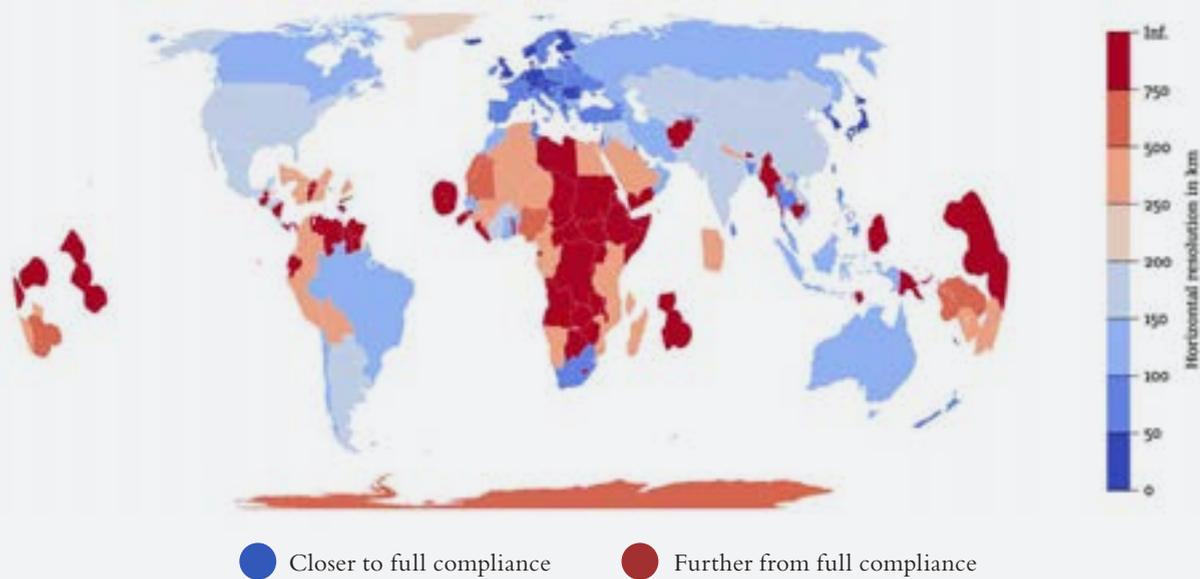
improved national prediction. In response to this challenge, the Alliance for Hydromet Development was set up by 13 international organisations in order to support the improvement of weather services in developing countries.⁵ Spearheaded by the WMO, the Alliance developed a proposal for a new financial mechanism – the Systematic Observations Financing Facility (SOFF) – that would enable the LDCs and SIDS to become GBON compliant. Consultations with potential funders, host organisations and a wide range of stakeholders are currently under way, with the aim of allowing SOFF to be launched at the UN Climate Change Conference (COP26) in November 2021.

Benefits of the Systematic Observations Financing Facility

SOFF's proposed design reflects many lessons from past development, environment and climate finance initiatives, and embodies a number of important and innovative features:

1. *A clear vision and focused target group:* SOFF has the ambitious but targeted goal of bringing all LDCs and ODA-eligible SIDS to GBON compliance over five years, and to ensure their sustained compliance after this period.⁶ It is estimated that achieving this goal will cost US\$ 400 million during the first five years, and US\$ 50 million annually thereafter.

Figure 3: Degree of GBON compliance for surface observations in January 2020



Source: World Meteorological Organization, 'Systematic Observations Financing Facility: Report for First Funders' Forum', 24 March 2021, https://library.wmo.int/doc_num.php?explnum_id=10562

2. *Output is the measure of success:* Rather than focusing on inputs as a measure of success (eg the number of stations constructed), SOFF will measure success by whether or not data are actually shared with the international community, as verified in real time by the WMO. This is because it is the delivery of the data that generates global benefits.
3. *Results-based financing of operations and maintenance:* SOFF recognises that, beyond investment finance, LDCs and SIDS need ongoing financial support to help cover the operations and maintenance (O&M) costs of weather stations. SOFF will therefore provide results-based grant finance to cover on average up to 75% of O&M costs, with funds only released if the expected data have actually been shared. Countries that have LDC or ODA-eligible SIDS status will receive the O&M grant support, a measure justified by the low economic status of these countries and, crucially, the GPG nature of meteorological observations.
4. *A new financing mechanism, not a new organisation:* The international development and climate finance architecture is already highly fragmented. The intention behind SOFF is not to add to this fragmentation, but to incorporate the SOFF financing mechanism into an existing mechanism.
5. *Broad engagement of the international community:* SOFF is based on close cooperation between existing multilateral organisations, and so plans to work with and through them during implementation. Moreover, SOFF aims to involve not only OECD countries as funders, but middle-income countries such as China, as these countries are major meteorological powerhouses that will also benefit from SOFF implementation. Aside from raising much-needed additional resources, broad-gauged East-West and North-South participation will demonstrate that, even in times of rising geopolitical friction, cooperation across political divides in support of GPG benefits is a worthwhile cause for all.

In addition to these features, SOFF may demonstrate longer-term GPG financing opportunities. First, by providing grants in exchange for data of global significance, SOFF will pave the way for similar funding initiatives where data delivery or other GPG contributions are expected – for example, the case of global health data, which may become increasingly important for controlling pandemics like COVID-19. Second, by providing continuing O&M funding in pursuit of sustained delivery of a GPG rather than for one-off investment projects, SOFF will demonstrate that such long-term financing for GPG benefits is a valid mechanism. While recurring replenishments

of the facility will be required for the foreseeable future, the introduction of global revenue measures (eg a universal tax on airline travel or on international financial transactions) could in future be used to fund these recurrent financing needs, as well as those of similar GPG initiatives.

SOFF aims to address a hitherto neglected challenge: improved access to weather data. Development and climate agencies, as well as donor governments, have traditionally focused on ensuring better access to weather and climate information services for potential users and beneficiaries, and especially how to strengthen early warning mechanisms for weather and extreme climate events. Relatively little – indeed, too little – attention has been paid to the quality of the weather data feeding the system on which the investments funded by these agencies and donors is based. Moreover, meteorological agencies tend to have little visibility or political clout in their countries, meaning their pleas for greater attention and funding tend not to be heard. SOFF will tackle this attention deficit by demonstrating that better weather data mean better development and climate outcomes, and that better data for improved weather and climate prediction are an essential GPG.

Footnotes

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Acronyms and abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
AGE	Advisory Group of Experts
ASG	Assistant Secretary-General
CAC	collective action clauses
CEB	Chief Executives Board for Coordination
CEO	chief executive officer
CERF	Central Emergency Response Fund
COVID-19	Novel Coronavirus (2019-nCoV)
CRS	Creditor Reporting System
CTBTO	Comprehensive Nuclear-Test-Ban Treaty Organization
DAC	Development Assistance Committee
DCO	Development Coordination Office
DDR	disarmament, demobilisation and reintegration
DFI	development finance institutions
DPA	Department for Political Affairs
DPPA	Department of Political and Peacebuilding Affairs, formerly DPA (see above)
DPKO	Department for Peacekeeping Operations
DPO	Department of Peace Operations, formerly DPKO (see above)
DRC	Democratic Republic of Congo
ECOSOC	Economic and Social Council
ESG	environmental, social and governance
ETF	exchange-traded fund
EU	European Union
FAO	Food and Agriculture Organization
GBON	Global Basic Observation Network
GDP	gross domestic product
GFP	Global Focal Point
GHRP	Global Humanitarian Response Plan
GNI	gross national income
GPG	global public good
IDB	Inter-American Development Bank
GRA	General Resources Account
HLCM	High-level Committee on Management
HRC	Human Rights Council
IARC	International Agency for Research on Cancer
IATI	International Aid Transparency Initiative
IBRD	International Bank for Reconstruction and Development
ICC	International Criminal Court
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFI	international financial institutions
ILO	International Labour Organization
IMF	International Monetary Fund
INFF	integrated national financing frameworks

IOM	International Organization for Migration
ITC	International Trade Centre
ITLOS	International Tribunal for the Law of the Sea
LDC	least developed countries
MOPAN	Multilateral Organisation Performance Assessment Network
MPTFO	Multi-Partner Trust Fund Office
MDB	multilateral development banks
MPTF	Multi-Partner Trust Fund
NGO	non-governmental organisation
OAD	operational activities for development
O&M	operations and maintenance
OCHA	Office for the Coordination of Humanitarian Affairs
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OECD-DAC	Organisation for Economic Co-operation and Development's Development Assistance Committee
OHCHR	Office of the United Nations High Commissioner for Human Rights
OPCW	Organisation for the Prohibition of Chemical Weapons
PAHO	Pan American Health Organization
PBF	Peacebuilding Fund
PDET	Territorially Focused Development Plans (Spanish acronym)
PHC	primary healthcare
PRGT	Poverty Reduction and Growth Trust
PPE	personal protective equipment
QCPR	Quadrennial Comprehensive Policy Review
RED	research and development
RC	Resident Coordinator
RCO	Resident Coordinator's Office
SDG	Sustainable Development Goal
SDGPP	SDG Partnership Platform
SDR	special drawing rights
SERP	Socio-Economic Response Plans
SIDS	small island developing states
SOFF	Systematic Observations Financing Facility
SPM	special political mission
SRI	socially responsible investment
SSR	security sector reform
TOSSD	Total Official Support for Sustainable Development
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCDF	United Nations Capital Development Fund
UNCT	United Nations country team
UNDAF	United Nations Development Assistance Framework
UN DESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNDS	United Nations development system
UNEP	United Nations Environmental Programme
UNFCCC	United Nation Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNMIS	UN Supervision Mission in Syria
UNOPS	United Nations Office for Project Services
UNRISD	United Nations Research Institute for Social Development
UNSDG	United Nations Sustainable Development Group
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
WFP	World Food Programme
WHO	World Health Organization
WMO	World Meteorological Organization
WTO	World Trade Organization

This seventh edition of the *Financing the United Nations Development System* report arrives at a moment when the UN system is facing unprecedented challenges. Climate change, the effects of the COVID-19 pandemic, increasing inequality, and armed conflicts are placing inimitable demands on the multilateral system. For the international community, then, it is **Time to Meet the Moment** through quality financing of multilateral approaches to development. Only then can a shared aim of promoting prevention, mitigation, resilience building and emergency preparedness be met.

Mobilising the quality, unearmarked multilateral finance needed to address these challenges calls for clarity and transparency. Towards this end, the financial data explored in the first part of this report aims to demystify the complex funding dynamics of the UN development system and how they feed into financing flows for the 2030 Agenda for Sustainable Development.

Building on this, the report presents a comprehensive selection of contributions from experts – including UN professionals (present and former), and representatives of think tanks and Member States – reflecting on the emerging trends, risks and opportunities apparent in multilateral financing. In doing so, the report provides a point of departure for forward-looking conversations both on how the UN system ought to be funded and how it could leverage this finance towards meeting global needs and goods, all the while building back better from the COVID-19 pandemic.



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