

***ECOSOC Dialogue on the longer-term positioning of the UN
Development system in the context of the post-2015
development agenda***

***The Funding and related practices of the UN
Development system***

Romesh Muttukumaru*

May 2015

***The paper expresses solely the views of the author**

Introduction

With the post-2015 development agenda to be soon upon us, the UN's Economic and Social Council (ECOSOC) through its resolution 2014/14 decided to convene a transparent and inclusive dialogue involving Member States and all relevant stakeholders on the longer-term positioning of the United Nations development system (UNDS). The proposed dialogue in addition to addressing the prospective role of the UNDS in the emerging and new post-2015 international development architecture includes the inter-linkages between the alignment of functions, funding and related practices, governance structures, capacity and impact, partnership approaches, and organizational arrangements. As an input to this dialogue the UN Department of Economic and Social Affairs (DESA) has commissioned a series of independent expert papers.

Accordingly this independent expert paper is presented on Funding and related practices of the UNDS. The paper is structured around five sections: (I) a brief evolution of UNDS funding; (II) UNDS funding today: including sources and the increasing role of non-core; (III) UNDS funding practices today; (IV) The changing international development cooperation context and related funding; and, (V) The road ahead and implications for UNDS funding and related practices in the post-2015 era. It is followed by a suggested set of discussion questions to assist the dialogue among Member States and other participants, beginning with the 8 May 2015 workshop.

Over the years UNDS funding and related practices has been the subject of many reviews, studies, reports, articles, etc., both internal and external to the UN. Much of the historical accounts, analyses, findings and proposed recommendations from these sources - especially those issued in recent years, continue to be relevant today and for the future. As such this paper in its review, analysis, as well as related findings and suggested possible ways forward does draw from these sources. Relevant sources and material consulted are disclosed in the paper.

The term UN Development system (UNDS) that is utilized in this paper refers to all UN Funds and Programmes as well as UN Specialized agencies, responsible for delivering UN operational activities for development (UNOAD) that includes development and humanitarian assistance related activities under the Quadrennial Comprehensive Policy Review (QCPR). Furthermore while a common set of terms to represent core and non-core resources remain to be harmonized across all UNDS entities, as followed in the QCPR these terms are used in this paper to refer to all unrestricted (core) and restricted or earmarked (non-core) resources.

In his remarks at the closing session of the 2015 Operational Activities for Development segment in February 2015, the President of ECOSOC, Ambassador Martin Sajdik declared that the UNDS was at a crossroads. He stated that the forthcoming transformative post-2015 development agenda "will demand adaptation and change from the UNDS as a whole", and called for a system-wide approach at all levels. He underscored the importance of ensuring that the funding architecture of operational activities of the UNDS will need to be "effectively aligned with the new functions as reflected in the post-2015 development agenda". He recognized the critical need towards addressing the current fragmented funding architecture, as well as the role of core funding in the implementation of the new development agenda. What then are the challenges and possible implications for UNDS funding and its related practices in preparation for the post-2015 era.

I. A brief evolution of UNDS funding

The preamble to the UN Charter amongst other stipulations states “to promote social progress and better standards of life in larger freedom” and to “employ international machinery for the promotion of the economic and social advancement of all peoples”. This is further expanded in Articles 55 through 60 of the Charter. This is the root of what we know today as the United Nations Development system (UNDS), which also included under its wings the various specialized agencies that were established by intergovernmental agreement including those established prior to the formation of the United Nations. The UNDS entities with their own governing boards remain accountable at different levels to the Economic and Social Council (ECOSOC), one of the main organs of the UN.

A. The early years – beginning 1948

The UN General Assembly (GA) in 1948 decided to appropriate funds under its regular budget to enable the UN Secretary-General to supply teams of experts, offer fellowships, and organize seminars to assist national development projects at the request of governments. These were called Regular Programs of Technical Assistance (RPTA) and were thus financed from assessed contributions. To respond to the growing demand from poorer countries for these services, the General Assembly in 1949 established the Expanded Programme of Technical Assistance (EPTA), with ECOSOC creating a Technical Assistance Committee (TAC) to oversee a Technical Assistance Board (TAB) that comprised the heads of the specialized agencies and chaired by the Secretary-General. The TAB received and reviewed requests for assistance, with the TAC being responsible for their approval. EPTA provided similar services as the original RPTA, in addition to limited equipment needs. EPTA’s technical assistance role was clearly demarcated from that of the World Bank’s for capital loans.

A central separate and voluntary funded account toward technical assistance to finance EPTA’s activities not only of the UN itself but also some of those of the specialized agencies was set up, in addition to their separate assessed contributions. This was the beginning of voluntary funded UN development activities. There was tension over the years in the distribution of resources, with the UN itself and agencies being apportioned specific shares, especially when it came to reconciling integrated planning within recipient countries. Eventually in 1955 ECOSOC ended the practice of fixed shares, but that the agencies together would receive no less than 85 per cent of the previous year’s allocation, and at the same time introduced the concept of country programming. At its first pledging conference in 1950, EPTA received US\$20 million in voluntary contributions. Ten years after it had begun operations, EPTA was financing technical assistance in some 140 countries and territories. Between 1950 and 1960, the number of governments contributing funds had grown from 54 to 85, and total annual contributions to US\$34 million and by 1965 to US\$56 million. During the period 1950 through 1965 donors had pledged to EPTA around US\$400 million, with developing countries contributing around US\$45 million, in addition to substantial funding by recipient countries for local costs.

With loans of the World Bank running into problems due to the lack of preliminary feasibility studies, the General Assembly after considerable debate decided to broaden the scope of UN technical assistance, by establishing in 1958 another fund “the Special Fund” for assisting countries in the preparation of pre- investment studies. A Governing Council was set up by ECOSOC to oversee the operations of the Fund. The Special Fund began its operations in 1959, with its first pledges amounting to US\$26 million far short of its initial request of US\$160 million. However within three years 86

governments had pledged close to US\$100 million. Within the first five years over 400 projects had been implemented in around 130 countries at a cost of US\$374 million to the Fund. The more substantial financing of US\$545 million for these projects came from the developing countries themselves. There were no agency shares, but most projects were executed by specialized agencies through heavy canvassing, with some projects being contracted to the private sector. Administratively both EPTA and the Special Fund were under the UN Secretariat, initially with the Technical Assistance Administration (TAA), followed by its successor the Department of Economic and Social Affairs (DESA). It should be noted that in 1959 the World Bank established the International Development Association (IDA) for providing concessional loans to developing countries. IDA was to receive its funding from the very same donors as replenishments on a triennial basis, in addition to benefitting from the profits of the Bank's other operations.

B. The middle years – beginning 1964

In January 1964, the Secretary-General proposed to ECOSOC that EPTA and the Special Fund be merged into a single programme. On 22 November 1965, the General Assembly unanimously voted to consolidate the two operations, and on 1 January 1966 they were merged as the United Nations Development Programme (UNDP)¹. UNDP became the UN's principal source of technical assistance. While funding for UNDP increased, but being voluntary funded it faced considerable volatility in its contributions year to year, and thereby was not always considered a dependable funding partner. The allocation of its funding was based on agency shares, which provided each agency a percentage of available resources, rather than recipient country priorities.

In 1968 a major study of UNDP better known as the "Capacity Study" was commissioned and undertaken by Robert Jackson². While Jackson had far more radical ideas of reforming the multilateral development system, the Study ultimately focused on achieving more coherence and alignment of the UN development system. The Study analyzed the challenges in every area of the system, and provided recommendations. The recommendations ranged from a programme country centered approach to resource allocation, having UNDP as the central funding entity for the system, to a couple of structural and operational ones, including a new Director-General position for economic and social affairs under the Secretary-General. During the first half of 1970 the recommendations were presented and discussed at UNDP's Governing Council over three meetings, and subsequently most of the recommendations were agreed to in its decision referred to as "the 1970 Consensus", and formally adopted through General Assembly resolution 2688 (XXV).

From a funding perspective, the significance of the consensus decision was its endorsement of a country-centered rather than agency centered approach with programming. The allocation of resources to programme countries were in the form of Indicative Planning Figures (IPFs) based on certain objectively defined criteria related to each country. This resulted in UNDP becoming the central funding organ for all UN technical assistance, which also entailed the organization exercising a coordinating function through "the power of the purse." Specialized agencies became executing agents and were reimbursed for programme support as well as management and administration at a rate of 13 per cent of project expenditures. Until around 1980, UNDP continued to be principally funded by core voluntary contributions. Around 90 per cent of UNDP funded activities were under UN agency execution, with the

¹ ECOSOC Resolution 1020 (XXXVII) and GA Resolution 2029 (XX)

² United Nations: A Capacity Study of the United Nations Development System (Geneva: UN, 1969)

major ones FAO, the UN, UNIDO, ILO and UNESCO covering around 70 per cent. Agency execution began declining after that through 1990 to around 76 per cent following the emergence of national execution as well as execution by UNDP's Office of Project Execution (OPE), with the same major ones accounting now for 60 per cent.

The result was that the specialized agencies now also began to mobilize voluntary non-core contributions to fund their own activities, in addition to those funded by UNDP. By the end of 1990 the main funding for the UN's technical assistance activities³ were a combination of core and non-core resources with the main sources being: 55 per cent from UNDP⁴ (both core voluntary and an increasing share of non-core voluntary contributions⁵), 35 per cent from agencies core assessed and non-core voluntary contributions, and the remaining 10 per cent from UNFPA (core and non-core voluntary contributions). Non-core resources or earmarking had begun to show signs of growth. Such funding came through either Trust Funds or project cost sharing. Government or local cost sharing had also taken its roots during this period too, especially for UNDP in Latin America.

At the same time, over the years there had been ongoing discussions on the role of international development and the need for aspirational targets related to the flow of official and private resources to developing countries. It was clear that governments could not control private resource flows. In 1969 a target of 0.7 per cent of donor gross national product (GNP) for governments was proposed by the Pearson Commission on International Development⁶ in its report "Partners in Development". This was subsequently taken up by the General Assembly in October 1970. Donor countries today are either guided by or adhere to the 0.7 per cent target.

Furthermore, during this period there were subsequent attempts at various reforms of UNDS. The recommendations in 1975 of the Gardner Report titled – "A new UN structure for Global Economic Cooperation", were quite similar to the earlier Capacity Study, such as the establishment of the Director-General position for economic and social affairs under the Secretary-General, with some new proposals such as the consolidation of all UN funds for technical assistance excluding UNICEF, under a UN Development Authority, as well as for the strengthening of ECOSOC. The GA subsequently in 1977 endorsed⁷ some of the recommendations that included the establishment of the Director General position, as well in introducing the title of Resident Coordinator for the individual heading UNDS activities at the country level. There was no consolidation of Funds. The Director-General position was later abolished, following the establishment of a UN Development Coordination Group, now called the UN Development Group (UNDG) and chaired by the UNDP Administrator.

C. The later years – beginning 1990s

With national execution becoming the preferred execution modality since the late 1980's, donors began to increasingly hold the UNDS entities they were entrusting their funds to, for results at the country level. This resulted in a further decline of UNDP funded activities under UN agency execution from

³ Excluding UNICEF, WFP, IFAD and emergency, humanitarian and disaster relief operations which did not engage other entities as executing agents

⁴ Including Funds administered by UNDP

⁵ A combination of government and third party cost sharing, trust funds and management services agreements

⁶ Established by the World Bank in 1968 to review the effectiveness of its development assistance over a 20 year period

⁷ GA Resolution 32/197 refers

around 76 per cent in 1990 to around 11 per cent in 2000, with further declines in the later years. National execution was around 62 per cent with the remaining executed by UNOPS which had been set up as a separate UN entity in 1995. The push was for UNDS to move towards national execution as the main execution modality, with the entities becoming centers of excellence in their respective mandate areas. In the meantime UNDP, UNICEF and UNFPA had also developed and introduced new programme resource allocation frameworks during this period.

In September 2000 world leaders adopted⁸ the Millennium Declaration that gave birth to the Millennium development goals (MDGs) at the end of their Millennium Summit. The Declaration stated that it would only be “through broad and sustained efforts to create a shared future, based upon our common humanity in all its diversity, can globalization be made fully inclusive and equitable”. The MDGs provided a framework of clear goals for the world community to coalesce around and commit towards meeting them. The move towards results achievement and measurable targets across the international development cooperation world became the norm, and UNDS entities were no exception. The system aligned itself behind the MDGs, which led to a further shift and this time more radically towards non-core or earmarked funding. MDG funding was based on common interests with differentiated responsibilities reflecting each partner’s capacities. In turn donors found it easier to make the case to their respective constituencies for funding specific goals through earmarking as opposed to providing increasing levels of core resources. Funding had now grown to become more competitive between UNDS entities as many were making the case for funding in quite a few cases for programmatic interventions under the same goals, and from the same donors. This also began to lead to fragmentation within the system. The later introduction of the Delivering as One (DAO) approach⁹ was a step towards improving coherence within the system at the programme country level.

The increase in non-core resources with a corresponding decline in core resources across UNDS entities led to extensive discussions within and across the entities, and with their respective governing boards, as well as in ECOSOC. The declining levels of core resources were already beginning to have an impact on the broader mandated activities of the entities across the programme countries they were assisting, with funding now being targeted to specific areas as well as countries by donors. In this context UNDS entities had begun to introduce multi-year funding frameworks with results based strategic frameworks, following an integrated approach to core and non-core funding, linked to the development results each of the entities were targeting to influence.

II. UNDS funding today: including sources and the increasing role of non-core

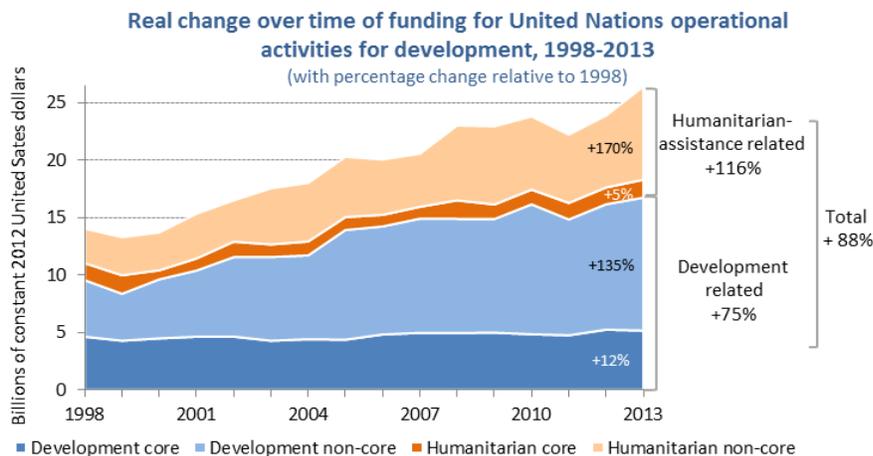
In 2013 total funding for UNDS operational activities for development amounted to US\$26.4 billion. As shown in **Figure 1** this was around 88 per cent more in real terms than in 1998. While real-term growth was relatively positive during this period, it was non-core funding that showed the greatest increase of 135 and 170 per cent for development and humanitarian assistance related respectively during the period, compared to the much smaller increase in core funding for the same activities - by 12 and 5 per cent respectively. It should be noted both development and humanitarian assistance related are critical based on the mandates of the different UNDS entities and thereby require a more integrated approach to their financing. For information purposes **Annex 1** provides information on core and non-core

⁸ GA resolution 55/2 refers

⁹ Recommended in 2006 by the High Level Panel on UN system-wide coherence on UNOAD

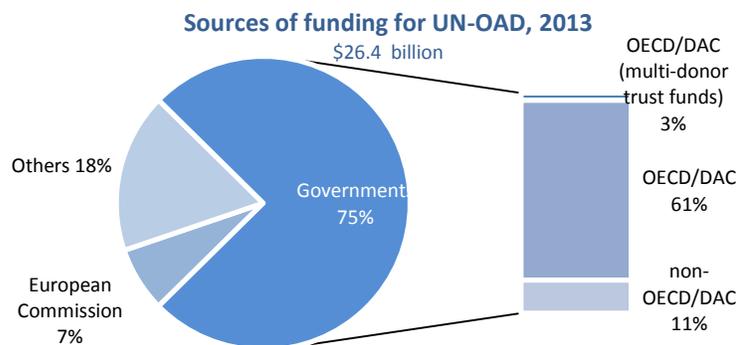
contributions for operational activities for development, by entity and type of funding for the period 2005-2013.

Figure 1¹⁰



As shown in **Figure 2** OECD/DAC donors have remained the main contributors over the years to UNDS overall activities. Of UNDS's overall funding (core and non-core) of US\$26.4 billion in 2013, these donors directly contributed US\$16.2 billion or 61 per cent. In addition many of the same donors contributed a further US\$2.6 billion or 10 per cent in non-core resources through other channels, such as multi-donor trust funds (MDTFs) and the European Commission (EC). They had however moved significantly towards earmarking their contributions.

Figure 2¹¹



As shown in **Table 1**, overall ODA (core and non-core) from OECD/DAC countries increased by 28 per cent between 2006 and 2013. While UNDS multilateral ODA at the same time did increase by 54 per cent, the major increase of 69 per cent was through earmarking or non-core resources. Of the US\$13.6 billion increase in core multilateral ODA, UNDS received US\$1.2 billion or 9 per cent of this increase.

¹⁰ Source: A/70/62; E/2015/4 – Figure II, Pg. 10

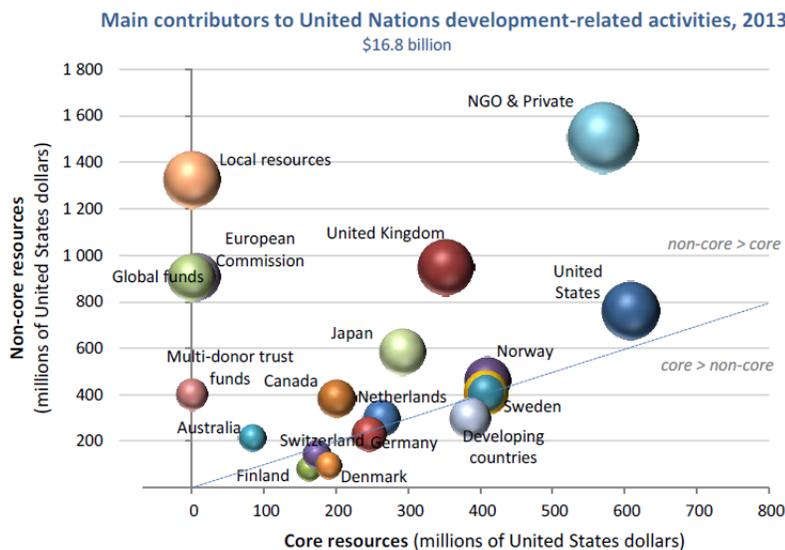
¹¹ Source: A/70/62; E/2015/4 – Figure VI, Pg. 13

Table 1¹²
Changing nature ODA multilateral funding between 2006 and 2013

Category of Funding	2006 (US\$ billion)	2013 (US\$ billion)	Increase/(Decrease) between 2006 and 2013 (US\$ billion)	Per cent change between 2006 and 2013 (%)
Overall ODA	105.4 (100 %)	135.1 (100 %)	29.7	28
Multilateral ODA (Core)	27.9	41.5	13.6	49
UNDS Multilateral ODA:	10.5	16.2	5.7	54
Core	4.0	5.2	1.2	30
Non-core (earmarking)*	6.5	11.0	4.5	69

Focusing on UNDS development related activities, **Figure 3** shows the contributions for both core and non-core from the main funders in 2013, accounting for 85 per cent of the funding for these activities. It clearly shows the substantially increasing role of non-core resources for UNDS activities compared to core. As mentioned earlier, the majority of the funding comes from the same group of OECD/DAC donors who contribute to both core and non-core, but with increasing amounts to non-core. In addition they contribute indirectly through other channels, through MDTF's and the EC.

Figure 3¹³



It does show developing countries beginning to provide an increasing level of resources to the UNDS around US\$700 million with a greater portion as core funding. This is in addition to the US\$1.3 billion in non-core local resources for funding their own respective development activities through UNDS entities. The funding from the private sector, foundations and NGOs while sizable to both core and non-core, is largely limited to UNICEF and WHO, and remains to be tapped by the broader UNDS family.

¹² Source: OECD/DAC database, and OESD/DESA

¹³ Source: A/70/62; E/2015/4 – Figure XV, Pg. 20

Non-core funding for UNDS is to be welcomed as it does support targeted development challenges and specific humanitarian needs, but the trade-off cannot be a shrinking level of core resources, which is vital for the system in discharging its multilateral mandate. The UNDS funding architecture of the future will need to comprise a critical mass of core funding that will not jeopardize its multilateral character, complemented by an increasing level of resources through other types of financing. Lacking such a critical mass of core resources has already raised concerns that the UNDS is already beginning to lose its multilateral character and becoming bilateralised, making co-ordination and coherence of the multilateral development cooperation system more difficult.

III. UNDS Funding practices today

Core funding over the years has been underscored to be the bedrock in consecutive governing board decisions of each of the UNDS entities including in relevant ECOSOC resolutions. As we have seen, despite the increasing levels of overall ODA, changes in the overall international development landscape and the focus on specific MDGs, earmarking or non-core funding has become the approach preferred by donors. While an increasing non-core did fund specific UNDS activities preferred by donors, it unfortunately had an impact towards a shrinking core, resulting in the inability of UNDS entities to adequately fund other mandated activities.

The availability of increasing earmarked financing led to the development of various funding approaches over the years being adopted by UNDS entities for attracting such resources from traditional, as well as new and emerging development actors, wishing to partner with specific UNDS entities. At the same time while resource mobilization efforts of UNDS entities have over the years been guided by the principles of alignment, predictability, flexibility, transparency and in broadening the donor base, success on them by all UNDS entities were mixed for both core and non-core funding. Today UNDS entities broadly obtain their funding through:

- *Assessed contributions*: core contributions of only the specialized agencies, based on a specific formula determined for each country and agreed to by treaty, that become mandatory commitments and therefore legally enforceable;
- *Voluntary core contributions*: core contributions mainly of the Funds and Programmes, through annual and if possible multi-year pledges. The bulk of the funding comes through traditional contributions from governments. Organizations such as UNICEF do also receive a certain level of private sector contributions under this category. The Strategic Plans and related integrated budgets of the Funds and Programme, that also include the resource needs over the planning period, do assist in enhanced dialogue with Member States;
- *Negotiated replenishments*: ¹⁴this approach is followed by IFAD, and is carried out every three years for deciding on its core financing for the next period. It's a year-long consultation which has three objectives being: the mobilization of its core resources; an exercise in accountability by which IFAD reports to its Member states its strategy, reform, and performance; and, in obtaining feedback and strategic guidance from Member States. It's a rather complex mechanism, which includes a full

¹⁴ Source: includes IFAD's website

review and assessment of the Fund, encompassing the policies it has pursued, the results of its performance based resource allocation system, as well as the results and impact of its operations. There is a voting structure based partly on the contributions paid by donors. Developing countries are ensured a certain number of votes, while the votes for donor countries shift based on the volume of funds provided. Decisions are normally by consensus. The World Bank's International Development Association (IDA) and some Global Funds also follow a similar replenishment process, with some differences;

- *Negotiated pledges*: in addition to its core assessed contributions WHO has adopted a system of voluntary negotiated pledges, as sort of “as if core”. Through a series of dialogues between the UNDS entity and its funding partners, a greater commitment is gained to contribute to the entity's budget beyond its core funding. The guiding principles underpinning the dialogue process are: addressing alignment, predictability, flexibility, transparency, and broadening the donor base. The process encompasses: a strategic planning and preparation phase that sets the framework for dialogue; two milestone dialogue meetings with its partners that includes members states, as well as non-state actors such as foundations, UN agencies, and global partnerships (GAVI, GFATM, etc.); bilateral meetings with a group of its partners that includes member states and non-state actors; followed by briefings with the missions of member states based in Geneva; as well as regional committee meetings. At the end of the process, funding partners have the option of making funding commitments in the form of negotiated pledges;
- *Voluntary indicative scale of contributions (VISC)*: ¹⁵this approach is followed by UNEP for contributions to its Environment Fund, which is its main source of funding for carrying out its operations. It is in addition to the small core supplement budget it gets from the UN's regular budget towards the cost of its Secretariat. The VISC entails Member States being requested to contribute at least to the UN assessed scale. All countries already contributing at or above the UN scale are requested to at least maintain their high level of contribution, while those that are contributing below their highest ever levels are encouraged to return to that level of funding. Finally, minimum and maximum rates are applied as per governing board UNEP decisions, including a maximum for least developed countries;
- *Fees*: the World Intellectual Property Organization (WIPO) obtains over 90 per cent of its funding through fees derived from its extensively used international registration and filing systems, and through its publications and arbitration and mediation services. Additional funds come from contributions by Member States; and,
- *Voluntary non-core contributions*: non-core contributions of all UNDS entities through earmarking, with management under different modalities. In some cases different mechanisms are used to obtain this funding (levies, bonds, etc.) as addressed below.

The changing international development cooperation environment and the related funding challenges for the multilateral UNDS have over the years resulted in various reforms of UNDS entities, some impacting the system broadly and some entity specific. With a view to enhancing overall funding including in arriving at a critical mass of core funding, UNDS entities together and separately adopted various planning and funding practices.

¹⁵ Source: UNEP's website

A. Strategic Planning and integrated budgets, core and non-core funding, and enhanced dialogue with partners

In this changing environment UNDS entities at different levels began to enhance their multi-year funding planning instruments, through the introduction of combined Strategic Plans and integrated budgets. These Plans and their respective integrated budgets have provided a clear framework with the related resources needed, covering both core and non-core, for the planned and projected activities to be carried out by their respective entities. They also assisted towards improving the predictability and quality of funding. Most UNDS entities with such Strategic Plans and integrated budgets do also follow the same planning cycle of the Quadrennial Comprehensive Policy Review (QCPR).

This process has in turn helped initiate a series of constructive dialogues with partners as to the activities to be carried out, the expected results and related funding (encompassing core and non-core resources) needed towards their achievement. Most of the Funds and Programmes have adopted this approach. To make-up for inadequate core, the concept of ‘as if core’ that is the least restricted of non-core resources, permitting the entity to use flexibly within specific parameters, has been adopted by some entities, such as UNDP. Other UNDS entities such as WHO, have also adopted different approaches for their funding in light of declining core resource levels.

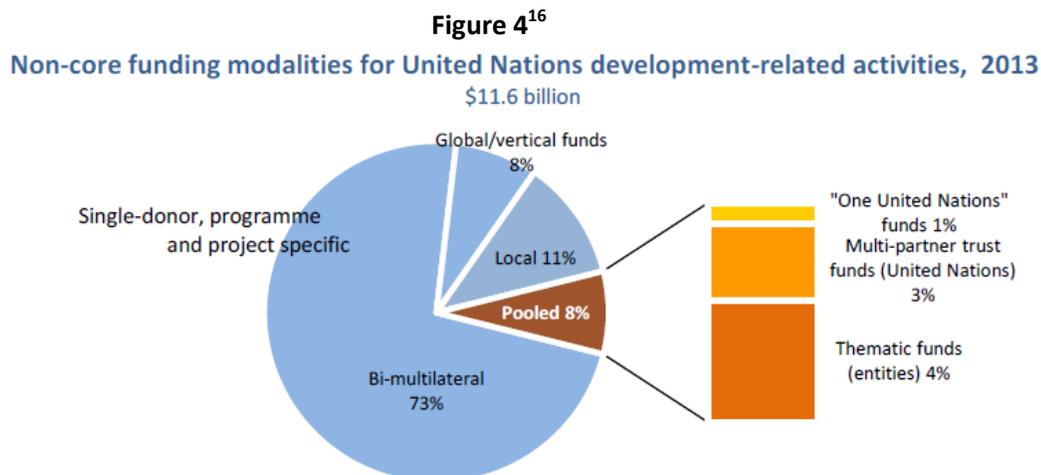
At the programme country level, the adoption of the United Nations Development Assistance Framework (UNDAF) and related results and budgetary frameworks in most programme countries, along with the adoption by some countries at this time of the Delivering as one (DAO) approach, have helped contribute towards strengthening the quality of system-wide resource planning, including through joint programming.

B. Non-core funding and related modalities

In focusing on the MDGs, traditional as well as new international development donors made choices based on various factors as to the relevant goals and related development interventions to fund – thematic and/or country specific, as well as the approach and delivery mechanism/vehicle to utilize. The influencing factors seemed to have ranged from political, to efficiency, effectiveness, transparency and accountability, and other specific donor preferences, resulting in the desirability of more control of the delivery mechanism/vehicle to be utilized.

While the increasing level of non-core resources enabled the UNDS to fund specific development activities, it had its own set of characteristics. Compared to the holistic manner core resources are planned, managed, and reported on in all its aspects, it was not always the same for non-core, as it would depend on the donor and the modality under which the funding is received by the UNDS entity. As can be seen in **Figure 4** there are different modalities for receiving non-core funding for development related activities. Looking at 2013 activity, the bulk of non-core funding, around 92 per cent, came mainly from single donors, and was project specific. Of this, 73 per cent came as multi-bi funding and mainly from OECD/DAC donors (principally cost sharing), 8 per cent from Global/Vertical Funds (a growing trend) and 11 per cent from Local/Government Contributions. Pooled funding through thematic trust funds, multi-partner trust funds, and one UN Funds provided the remaining 8 per cent of overall 2013 non-core funding. Each of these modalities has quite a few of their planning, management and

reporting requirements that is unique, though harmonization is gradually being advanced through the UNDG.



A recent OECD report¹⁷ notes that the current approach to earmarking is due to the perceptions of donors on the inefficiencies in the multilateral system, ranging from governance to performance. As such the approach taken was towards achieving better oversight, harmonization and co-ordination from their perspective. Smaller and new donors used it also to address their delivery constraints, as well as a means of learning from the multilaterals to eventually scale-up their own bilateral efforts. They did realize that this approach to earmarking increased costs on both sides. The report in its findings does highlight the high transaction costs for multilaterals which in most cases are not recovered and therefore are being subsidized by UNDS entities. It also recognized the difficulty for integrated planning by the multilaterals due to the unpredictable nature of earmarked funding, and the challenges of separate decision making processes. To these ends the report recommends that donors should consider the use of other funding options when better or the same outcomes could be achieved - either through core funding, and if earmarking is selected, choosing the modality that is the most efficient/effective. It is hoped that the global/vertical funds would take a similar approach.

Pooled funding while accounting for just 8 per cent of development related non-core funding, has demonstrated based on current experience, to be one of most suitable mechanisms for UNDS system wide funding purposes. Pooled funds are in principle open-ended funds and operate as pass-through mechanisms. They are flexible as they enable participating entities to implement in line with their relevant systems, rules, etc., thereby eliminating duplication, minimizing implementation delays as well as transaction costs. Currently the mechanism is used by the UNDS for UN multi-donor trust funds (MDTFs), National MDTFs, as well as stand-alone joint programmes. The mechanism provides for a Steering committee for each pooled-fund, with common design and governance features. The Funds are all administered by the Multi Partner Trust fund (MPTF) office, which manages the funds in trust, and provides the various tools for ensuring transparency, tracking results and reporting.

¹⁶ Source: A/70/62; E/2015/4 – Figure XVI, Pg. 21

¹⁷ Making earmarked funding more effective: Current Practices and a way forward, Piera Tortora and Suzanne Steensen, OECD, 2014

Thematic trust funds while also being pooled funds are usually UNDS entity specific and as such are managed and administered by the relevant UNDS entity.

Global/vertical funds (such as GFATM, GAVI etc.) are pooled funds too, but as international development funds external to the UNDS, are governed, managed and administered externally as separate entities, with different levels of involvement by UNDS. There is a concern that the establishment of these Funds is being used as an alternative to the established multilateral system, and thereby redirecting resources away from the UNDS.

Single-donor, programme and project specific funding takes place mainly at the local level with such funding coming from mostly OECD/DAC donors and mainly at the local level. As it is well known the management, administration as well as related reporting requirements for this type of funding is heavily demanding with high transaction costs. It is hoped that OECD/DAC donors preferably direct their non-core contributions to either global or country level UNDS entity specific thematic or UNDS system-wide pooled funding, rather than to individual programmes or projects. At the country level the UNDS system wide funding could be on the lines of the “one UN funds” but with different objectives.

Local level programme or project cost sharing funding from programme countries for programme activities in their countries. With increasing levels of such funding being available for development at the local level – especially in middle income countries, UNDS entities have the multilateral experience to provide the advice and related expertise in the optimal use of these resources towards meeting national development goals.

Innovative financing mechanisms¹⁸ moving from the traditional donor grant contributions to core and non-core resources, WHO for example has utilized some innovative mechanisms for funding certain initiatives through specific partnerships that have included: (a) *UNITAID* – established in 2006 it uses innovative financing to increase funding for greater access to treatments and diagnostics for HIV/AIDS, malaria and tuberculosis in low income countries. Its main source of funding is through a small levy on air tickets in the ten countries¹⁹ that have implemented it. The levy promotes south-south cooperation by allowing new development actors from Africa and Latin America in financing international development. As at the end of 2014, the levy has collected US\$1.5 billion of the US\$2.4 billion raised by UNITAID; (b) *Advance Market Commitments (AMC)* – the concept involves in bringing together market instruments and public financing that involves donors based on needs of developing countries, committing upfront to buy vaccines at a set price if and when they are available and that meet minimum pre-specified criteria. Companies receive funds from AMC, and when AMC funds are depleted, they continue to provide the vaccines to poor countries for a specified period; and (c) *the International Finance Facility for Immunization (IFFIm)* – a hybrid approach combining both public and private funding. Based on the security of legally-binding financial commitments from donors, triple-A rated bonds are placed in the capital markets for institutional or individual investors. Overall management is provided by the World Bank, and disbursed through GAVI to recipient countries.

¹⁸ Innovative financing for development – the I-8 Group – Leading innovative finance for equity

¹⁹ Cameroon, Chile, Congo, France, Madagascar, Mali, Mauritius, Niger, and Republic of Korea, with Norway using part of its levy on CO2 emissions

C. Cost recovery

GA resolutions²⁰ over the years have highlighted the need to avoid the use of core resources subsidizing non-core financed activities, covering management, administration and programme support. With most UNDS entities receiving over 70 per cent of their funding through non-core resources, most entities have developed cost recovery policies which strive to capture full costs. The challenge remains as to the attribution of indirect institutional costs at country, regional and headquarters levels that non-core funded activities do benefit from. This has become all the more relevant in an integrated approach to planning, results and resource frameworks, where in principle such costs need to be proportionately shared.

The UNDS entity that pursues the most holistic full cost recovery principle is WFP. With a considerable amount of its contributions received in food supplies, WFP needed to ensure that it had the required funds to cover all costs associated with their receipt, handling, delivery, overall administration and management. UNDS entities will need to continue to strive for full cost recovery in the changing funding environment of greater non-core funding. The concept of a critical mass for core resources and what it entails would assumingly need to also be taken into account in this regard.

IV. The changing international development cooperation context and its implications for funding

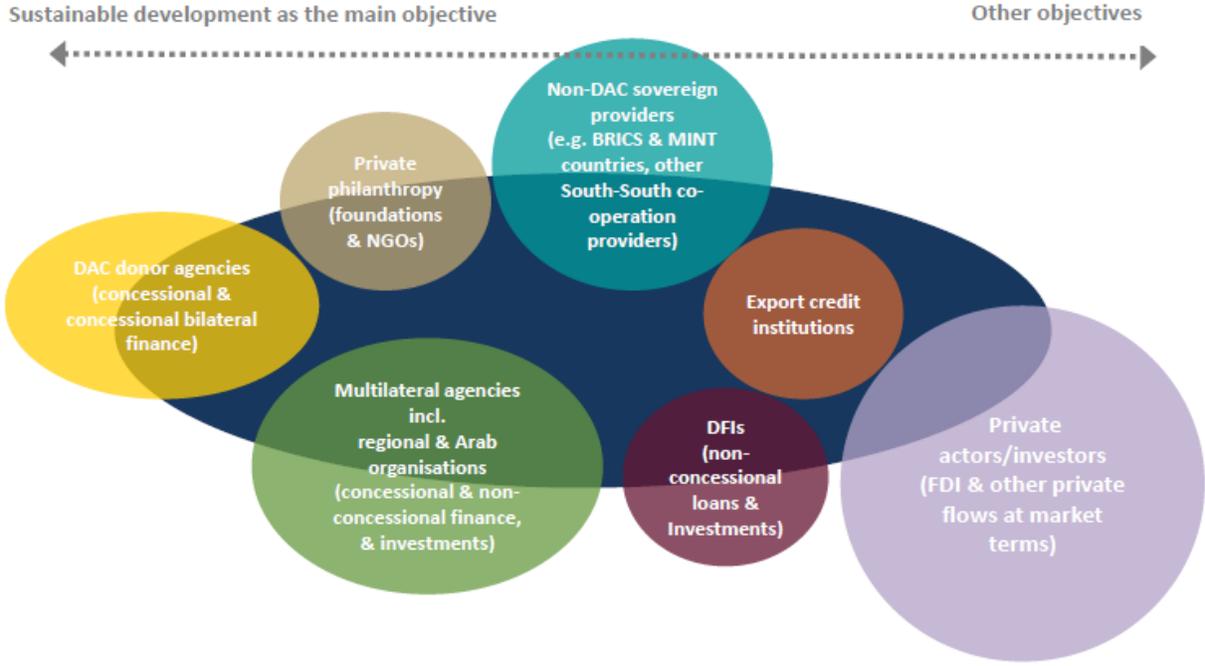
It is evident that the world today has radically changed compared to the early post-war period when key aspects of the current international development cooperation model were established. Over the years the changing landscape brought new ideas for international development cooperation based on more recent successful experiences, and new entrants into the field. Existing approaches and related rules began to be challenged. We are today witnessing the changing face of international development cooperation as we have known it over the last couple of decades. The MDG experience has also shown that focusing on a set of goals has helped in the global community coalescing around specific development priorities. The Sustainable Development Goals (SDGs) with its much broader agenda will require the support of various actors from all corners of the globe towards achieving them. Development is already beginning to be more about enabling and supporting, rather than driving, as well as by engaging a growing range of development actors, including those with considerable knowledge and funding, in a range of customized partnerships. The Secretary-General in his Synthesis Report on the post 2015 agenda does highlight the complex challenges of sustainable development, the urgent needs, as well as the enormous financing requirements.

In their recent statement (**Annex 2**) the Heads of the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the World Bank Group and the International Monetary Fund stated that: “Achieving the SDGs will require moving from billions to trillions in resource flows. Such a paradigm shift calls for a wide-ranging financing framework capable of channeling resources and investments of all kinds—public and private, national and global”.

²⁰ Most recently Resolution 67/226

All in all there will be considerable amount of resources targeted for international development, but much of it will be in the form of earmarking. **Figure 5** presents the prospective financial architecture of sources and instruments that could in all possibility based on current experience and trends be applicable for the post 2015 SDG era. The diagram in addition attempts to show the tension that could be encountered between focusing on the SDGs as the main objective versus other possible competing objectives that could arise, due to changing circumstances.

Figure 5²¹
The SDG era: A prospective financial architecture of sources and instruments



Note: The cross cutting oval area illustrates the cross-border transfers to developing countries

We are already in the midst of a new era where the global development landscape has evolved, moving to a vision that development challenges and solutions can be found everywhere. As such the North-South approach is moving into a universal development cooperation model from the concept of aid – except for the LDCs, to development cooperation/partnerships. This in turn will require radical new thinking about development cooperation. From a UN member state perspective, it is envisaged that the traditional OECD/DAC group will remain a key player and funder for development cooperation. South-South co-operation, triangular co-operation and new initiatives such as the new Asian Infrastructure Investment Bank (AIIB), the Brazil, Russia, India, China and South Africa (BRICS) Development Bank, etc. and other new initiatives will gain momentum. Such regional specific initiatives are expected to grow. Arab donors will also continue to play a significant role in international development cooperation too.

²¹ The future of development finance: Modernizing measures and instruments, by Suzanne Steensen, OECD,

As mentioned earlier sovereign funds, the private sector, foundations, non-governmental and civil society organizations (NGOs/CSOs), as well as wealthy individuals, have also begun and are expected to continue playing varied growing roles in international development cooperation.

ODA is expected to remain presently a critical funding source for international development cooperation in the post-2015 era. It is also expected to continue to be the key funding source for multilateral development and thereby UNDS funding. It is clear that considerable more funding will be needed for the post-2015 era.²² During 2013 ODA flows of US\$135 billion represented 28 per cent of all official and private flows from the 29 OECD member countries. Based on the latest information available, in 2012, programme countries received around US\$474 billion from DAC countries, including ODA as well as “other official flows”, through various other sources that included amongst others: private finance at market terms, such as foreign direct investment, public finance, private grants from foundations and NGOs, etc. These are all growing sources of development assistance funding. Foundations for example, such as the Bill & Melinda Gates Foundation provide more development assistance funding than many large OECD member countries.

South-South co-operation over the years has evolved significantly with many southern countries now providing some type of development assistance to one another. It is especially the emerging economies that have become important players in international development cooperation, principally at this time through South-South cooperation. For example, China is said to now account for around 20 per cent of all foreign direct investment in developing countries. The increasing levels of development assistance by these southern providers have expanded international development financial flows. Their development assistance cut across a range of sectors from trade to investment and technology development, as well as increasingly in infrastructure. In addition to government level cooperation, the private sector, civil society and other non-state actors are also getting engaged in such development assistance activities. In addition to south-south trust funds, they are also establishing their own international development financing institutions as mentioned above.

Arab countries and their development financing institutions have been significant contributors to international development cooperation. The main donors have been Kuwait, Saudi Arabia and the UAE. Their preference has been through bilateral assistance, and predominantly to Islamic developing countries, as well as to other countries with sizable Islamic populations. They have begun to work with multilateral channels, especially through their development financing institutions. They continue to be generous donors to UNDS humanitarian appeals.

As mentioned earlier it is expected that ODA will continue to remain a critical funding source in the post-2015 era and a key funding source for UNDS. As considerable resources will be required by developing countries towards achieving the SDGs, ODA could play a significant catalytic and leveraging role in attracting the additional resources required, and thereby having a multiplier effect. This could entail targeting ODA in assisting developing countries especially in creating the needed environment and related partnerships for attracting investment from various sources such as the private sector, civil society, foundations and other non-state actors, through capacity development across all sectors, improving domestic revenue collection systems, and other critical development needs. This will also

²² OECD Development Cooperation Report 2014: Mobilizing Resources for Sustainable Development

require building partnerships with southern providers, through triangular cooperation, as well as in the context of south-south cooperation. The UN system through UNDS has the legitimacy to play a pivotal role in this regard, leveraging its comparative advantages.

There is and will be even more funding for international development, but as we have seen these sources are becoming increasingly diverse, innovative, and complex. The UNDS with its global membership offers the most truly legitimate, credible and impartial multilateral framework, to play a critical role in this regard. It has the legitimacy for convening multiple development actors to pursue common objectives, as well as in the best position to link operations to the normative/standard setting and other aspects of the relevant mandates of its relevant entities. How the UNDS adapts to the changing environment and brings to bear effectively its strengths would no doubt result on its role in the post-2015 era international development architecture, along with the related funding it would be able to attract from the diverse and innovative sources. It is hoped that in the context of the forthcoming “Third Financing for Development Conference”, the critical role of UNDS is fully recognized in the final Outcome Document.

V. The road ahead and implications for UNDS funding and related practices in the post-2015 era

In an expanding and increasingly complex international development cooperation arena in the post-2015 era, a vibrant, robust UNDS will be imperative, for attracting its requisite funding. In addition to the traditional development funders, a range of new actors as mentioned earlier have already begun to play an increasingly important financing role²³ in international development cooperation and in impacting its dynamics. While their partnering with multilateral channels varies, especially with UNDS entities, they remain to be convinced of its value towards achieving their greater involvement. At the same time the adoption of new funding approaches – mechanisms and modalities, such as through innovative funding mechanisms and the use of pooling arrangements, etc., are also gaining momentum in the manner in which new international development finance is being channeled. As stated earlier UNDS has the global legitimacy to play a critical role towards enabling coherence in the broader international development context, especially with the increasing number of development actors and the resultant complexities.

As we have seen, UNDS over the years has adapted to the changing international development cooperation and related funding environment, but at a price. With non-core resources now constituting over 70 per cent of the total funding of most UNDS entities, it has led to competition and fragmentation within the system. While it is clear that going forward the post 2015 era will be one with increasing earmarked non-core resources for development, the current inadequate core funding for UNDS entities based on the increasing demands placed on them is unsustainable. Arriving at an agreed upon approach for determining the critical mass of core resources for UNDS entities remains critical. While UNDS entities will need to access non-core resources beyond their critical mass, the question remains whether UNDS entities are considered to be “competitors in the market place or “partners of choice” for specific activities, in recognizing their role as entrusted per the UN Charter “to promote social progress and

²³ They do not see themselves as donors, but partners towards a common cause

better standards of life in larger freedom” and to “employ international machinery for the promotion of the economic and social advancement of all peoples”.

While certain UNDS organizational weaknesses cited by funding partners did play a part towards the increasing earmarking trend, other factors mainly political and specific policy interests were also significant reasons. Such political and specific policy interests are expected to continue to be critical factors in the post-2015 era. While the UNDS should not be seen in principle as a competitor in the market place, but rather one with specific responsibilities as per the mandates of its entities, it will need to find ways in navigating the highly competitive and donor driven nature of development cooperation funding. It has the legitimacy and wherewithal to act as an honest broker in aligning demand and supply with a range of development partners.

At the same time UNDS entities individually and together as a system, will need to become fit for purpose substantively and operationally for the post-2015 era. As a system, UNDS will need to transform itself to one that is coherent and integrated, streamlined, efficient, effective, accountable, transparent and results oriented. This will be critical to attracting its requisite funding. So what needs to be done by UNDS as it addresses its funding for the post-2015 era? Let us address some key issues in this regard.

A. Functions: financing mechanisms and funding modalities

The functions entrusted to UNDS and its entities in the post-2015 era, recognizing relevant mandates, have a critical role in attracting its financing. **Table 2** looks at the possible implications at a rather aggregated level of the financing mechanisms and funding modalities that could be considered, against some emerging functions for UNDS in the post-2015 era. The table recognizes as mentioned above, that in the post-2015 era there will be an increasing level of non-core resources from diverse sources that will continue to play a significant role in international development cooperation. It attempts to recognize those mandated functions that should be fully core funded through voluntary grant contributions in ensuring the multilateral character of UNDS is not compromised. It also takes the position that some level of core funding should be provided for the other functions. In addition it attempts to reflect those functions that do lend themselves to be funded by non-core voluntary grant contributions, as well as through other non-core financing mechanisms that includes South-South and triangular cooperation, foundations, the private sector, as well as innovative financing mechanisms. Full cost recovery will also be essential.

Table 2
Some emerging functions and possible implications for UNDS funding

Some emerging functions	Possible financing mechanisms	Possible funding modalities
Normative and standard setting	Core financing through grant contributions	Core budgets of entities
Global Policy coherence	Core financing through grant contributions	Core budgets of entities
UN's convening role	Core financing through grant contributions	Core budgets of entities
Providing critical support to international and national agreements	Core financing through grant contributions Non-core financing through grant contributions, South-South and triangular cooperation, innovative financing mechanisms, foundations, NGOs	Core budgets of entities Global and national level Thematic entity specific or UNDS system wide Pooled funding
Coordination of development and humanitarian activities within the system	Core financing through grant contributions	Core budgets of relevant entities
Providing support at national level in development and humanitarian coordination	Core financing through grant contributions Non-core financing through grant contributions, South-South and triangular cooperation, targeted appeals, foundations, NGOs	Core budgets of relevant entities National level Thematic entity specific or UNDS system wide Pooled funding, and cost sharing
Normative and technical support	Core financing through grant contributions Non-core financing through grant contributions, South-South and triangular cooperation, foundations, NGOs, innovative financing mechanisms	Core budgets of entities Global and national level Thematic entity specific or UNDS system wide Pooled funding, and cost sharing
Capacity development	Core financing through grant contributions Non-core financing through grant contributions, South-South and triangular cooperation, private sector, foundations, NGOs, innovative financing mechanisms	Core budgets of entities Global and national level Thematic entity specific or UNDS system wide Pooled funding, and cost sharing
Support to poverty eradication	Core financing through grant contributions Non-core financing through grant contributions, South-South and triangular cooperation, innovative financing mechanisms, NGOs, private sector, foundations	Core budgets of entities Global and national level Thematic entity specific or UNDS system wide Pooled funding, and cost sharing
Integrated policy advice	Core financing through grant contributions Non-core financing through grant contributions, South-South and triangular cooperation, foundations	Core budgets of entities Global and national level Thematic entity specific or UNDS system wide Pooled funding, and cost sharing
South-South and Triangular cooperation	Core financing through grant contributions Non-core financing through grant contributions, South-South and triangular cooperation, innovative financing mechanisms, private sector, NGOs, foundations	Core budgets of entities Global and national level Thematic entity specific or UNDS system wide Pooled funding, and cost sharing
Gender equality and women's empowerment	Core financing through grant contributions Non-core financing through grant contributions, South-South and triangular cooperation, innovative financing mechanisms, NGOs, private sector, foundations	Core budgets of relevant entities Global and national level Thematic entity specific or UNDS system wide Pooled funding, and cost sharing

B. Integrated planning and budgeting and towards multi-year funding commitments by funding partners

Most UNDS entities have already adopted organizationally some form of integrated strategic planning and budgeting frameworks covering a certain number of years (usually four) encompassing both core and non-core resources. This coherent approach of presenting the functions and related activities and funding requirements as per their mandates, in an integrated framework with targeted results, has enabled a better dialogue with funding partners. At the country level the UNDAF and related results and budgetary frameworks in most programme countries, along with the adoption by some countries of the DAO approach, have helped contribute towards strengthening the quality of system-wide resource planning, including enhanced engagement with funding partners at the local level.

While steps could be taken to further strengthen the dialogue between UNDS entities and its funding partners, these approaches have helped in many ways in enhancing their relationship. Most funding partners continue to be wary of making long-term commitments towards funding the agreed upon strategic plans and integrated resource plans. In some cases it is due to government budget rules that do not permit multi-year commitments. With UNDS entities being responsive to the demands for such planning frameworks, funding partners should do all possible to support the entities through multi-year commitments. The funding unpredictability especially for the fully voluntary funded entities has a considerable impact on their operations across the board.

Despite these efforts, UNDS at the same time does currently function in a rather fragmented manner, with each entity to a great extent on its own. If the UNDS wants to be better recognized in the post-2015 era similar to the World Bank, and other new and emerging development entities, the system does need to come together far more collaboratively than it is today. One step could be, following approval of the Strategic Plans of UNDS entities by their respective governing boards, consideration be given to having an aggregated and concise document that contains the key deliverables, related results and funding requirements of all UNDS entities over the QCPR period be shared with ECOSOC for information purposes. This could initiate relevant discussions within ECOSOC, and lead to possibly enhanced political commitments towards the needs of UNDS and its entities.

C. Towards a critical mass of core resources

It is clearly recognized that the funding of UNDS will continue to be a mix of core and non-core resources. The position of addressing the imbalance between core and non-core is now obsolete, as it is well recognized that non-core resources will continue to play a greater role in international development cooperation funding. However, UNDS entities based on their respective mandated responsibilities will require a certain level of a critical mass of core resources.

The concept of critical mass has been reiterated by GA Resolution 67/226, but the governing boards of the Funds and Programmes have yet to define what that represents for each of the UNDS entities. The current competition for non-core resources and the fragmentation within UNDS is to a great extent attributed to the lack of each entity having a critical mass of core resources to carry out their mandated responsibilities. While this has the greatest impact on the voluntary funded Funds and Programmes, it has also begun to impact many of the specialized agencies due to their shrinking levels of assessed contributions. The ability of UNDS entities to fulfill the demands of their respective mandates in the post-2015 era will be seriously jeopardized, without this critical mass of core resources.

Such a critical mass of core resources could be arrived at based on a specific set of activities clearly identified within each entity's strategic plan as fundamental to discharging the entity's basic mandate, specifically its normative, policy setting and related operational responsibilities. The expectation would be for upfront commitments to be made by funding partners to finance this component of the strategic plan. Activities beyond that would be funded through non-core resources, which would need to ensure full cost recovery.

D. Revisiting the approach to non-core funding

With the diverse funding sources for international development cooperation continuing to come through earmarking, it will be imperative for the UNDS to be coherent in this "here to stay" new funding environment. Taking steps to eliminate competition and the fragmentation within the system, and working together to leverage the expertise of each of its parts, will be critical. At the same time with around 92 per cent of non-core resources coming from single donors and being project specific, and with associated high transaction costs, the current system is unsustainable. To these ends it is suggested that the approach to non-core within UNDS be revisited, recognizing also the experiences within the UNDS.

(i) A suggested non-core funding modality framework as follows:

- Provide for an "as if core" that is reasonably flexible for an organization to use at least within a specific area of its mandated functions/activities. This could include:

Negotiated pledges (UNDS entity specific): This entails a series of dialogues between the UNDS entity and its funding partners, with a greater commitment gained to contribute to the entity's budget beyond its core funding. At the end of the process, funding partners have the option of making funding commitments.

Thematic Funds (usually UNDS entity specific): This category of non-core funding would be geared to funding a specific theme within the mandated activities of a UNDS entity. The UNDS entity would be flexible in the use of the resources from a thematic fund for any activity and in any programme country, as long as the activity is within the thematic area of the fund. The fund would be open to all interested funding partners for providing financing. Such funds could be established at the global or country level.

- *Pooled Funds (UNDS system wide):* As mentioned earlier, experience to date has shown this non-core mechanism to be one of the most suitable for UNDS system wide funding purposes. Pooled funds are in principle open-ended funds and operate as pass-through mechanisms. They are flexible as they enable participating entities to implement in line with their relevant systems, rules, etc. It is suggested that this mechanism be widely used by UNDS for system wide funding, as it has the potential to considerably reduce internal competition for funding. Such funds could be established at the global or country level.
- *Cost sharing:* At present this category of non-core funding appears to be the most suitable to local government contributions for financing their own development programmes. It also used by OECD/DAC donors rather extensively to financing specific projects. For reasons mentioned earlier in

this paper, it is suggested that OECD/DAC donors consider directing such contributions to either global or country level UNDS entity specific thematic or UNDS system-wide pooled funding.

- (ii) Currently the funding partners to UNDS entities have been UN member states, with OECD/DAC member countries being the significant contributors. While strides have been made in partnering with southern providers in the context of south-south and triangular cooperation, the active participation of southern development assistance providers as funders to UNDS remains low. The Busan outcome following the 4th high level forum on aid effectiveness stated that: “The nature, modalities and responsibilities that apply to South-South co-operation differ from those that apply to North-South co-operation. At the same time, we recognize that we are all part of a development agenda in which we participate on the basis of common goals and shared principles. In this context, we encourage increased efforts to support effective co-operation based on our specific country situations. The principles, commitments and actions agreed in the outcome document in Busan shall be the reference for South-South partners on a voluntary basis”.

Southern providers and the OECD/DAC, together with the UN Secretariat and UNDP continue to identify common ground between the two forms of development cooperation, and in striving to bridge the differences. In the meantime it is hoped that southern providers continue to increase their footprint in the work of UNDS, including as funding partners.

- (iii) Funding from non-state actors such as the private sector, foundations, etc., have been limited across UNDS entities, with the exception of mainly UNICEF and WHO. As noted earlier non-state actors have become increasingly critical partners in international development cooperation, from both programmatic and funding perspectives. In the post-2105 era it will be imperative that the UNDS adapts its regulations, rules and policies to accommodate them, no doubt without jeopardizing the principles of the UN Charter. Obtaining the increasing involvement of this group, would also require some level of their involvement in the governance of the specific UNDS entities that they could potentially work more closely with. With the highest level of governance vested in UN member states, consideration could be given to establishing a subsidiary level of governance through steering groups for specific thematic or pooled activities, that could include those non-state actor funding partners based on agreed upon criteria.
- (iv) UNDS especially through WHO, has been involved in certain arm’s length innovative financing initiatives, such as UNITAID, AMC and IFFIm. These initiatives have involved in their funding approach a small levy on air tickets, bringing together market instruments and public financing, and based on the security of legally-binding financial commitments from donors the issuance of triple-A rated bonds. Though the potential exists for considerable funding through these sources for specifically targeted initiatives, the challenge remains, as to how far the UNDS pursues this route, given the current legislative, structural and systematic barriers.

Finally it should be recognized that with the complexities as well as the high transaction costs in following specific types of reporting by funding partners for non-core, it is suggested that for the future, steps be taken to develop a common approach and format to reporting for UNDS entities following consultation with a broad range of funding partners themselves. The experiences of those UNDS entities that have already made advances in this regard should be taken into account.

E. Enhancing current resource mobilization approaches

The JIU in its recent report²⁴ on the resource mobilization function within the UN stated that “resource mobilization is no longer looked upon in purely transactional terms; it is perceived as attentive nurturing of a lasting relationship with donors as partners, requiring effective communication strategies and continuous dialogue and back-end servicing”. Most UNDS entities are already practicing this approach at different levels. This process has in turn helped initiate series of constructive dialogues with funding partners as to the activities to be carried out, the expected results and related core and non-core funding needed towards their achievement.

With varied interests and related priorities amongst funding partners, differentiated strategies would need to be adopted and *partnerships* established. In the development of differentiated strategies, UNDS entities would need to obtain and keep current, relevant global, regional and national intelligence analysis, as it sees necessary for its relationships with existing and potential funding partners. This would include their particular international development cooperation interests, national political and budgetary implications, priority developing region/countries of interest for engagement, etc. Partnership building through focused external relations engagement will remain critical towards building trust and long lasting relationships with existing and potential new funding partners for the post-2015 era.

UNDS entities would also need to cultivate and build strong partnerships with key bilateral and multilateral development entities at the global, regional and national levels, which would enhance collaboration.

F. Enhancing efficiency, effectiveness, accountability and transparency

While the UNDS should not be seen in principle as a competitor in the market place, but rather one with specific responsibilities as per the mandates of its entities, it does have to be cognizant that it is functioning in a competitive environment in carrying out its activities. As such the responsiveness, speed, performance, and accountability of UNDS entities will be critical factors as to how the system is assessed and funded. Its business processes, delivery and reporting systems need to be effective and efficient. The accountability and transparency mechanisms of UNDS entities will need to ensure that they can be relied upon in building trust with existing and potential funding partners.

²⁴ An analysis of the resource mobilization function within the United Nations system, JIU, 2014

Suggested discussion questions

1. What steps could be taken by Members States in resolving the long standing issue of defining as to what factors need to be taken into account in determining and arriving at the critical mass of core resources for UNDS entities (specifically fully voluntary funded), as well as in broadening the funding partner base for core resources?
2. Would member states as funding partners be receptive to channeling their non-core funding to UNDS entities through all or any of the following: negotiated pledges, thematic funds and pooled funds, be it at the global and/or country levels, and what would it entail?
3. What further steps could the UNDS take towards increasing the role of southern providers as funding partners to the multilateral development/humanitarian activities of UNDS entities?
4. How could the UNDS address the current legislative, structural and systematic barriers towards engaging more actively with a range of non-state actors, such as the private sector, foundations, etc., as potential funding partners?
5. How could the UNDS address the current legislative, structural and systematic barriers towards employing innovative funding mechanisms, such as fees, market financing instruments such as bonds, etc.)?

In addition to various UN documents and publications, the author consulted the following published sources in the preparation of this paper:

The UN Development Programme and System, Stephen Browne, Global Institutions, Routledge, 2011

UN Reform: Top of the agenda for the next SG by Margaret Joan Anstee, Future UN Development system, Briefing 24, December 2014

UN Development at a crossroads by Bruce Jenks and Bruce Jones, Center on International Cooperation, NYU, August 2013

Financing the UN development system and the future of multilateralism by Bruce Jenks, Third World Quarterly, December 2014

OECD Development Cooperation Report 2014: Mobilizing Resources for Sustainable Development

WHO Financing Dialogue Evaluation, Final Report, PWC, April 2004

Annex 1: Contributions for operational activities for development, by entity and type of funding (core and non-core): 2005-2013

(Millions of current United States dollars)

Entity	2005		2006		2007		2008		2009		2010		2011		2012		2013	
	Core	Non-core	Core	Non-core	Core	Non-core	Core	Non-core	Core	Non-core	Core	Non-core	Core	Non-core	Core	Non-core	Core	Non-core
UNDP a/	955	3 341	961	3 553	1 182	3 649	1 171	3 816	1 104	3 878	967	4 349	974	3 993	902	3 890	948	3 919
UN-Women	..	..	..	..	..	..	..	..	..	..	..	..	124	110	129	96	164	106
UNFPA	364	141	362	156	420	241	433	336	472	259	498	340	451	387	437	509	460	459
UNICEF	796	1 946	1 043	1 710	1 090	1 889	1 067	2 273	1 055	2 178	965	2 685	1 078	2 604	1 185	2 643	1 174	3 571
WFP	294	2 646	242	2 455	257	2 452	888	4 144	321	3 779	352	3 520	445	3 165	419	3 489	384	3 923
UNHCR	258	876	246	862	262	1 003	308	1 324	288	1 468	307	1 550	445	1 627	457	1 799	517	2 441
IFAD	127	30	223	37	291	197	143	136	399	144	354	94	238	109	580	98	416	101
ITC	13	33	14	31	23	18	16	31	16	31	17	41	20	44	34	20	37	26
UNAIDS	135	53	220	38	236	47	250	35	249	26	227	34	238	26	214	39	230	48
UNCTAD	1	35	1	29	1	37	0	31	2	32	2	32	2	43	3	34	4	32
UNEP	60	70	58	58	70	95	89	119	85	114	81	139	80	212	79	178	78	178
UN-HABITAT	10	99	10	92	18	119	18	73	7	126	7	161	17	185	11	143	21	178
UNODC/UNDCP	32	72	30	94	35	190	33	257	32	195	38	234	33	245	31	307	34	281
UNRWA	396	167	368	222	431	216	502	262	522	378	552	296	552	415	549	307	573	548
FAO	191	348	195	503	195	654	237	833	274	807	260	862	259	809	262	775	261	744
ILO	198	177	222	176	222	219	238	233	193	262	219	242	247	271	258	271	277	281
UNESCO	183	341	183	335	192	355	189	292	193	275	196	287	214	295	212	376	215	355
UNIDO	79	156	94	90	95	143	115	144	106	139	99	189	101	130	102	190	106	156
WHO	334	1 559	347	1 447	347	1 625	357	1 322	361	1 322	475	1 405	478	1 265	490	1 518	487	1 816
Other Specialized agencies b/	116	138	120	172	126	192	268	180	181	262	176	247	176	249	173	260	174	282
UNOCHA	59	81	65	95	68	106	77	190	77	94	96	104	128	98	132	112	126	122
UNDESA	7	86	5	48	8	82	5	53	7	71	11	58	5	36	11	35	7	37
OHCHR	12	35	20	34	26	35	41	35	42	33	38	32	36	35	37	33	42	35
Regional commissions c/	10	55	8	40	12	44	13	48	14	73	8	57	3	64	2	48	3	62
Total	4 630	12 484	5 038	12 275	5 607	13 609	6 458	16 169	6 001	15 947	5 946	16 958	6 345	16 417	6 709	17 170	6 737	19 703
In constant 2012 \$US d/	5 489	14 803	5 835	14 217	5 997	14 555	6 567	16 445	6 293	16 723	6 175	17 612	6 193	16 025	6 709	17 170	6 731	19 685

Source: UNDESA/OESC/DCPB.

a/ Includes UNCDF and UNV

b/ Consists of IAEA, ICAO, IMO, ITU, UPU, WIPO, WMO and the World Tourism Organization.

c/ Consists of ECA, ECE, ECLAC, ESCAP, ESCWA.

d/ Taking account of both inflation and exchange rate movements.

Annex 2: From Billions to Trillions – Transforming Development Finance
Post-2015 Financing For Development: Multilateral Development Finance

Statement by the Heads of the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the World Bank Group and the International Monetary Fund

1. 2015 marks a critical year for development, as the international community works towards agreeing on a set of Sustainable Development Goals (SDGs) to meet the dual challenges of overcoming poverty and protecting the planet. With their welcome emphasis on issues such as the environment, employment, infrastructure, and inequality, the SDGs send a clear message to policy-makers and development practitioners. As leading sources of policy advice and financing for developing countries, international financial institutions (IFIs) fully support this comprehensive approach. However, the resources needed to implement such an ambitious agenda far surpass current development financial flows.
2. Achieving the SDGs will require moving from billions to trillions in resource flows. Such a paradigm shift calls for a wide-ranging financing framework capable of channeling resources and investments of all kinds—public and private, national and global. There is no substitute for concessional resources, especially for the poorest, most fragile or conflict-torn countries. But marshalling other types of financing at the levels needed will demand greater efforts to unlock, leverage, and catalyze more public and private flows. Financing from private sources, including capital markets, institutional investors and businesses, will become particularly important. Countries also need to improve their institutional and policy environments to attract more private investment and financing, at the same time as they pursue truly sustainable and inclusive growth, so prosperity translates into poverty reduction and social progress.
3. IFIs are well-positioned to assist member countries in creating such an enabling environment. Guided by our institutional mandates and our member countries' own development goals, we are committed to helping raise an important part of the required flows, either through direct financing, leveraging our capital or catalyzing other resources. We are determined to continue:
 - Combining our knowledge and experience with our member countries' perspectives, offering policy and technical advice tailored to local conditions;
 - Building a global safety net by providing counter-cyclical support to economies affected by adverse shocks;
 - Helping countries implement actions for climate change adaptation and mitigation and disaster risk management;
 - Working to strengthen domestic financial markets and deepen financial inclusion;
 - Promoting the highest social, environmental and governance standards;
 - Attracting more concessional funding to provide grants and concessional lending to low-income, fragile and conflict-affected countries.
4. But we could and should do more. Within our respective mandates, we can and should do more to provide innovative financing and policy solutions customized to the particular needs of each country, subnational entity and region. We need to work harder on sharing the experiences, lessons learned and best practices acquired through our work. This will include working with member countries to translate the SDGs into national targets and introduce and implement the policies and programs needed to achieve them. We also need further improve coordination and complementarity among IFIs and with other public and private sector actors. And we have to enhance how we measure effectiveness in order to continue to learn from what works and what does not.
5. 2015 brings critical opportunities to change the future, from July's Third International Conference on Financing for Development in Addis Ababa to the UN Summit on the SDGs and the 21st Conference of the Parties to the UN Framework Convention on Climate Change in Paris in December. This is a challenging agenda, but improving lives and protecting our planet deserve no less. We must work together to generate the needed financial resources and achieve the transformative vision that the SDGs entail. With our member countries in the lead role, we accept this challenge, and stand ready to play our part.