Implementation of General Assembly resolution 75/233 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system

Report of the Secretary-General

Addendum 1: Funding of the United Nations Development System

The analysis contained in this addendum is submitted pursuant to General Assembly resolution 75/233 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system. Resolution 75/233 contains detailed recommendations on the funding of the UN development system. This addendum provides an overview of the overall status of the funding of operational activities for development, with a focus on 2019, while linking its analysis with the QCPR recommendations. The analysis complements chapter 3 of the Secretary-General’s report on the implementation of the QCPR (A/76/xx-E/2021/xx) and includes additional information on the progress made in the implementation of the funding compact.

* A/76/50.
I. Quantity and quality of funding

A. Funding in 2019 by type of activity

1. From a financial perspective, operational activities for development accounted for 71 per cent of all United Nations system-wide activities in 2019 (see figure I). Peacekeeping operations accounted for 17 per cent, and the global agenda and specialized assistance\(^1\) for the remaining 12 per cent.

2. Operational activities for development include both development assistance and humanitarian assistance. Resources targeted for humanitarian assistance activities increased by $2 billion from 2018 to 2019, while resources used for development assistance activities remained at a similar level to 2018.

3. Over the past decade, funding to humanitarian assistance activities has grown by 135 per cent to surpass funding for development assistance and become the type of activity that the UN development system is most actively engaged in (see Figure II). This trend should be viewed in combination with the record levels of people requiring humanitarian needs and/or being displaced by conflict- and climate-related and other crises.\(^2\)

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\(^1\) These are defined as activities that (a) address global and regional challenges without a direct link to development and humanitarian assistance, and peace operations, or (b) support sustainable development with the focus on long term impact in non-programme country

\(^2\) In 2019, more than 166 million people were in need of humanitarian assistance and nearly 80 million people were forcibly displaced.
4. Total funding for operational activities for development in 2019 totalled $38.1 billion. Core contributions\(^3\) amounted to $8.5 billion or just over 22 per cent of total funding. Core resources are unrestricted in terms of their use and thereby provide UN entities the flexibility to allocate funds where they are most needed. Assessed contributions accounted for 41 per cent of core funding in 2019, while voluntary unrestricted contributions accounted for the remaining 59 per cent. In the past year, the flexible nature of core funding proved indispensable as the COVID-19 crisis unfolded, as these funds could be rapidly re-purposed in response to the pandemic, while reprogramming of non-core resources was more complex and sometimes not feasible due to agreements with the individual contributors. It will be important to restore these funds back to development programmes once the crisis has subsided.

5. Non-core resources, which are earmarked by the contributor for specific purposes and/or locations accounted for the other 78 per cent of funding in 2019.

6. The longer-term trend in funding has been positive, with non-core funding increasing by 172 per cent since 2003 in real terms (considering inflation and exchange rate fluctuations) while core funding has increased by 67 per cent (figure III). When considering figure III and figure IV together it is clear that this positive trend has been driven by the UNDS’ role in addressing humanitarian crisis.

![Figure III: Trend in core and non-core funding flows: 2003-2019](image)

7. Figure IV shows the main types of non-core funding and their volumes in 2019. Contributions that are programme- and project-specific remain the dominant form of non-core resources, accounting for over three-quarters of total non-core flows. Member States are urged to make their non-core contributions more flexible to help reduce transaction costs and fragmentation.\(^4\)

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\(^3\) Core contributions includes assessed contributions.

\(^4\) A/RES/75/233 OP 53
B. UNDS funding relative to ODA

8. The $38.1 billion received by the UN development system in 2019 represents a 2.2 per cent increase compared to 2018 in real terms. By comparison, global ODA (by DAC member countries) rose by 1.4 per cent in real terms.

9. The UNDS remains the largest channel of multilateral aid (figure V) with funding to the UN development system in 2019 accounting for 37 per cent of all funding to multilateral organizations, which is three percentage points higher than in 2018.

10. The UN development system is the only multilateral aid channel that relies primarily on non-core resources and accounts for over 70% of all non-core funding channelled through the multilateral system. The share of multilateral aid that is core resources has dropped from 71 per cent in 2010 to 64 per cent in 2019. This trend, often referred to as the “bilateralization of multilateral aid”, can weaken multilateralism as individual governments providing the aid have an increasingly growing influence on how and where the resources that are channelled through the multilateral system are spent.
11. Figure VI below compares the trend in bilateral ODA to multilateral ODA, both core and non-core. The data shows that the growth in multilateral non-core ODA has not come at the expense of core multilateral aid. Rather, both core and non-core multilateral aid have increased while bilateral ODA has decreased. The share of total ODA that gets channelled through the multilateral system has increased from 39% to 48% since 2011. This would suggest that the funding pattern over the past decade has not been towards a bilateralization of multilateral aid but rather a multilateralization of bilateral aid. In other words, some funding that previously may have been bilateral aid is now being channelled through multilateral organizations, either as core or non-core funding.

![Figure VI: Multilateral and bilateral ODA trend, 2011-2019](image)

C. Funding base

12. In 2019, over three-quarters of funding for operational activities for development\(^5\) was provided by Governments directly (see figure VII). The European Commission accounted for an additional 7 per cent of funding in 2019. The next largest group of contributors was the private sector which provided just over $2 billion in 2019.\(^6\)

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\(^5\) including contributions to UN inter-agency pooled funds.

\(^6\) A complete list of contributions by contributor, type of activity (development- and humanitarian assistance-related) and type of funding (core and non-core) is provided in the online Statistical Annex.
The right-side of the figure shows that the UN development system continues to rely on a small number of donors for its funding. The top 3 Government contributors accounted for nearly half of the funding received from Governments, and the top 10 accounted for some three-quarters of Government funding.\(^7\)

The 2020 QCPR resolution continues to urge UNDS entities to broaden and diversity their donor base. The system’s current heavy reliance on a few donors for its funding is particularly concerning when combined with the imbalance that exists between core and non-core funding, as it could mean that the UNDS is influenced by the thematic or geographical priorities of one or more of its large donors which may not necessarily align with the strategic plans approved by governing boards. The heavy reliance on a few donors also makes the UN development system’s funding base more vulnerable as a change in policy by just one Government could potentially have a significant impact on the total amount of resources received by the UNDS, and thus impact the sustainability of its programmes.

The funding base for core resources is slightly less dependent on the top core providers than funding in general, though the six largest core contributors\(^8\) still accounted for 49 per cent of total core funding provided by Governments in 2019. Furthermore, despite new engagement strategies and resource mobilization efforts by UNDS entities the overall number of contributors of voluntary core funding is decreasing for some entities. Only half of voluntary-funded UN entities have seen an increase in their number of core donors since 2016.\(^9\)

Strengthened and proactive UNDS engagement is required to continue building trust with Member States and other potential contributors to significantly broaden the donor base. This is reflected in the funding compact which links the funding base with transparent reporting to build Member States’ trust of the System.

Funding from programme countries can help alleviate some of the high dependency that the system has on its top donors. In 2019, funding from programme countries reached 4.1 billion, a very significant increase of 40 per cent since 2015 (figure VIII). This includes $1.4 billion in local resources for programming in contributors’ own countries. Encouragingly, core funding from programme countries has increased by 150 per cent over the same period, from just under $0.5 billion in 2015 to nearly $1.2 billion in 2019.

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\(^7\) In order, the top ten contributors in 2019 were the United States, Germany, the United Kingdom, Sweden, the Netherlands, Japan, Norway, Canada, Denmark, Saudi Arabia.

\(^8\) In order, the top 6 contributors of core funding in 2019 were the United States, Germany, Japan, the Netherlands, Sweden, Norway.

\(^9\) Six out of 12 entities have seen an increase in their number of core donors. This excludes entities that receive assessed contributions.
18. Figure IX shows the top programme country contributors sorted according to total contributions provided, excluding local resources, which are shown for reference.

**Figure IX: Top contributors among programme countries, 2019**
19. Partnerships and resources from the private sector, foundations, academic, training and research organizations, non-governmental organizations and public-private partnerships combined provided $2.5 billion towards funding of operational activities for development in 2019. This represents a small 1 per cent drop compared to 2018.

**D. Predictability of funding**

20. The QCPR stresses the need to make voluntary funding more predictable and urges Member States to provide core contributions on a multi-year basis. Multi-year funding is a measure of predictability as it reduces the negative impact of income fluctuations across years, thereby ensuring continuity of programmes. Multi-year commitments of core funding are particularly beneficial for helping ensure stability of staffing and the sustainability of the core operations of entities.

21. Figure X shows the recent trend in the proportion of total core funding that is part of a multi-year commitment for the seven entities that account for 87 per cent of all voluntary core funding received by the UNDS. A robust positive trend can be observed before a general levelling-off in 2020.10

22. In addition to multi-year commitments, payment of contributions made as early in a calendar year as possible facilitates effective planning and management and reduce the risks associated with currency fluctuations. While some entities like UNHCR receive most of their funding early in the year, UNICEF received nearly half of their core contributions in the last quarter of 2019.

**Figure X: Share of core voluntary contributions that are part of a multi-year commitment**

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**E. Pooled funding and joint programming**

a) Inter-agency pooled funds

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10 For some entities, 2020 data was not available at the time this report was issued.
23. Inter-agency pooled funds are accounting for a steadily increasing proportion of total non-core flows, doubling in terms of share in 7 years to 10 per cent of all non-core funding. United Nations inter-agency pooled funds are multi-entity funding mechanisms where contributions are co-mingled, not earmarked for a specific UN entity. The QCPR and the funding compact both strongly underscore the importance of flexible, quality funding such as inter-agency pooled funding.

24. As part of the UN global response to the COVID-19, inter-agency pooled funds have demonstrated their unique added value in supporting joint and rapid responses by the system on the ground. Given their inherent flexibility, existing global pooled funding instruments, such as the Joint SDG Fund and the Peacebuilding Fund, were able to quickly pivot their activities and reprogram resources. In complement to these, a specific instrument was launched to support low- and middle-income programme countries in overcoming the health and development crisis caused by the COVID-19 pandemic. The COVID-19 Response and Recovery Fund has provided the means to bring together the expertise and delivery capacities of UN entities, harness the resources of the public and private sectors, and offer whole-of-government and whole-of-society approaches to help close gaps in country preparedness and response plans and safeguard progress towards the SDGs. By the end of 2020, the COVID-19 Response and Recovery Fund had disbursed USD 65 million to 75 projects spanning 61 countries.11

25. Total funding to inter-agency pooled funds in 2019 totalled US$ 2.96 billion, an increase of 20% compared to 2018 and a 93% increase since 2015. A clear change in the trend of funding to inter-agency pooled funds can be observed around the time of the adoption of the SDGs (figure XI).

Figure XI: Funding to inter-agency pooled funds, 2010 to 2019

26. While 61 per cent of contributions to inter-agency pooled funds went to funds with a humanitarian focus, still, funding to development-related inter-agency pooled funds has more than doubled since 2015 and now represents 9.0 per cent of all non-core funding to UN development-related activities. This is good progress towards the

11 Results are presented in the Fund’s interim results report: http://mptf.undp.org/document/download/25496
funding compact commitment to channelling 10 per cent of non-core funding for development activities through inter-agency pooled funds by 2023.

27. Comprehensive data on contributions to inter-agency pooled funds for 2020 was not available at the time this report was issued, however the multi-partner trust fund office reported an increase of 21 per cent in contributions to the funds it administers in 2020 compared to 2019. This can be considered a strong indicator for the system-wide trend in funding to development-related inter-agency pooled funds given that some three-quarters of contributions to such funds are administered by the MTPF office.

28. At country-level, there were 26 countries where at least 15 per cent of non-core expenditures on operational activities for development were channeled through inter-agency pooled funds in 2019 (figure XII). This compares to just 16 countries three years earlier.

29. The growing portion of non-core resources channeled through inter-agency pooled funds, demonstrates the importance that UNDS entities and Member States place on integrated approaches to bring collective results. Progressively, an ecosystem of inter-agency pooled funds is emerging, where these financing instruments are allowing efficient multi-stakeholder engagements and acting as catalyzers and centers of gravity to strengthen inter-agency collaboration. In addition to better-known flagship global funds (such as the Joint SDG Fund and the Peacebuilding Fund), other specialized funds are promoting UN joint action around issues such as gender-based violence, migration, disability inclusion, anti-microbial resistance or forest protection. At country level, several UN Country Teams\textsuperscript{12} have designed and operationalized pooled funds to support key areas and priorities of the UN Sustainable Development Cooperation Framework, particularly following the UNSDG guidance note on UN country level pooled funds issued in early 2020.

30. While the total volume of funding to inter-agency pooled funds continues to rise, the base of this funding remains very narrow. Just five Government donors accounted for over 70 per cent of all contributions to inter-agency pooled funds in 2019.\textsuperscript{13} These are the United Kingdom, Germany, Sweden, Norway and the Netherlands who should be recognized for rising to their commitment. In addition, most funds rely heavily on a single donor: of the 153 funds that received contributions in 2019, 88 relied on just one donor for all of its funding in 2019.

\textsuperscript{12}Good examples include Malawi, Papa New Guinea, Colombia, Albania and the UN Pacific Strategy Fund to support development priorities in 14 Pacific Island nations.
b) Agency-specific pooled funds

31. Agency-specific thematic funds are single-entity funding mechanisms that use softly earmarked, co-mingled financial contributions to support high-level outcomes within an entity’s strategic plan. As such, they support approved programmes in priority areas while also facilitating longer-term planning. The quadrennial comprehensive policy review as well as the funding compact highlights the importance of scaling up financial resources to such funds.

32. In 2019, contributions to agency-specific thematic funds reached $900 million, which is double the amount of contributions provided just three years earlier (figure XIII). These contributions include $720 million for funds with a development-related theme, which translates to 5.5 per cent of all non-core funding to development activities. As part of the funding compact, Member States committed to a 6 per cent share by 2023.

Figure XIII: Trend in funding for agency-specific thematic funds, 2010-2019

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33. The new QCPR continues to stress the need to substantially increase common resources mobilization and distribution for joint programmes as part of efforts that lead towards a more integrated approach at country level. Joint programmes support a common goal across two or more UN entities with a joint work plan and a common budgetary framework.

34. There are a total of 400 active Joint programmes across 84 UNCTs with a combined budget of over $3.4 billion\(^\text{14}\). Some 47 per cent of joint programmes targeted SDG 16 on peace, justice and strong institutions, more than any other goal.\(^\text{15}\) The next most commonly targeted SDGs by Joint programmes were SDG 5 on gender equality (44%) and SDG 10 on reducing inequality (35%).

\(^{14}\) “Active Joint programmes” are considered those that expended funds in the past year.

\(^{15}\) Joint programmes can target more than one Goal.
35. The existing guidance on Joint Programmes (UNDG) dates back to 2014 and there is general consensus among resident coordinators and UNDS entities that the guidance needs to be revised to strengthen the quality and agility of Joint Programmes, firmly anchor them in the CCAs and CFs and reduce associated transaction costs. Other dimensions that may merit review are the definition of joint programmes, and putting in place a system-wide database that capture the actual expenditure per annum on joint programmes per UNCT and per UN entity. The re-thinking of the guidance is expected to be part of the work of the UNSDG in 2021, with formal review and endorsement by fall.

II. Use of resources

36. Expenditures on UN operational activities for development amounted to $39.3 billion in 2019. Some 79 per cent of this total, or $31.2 billion, were attributed to the country level and another $1.2 billion or 3 per cent to support the regional level (figure XIV). Accordingly, 18 per cent of total expenditures related to global activities, management and administrative costs and other activities that could not be attributed to a country or region. The latter resources are nonetheless essential to support operational activities at the country level as they include, for example,

![Figure XIV: High-level breakdown of expenditures in 2019]

A) Expenses by SDG

37. As part of the Funding Compact commitment to strengthen entity and system-wide transparency and reporting, all UNDS entities are expected to report their expenses against the SDGs in 2021. This is in-line with the UN data standards for financial reporting which requires all UN entities to report their expenses against the SDGs and targets to the CEB by the end of 2021. In 2020, 11 UNSDG entities reported their expenses to the CEB against the SDGs. Together these entities accounted for $25.9 billion in expenditures or two-thirds of all expenditures on operational activities for development. To enable the UNDS to articulate its full contribution to countries and in a manner that is aligned to the 2030 Agenda, all UN entities that have not already done so must put measures in place to enable reporting of their spending against the Sustainable Development Goals and targets.

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16 While UNSDG entities committed to reporting their expenditures to countries and regions, as appropriate, four entities still do not provide this disaggregation resulting in a modest understatement of resources spent at the country level (and overestimate of resources spent at the global level).
38. As expected, WFP and IFAD allocated 85% and 100% of their expenses under SDG 2, respectively. UN-Women linked 70% of their expenses to SDG 5 on gender equality and nearly two-thirds of ILO’s expenses are linked to SDG 8 on decent work and economic growth. UNDP and UNIDO reported some expenses against all 17 SDGs. The SDG most linked to UNDP’s activities was SDG 16 (31 per cent) and for UNIDO it was SDG 9 (39 per cent).

**Figure XV: Operational activities by SDG, 2019**

39. Combining the above information from the 11 entities shows that SDG 2 on ending hunger was the Goal most targeted followed by SDG 3 on ensuring healthy lives and promoting well-being for all (figure XV). Notwithstanding that just under two-thirds of all spending on OAD is accounted for in this data, it is interesting to compare this information with the question posed to Governments on the UNDS’ most important contribution over the past two years. More than any other Goal, the UN’s contribution towards SDG 3 is cited, followed by SDG 2. Those are areas where COVID-19 had a heavy impact. Hunger was also increasing for a few years before the onset of the pandemic. Unsurprisingly given the spending distribution shown in the above figure, SDGs 12, 14 and 15 were the Goals identified by the fewest Governments as areas where the UN contribution has been significant.

**B) Expenses by region**

40. Regarding the $32.4 billion in expenditures that were attributed to benefit the country or regional level, 42 per cent were spent on activities targeting Africa. Nearly $10 billion, or 30 per cent of expenditures were for activities supporting Western Asia, the clear majority of which was for humanitarian activities (figure XVI).
C) Expenses by country

41. The UNDS spent just over $31 billion on operational activities for development at the country level in 2019. Some 60 per cent of this total was spent on humanitarian assistance activities and the other 40 per cent was spent on development assistance activities.

42. Most country-level expenditures are concentrated in a small number of programme countries. Expenditures exceeded $750 million in 15 countries, and these accounted for 58 per cent of total expenditures across all 162 programme countries. Humanitarian assistance dominated the activities in all of these 15 countries, except Afghanistan.

43. On the other end of the spectrum, in 76 countries (or almost half of all programme countries) expenditures were below $50 million in 2019. Combined expenditures in these 76 countries accounted for just 4 per cent of total country-level expenditures. This is a diverse group where more than half the countries have a “very high” or “high” Human Development Index. This group also includes 12 least developed countries, 43 small island developing States, and 12 landlocked developing countries. Almost half of the countries and territories in this group are covered by a multi-country office. The large variation in the size of the UNDS programmes further underscores the need for differentiated UNDS configuration or operational modalities on the ground.

44. There were 51 programme countries where the UN spent under $20 million in expenditures for operational activities for development.

45. 38 countries covered by a multi-country office fall into this category. Figure XVII shows the total spending on OAD for each of the 8 MCOs and the number of countries that they serve.

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17 Programme countries refer to programme countries or territories.
18 Yemen, South Sudan, Lebanon, Syrian Arab Republic, Democratic Republic of the Congo, Afghanistan, Somalia, Turkey, Iraq, Ethiopia, State of Palestine, Nigeria Jordan, Bangladesh, the Sudan.
19 Exceptions are El Salvador, Fiji and Malaysia.
46. The new QCPR gives more focus to groupings of countries in special situations, including African countries, LDCs, LLDCs, SIDS and middle-income countries. Section II. D. covers the issue of tailoring support to countries in special situations. This section looks at the support that the UNDS is providing to these groups of countries from a financial perspective.

47. Table 1 provides an overview of spending on operational activities for development in countries in special situations. The average expenditure in the least developed countries\(^20\) was $333 million per country or $15.51 per capita in 2019. By comparison, spending in LLDCs and SIDS averaged $14.76 and $12.33 per capita, respectively.

### Table 1

**Expenditures in country groups**

<table>
<thead>
<tr>
<th>Country group</th>
<th>Number of countries</th>
<th>Total expenditure (USD million)</th>
<th>Average expenditure per country (USD million)</th>
<th>Five-year trend in expenditures</th>
<th>Expenditure per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDCs</td>
<td>47</td>
<td>15,656</td>
<td>333</td>
<td>+83%</td>
<td>$15.51</td>
</tr>
<tr>
<td>SIDS</td>
<td>48</td>
<td>809</td>
<td>17</td>
<td>+54%</td>
<td>$12.33</td>
</tr>
<tr>
<td>LLDCs</td>
<td>32</td>
<td>7,511</td>
<td>235</td>
<td>+32%</td>
<td>$14.76</td>
</tr>
<tr>
<td>Africa</td>
<td>55</td>
<td>13,070</td>
<td>238</td>
<td>+32%</td>
<td>$10.26</td>
</tr>
<tr>
<td>MICs</td>
<td>105</td>
<td>15,716</td>
<td>150</td>
<td>+26%</td>
<td>$2.85</td>
</tr>
<tr>
<td>All programme countries</td>
<td>162</td>
<td>30,448</td>
<td>188</td>
<td>+41%</td>
<td>$4.84</td>
</tr>
</tbody>
</table>

48. The 2020 QCPR urged the UNDS to prioritize allocations to least developed countries while also expressing concern at the fact that less than half of all country-level expenditures were being spent in LDCs in 2018.

\(^20\) Vanuatu graduated from LDC status in 2020 but are included in the LDC group for this analysis which is focussed on funding flows in 2019.
49. Expenditures in LDCs has increased by 82 per cent in real terms since 2010 to reach $15.6 billion in 2019 (figure XVIII). This includes a 22 per cent increase between 2018 and 2019. This trend is primarily driven by an increase in humanitarian assistance activities. Development-related expenditures in LDCs have increased by a modest 10 per cent since 2010. The $15.6 billion spent in LDCs in 2019 represents 50 per cent of total expenditures at the country level.

Figure XVIII: Expenditures in Least Developed Countries, 2010-2019

50. In landlocked developing countries (LLDCs), there has been a gradual increase in expenditures (in real terms) over the past 5 years (figure XIX). The growth trend has been slower than spending in programme countries in general, even though this group includes 17 LDCs, resulting in a decreasing trend in the share of total expenditures that are spent in landlocked developing countries from 31 per cent in 2014 to 24 per cent in 2019.

Figure XIX: Expenditures in Landlocked Developing Countries, 2014-2019

51. SIDS are a diverse group that includes 9 least developed countries and 28 middle income countries. Most, or 37 SIDS are serviced by a multi-country office. SIDS are generally more vulnerable than their income level would
suggest due to factors ranging from their unique geographical contexts, high dependence on imports and economies that tend to be heavily reliant on tourism.

52. Spending on operational activities for development in small island developing States has increased by 51 per cent in real terms over the past five years (figure XX). Most UN activities in SIDS are development assistance, unlike in LLDCs and LDCs where humanitarian assistance is the main type of UN activity.

53. Middle income countries comprise of a highly diverse group of 105 countries with GDP per capita between USD 1,026 and USD 12,375. Included in the group of MICs are 19 least developed countries, 18 landlocked developing countries and 28 small island developing States. The MICs group also contains 46 countries with a “very high” or “high” Human Development Index. It can therefore be difficult to convey the special needs of a group that comprises nearly two-thirds of all programme countries and three-quarters of the world’s population.

54. Member States have frequently highlighted the need for UN development system entities to rethink their resource allocation models to more strongly consider country-specific vulnerabilities, which would also help provide a more accurate picture of MICs’ development needs. The need for a metric to measure country vulnerability has only increased post-COVID, as the pandemic has not only reversed development gains, but further exacerbated social and economic inequalities (see Box 1). Many UNDS entities still rely heavily on GDP per capita as a basis for determining where to spend resources, even though this metric only looks at one narrow aspect of development and is not sufficient to account for the varied needs of MICs. One reason for this is that data on GDP per capita is readily available for almost every country in the world, whereas other measures that would be considered useful indicators for poverty, such as income inequality, tend not to be widely available for all countries. Another challenge is agreeing on a standard methodology to measure a country’s susceptibility to external shocks, such as severe weather events.

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**Box 1: Constructing “beyond GDP” metrics to measure vulnerability**

UNDP’s work on the Human Development Index has been at the forefront of “beyond GDP” metrics. Last year’s 2020 Human Development Report made adjustments through a new dashboard, with four dimensions and 21 indicators that provide a glimpse into the complex interactions between people and ecosystems and helps monitor country progress towards easing planetary pressures and social imbalances. The four dimensions are status of human development, energy systems, material cycles (how intensively countries use – and reuse – raw materials) and transforming our future.²¹

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55. Figure XXI below shows expenditures on development and humanitarian activities in middle-income countries that also fall into other groups of countries. It shows that expenditure is highest (on a per capita basis) in SIDS that fall within the MICs group. On average, spending on OAD is nearly 3 times higher in MICS that are SIDS than MICS in general.

### Figure XXI: Expenditures per capita in middle-income countries, 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditures per capita (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MICs (overall)</td>
<td></td>
</tr>
<tr>
<td>MICs that are LDCs</td>
<td></td>
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<tr>
<td>MICs that are LLDCs</td>
<td></td>
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<tr>
<td>MICs that are SIDS</td>
<td></td>
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<tr>
<td>MICs in Africa</td>
<td></td>
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<tr>
<td>Other MICs*</td>
<td></td>
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<tr>
<td>MICs with low HDI</td>
<td></td>
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<tr>
<td>MICs with medium HDI</td>
<td></td>
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<tr>
<td>MICs with high HDI</td>
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</tbody>
</table>

* MICs that do not fall into any of the following groups: LDCs, LLDCs, SIDS, Africa.

### III. Transparency and accountability of funding flows

56. The new QCPR resolution places a strong emphasis on the linkage between transparency and flexible non-core funding flows. As described in section A, contributions to pooled funding mechanisms accounted for $3.9 billion in 2019, reflecting a very significant increase of 87 per cent since 2015. As more funding becomes less earmarked, there is a growing need to demonstrate how these resources are spent and the results that they are achieving. Enhancing transparency and accountability and demonstrating the links between high-quality funding and results will help build and incentivize contributors to provide more flexible forms of funding. This mutually reinforcing aspect between transparency and quality funding is not only prominent in the new QCPR but also a central theme in the funding compact.

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22 Towards a Multidimensional Vulnerability Index, February 2021
57. Transparency and accountability are at the heart of the structured funding dialogues, which provide a platform for interactive discussions between Member States and UN entities on many of the funding issues covered in the QCPR. This includes broadening the donor base, finding solution to improve the flexibility, predictability and adequacy of funding and maintaining forward momentum in the implementation of the funding compact. In addition, several entities now produce a results matrix that track their progress in meeting the funding compact commitments to guide its work and provide a basis for the structured funding dialogue. Thirteen entities, including all Funds and Programmes, indicated that they held such a structured dialogue on funding with Member States in 2020. These dialogues provide for an in-depth exchange on funding gaps, needs and practical challenges, and it may be worthwhile considering having such or similar dialogue at inter-agency level, with a focus on a different funding subject every year.

58. In response to the Funding Compact commitment to increase the effectiveness and efficiency of inter-agency pooled funds, the Multi-Partner Trust Fund (MPTF) Office has redesigned its digital platform, Gateway, and integrated a new results-based management system that financially links all interventions to Sustainable Development Goal targets and provides better reporting on programmatic and operational performance. The MPTF Office piloted better reporting on programmatic and operational performance for the UN COVID-19 Response and Recovery Fund, which enabled to improve tracking and reporting on the key markers, such as the gender marker, in view of the impact of the pandemic on women and girls.

59. UN entities receiving resources channeled through inter-agency pooled funds are also taking measures to improve visibility for funding partners and results, as per the commitment under the Funding Compact. The UN COVID-19 fund, for example, coordinated a visibility campaign with UNCTs to acknowledge and recognize locally the work made possible thanks to the Fund’s donors.23

60. In line with other Funding Compact commitments, the UN Evaluation Group updated its database of evaluation reports to allow tracking of evaluations specific to pooled funds or joint programmes. Recommendations and lessons learned extracted from these evaluation reports are being incorporated in the design of new pooled funds or the new strategic frameworks of existing funds. A good example is the Peacebuilding Fund’s new Strategic Plan launched in 2020 for the period 2021-2024 which was informed to a great extent by portfolio evaluations. Moreover, these recommendations were also incorporated in the new UNSDG guidance for country-level pooled funds and knowledge products of the Multi-Partner Trust Fund Office.

61. The new data standards for UN system-wide reporting of financial data have improved the availability of comprehensive and comparable data on UNDS funding flows. All United Nations Sustainable Development Group entities now submit financial data to the Chief Executives Board, with almost all disaggregating this data by country. However, only eleven agencies currently disaggregate expenditures by Sustainable Development Goal, limiting the ability to comprehensively track global support – making this a top priority in 2021. In addition, there are now 20 UNDS entities publishing information on their resources in accordance with the International Aid Transparency Initiative standard, implying that six additional entities have begun reporting against this standard since 2017. In 2021, the data standards for financial reporting are expected to be revised in collaboration with IATI and OECD to better harmonize the manner in which UN entities report through these different reporting channels.

62. At country level, the management and accountability framework (MAF) serves as a key accountability mechanism including for the mobilization and utilization of financial resources in the delivery of collective system support to the 2030 Agenda. The resident coordinator is expected to provide timely and comprehensive financial information on inter-agency pooled funding and other country-based pooled funds to UNCT members, and vice versa. Mobilization of resources is also expected to be done in an open and transparent way. A recent DCO survey of resident coordinators and UNCT members, indicated that the MAF section on funding and resource mobilization needs greater clarity on roles and accountability lines, as most respondents answered negatively to questions on whether the MAF has added clarity on accountabilities for results, improved transparency of resources available or led to more optimized use of resources.

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23 See link for a typical example.
63. The new Cooperation Framework guidance calls for the inclusion of a funding framework based on an assessment of the resources required to deliver the Cooperation Framework. The funding framework intends to enhance transparency by providing stakeholders with a simplified single reference document that covers the funding situation. It also enables country team members to maximize synergies, including for joint programming, through meaningful and timely sharing of information about their fundraising activities. The CF guidance places a strong emphasis on updating the funding framework on an annual basis to make it a realistic, useful tool. Prior to the CF guidance, only 20 per cent of UNDAFs had a budgetary framework that was updated annually. Of the 21 funding frameworks developed to date, twelve are updated annually.

64. The QCPR reaffirmed the principle of full cost recovery which requires entities to avoid the use of core resources to subsidize activities financed from non-core resources and reiterated its request to the UNDS to further explore harmonized cost-recovery policies. Cost recovery policies have considerable implications for institutional transparency, as they specify what portion of core and non-core resources are spent on programme activities versus programme support, administrative, management and other overhead costs. Almost every UN entity has adopted a cost recovery policy with standard rates and methodologies aimed at ensuring non-core projects are not being subsidized with core resources. At the same time, several governing bodies have decided that certain institutional costs should be entirely financed from core resources. As a result, system-wide in 2019, 58 per cent of core resources were spent on programme activities compared to 89 per cent of non-core resources. As part of the funding compact, Member States also committed to fully comply with cost recovery rates, including eliminating exemption waivers. Good progress was made in that regard, as the total value of the agreements for which waivers were granted went down from $1.3 billion in 2017 to $530 million system wide.24

65. The QCPR also took note of the good practice established by UNDP, UNICEF, UNFPA and UN-Women in developing a joint cost recovery policy which was approved by their Boards and will become effective in 2022. The Finance and Budget Network within the CEB established a working group to further explore harmonized principles of cost recovery, including consideration of a common principle for UN to UN agreements, and a system-wide definition for different cost categories.

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66. The above analysis highlights that we have made progress on transparency and accountability, including by better linking funding with results. Funding for operational activities for development indicates a continued upward trend and new, innovative funding modalities have helped lead to more flexible funding being provided to the UN development system. However, there is still too little progress in addressing the continuing imbalance between core and non-core resources and in expanding the narrow funding base. We hope that as we make further progress on the results achieved with the funding entrusted to the UN development system, we can build trust further and trigger the kind of change in funding patterns that is need to enable the delivery of the individual entities’ strategic plans based on a vision for collective results.

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24 The value is that of the agreements, not of the fee waived. If the average waiver permitted a donor to take a 1 per cent reduction in the support fee, then the amount of programme cost support income lost system-wide would have been 1 per cent of $530 million, or $53 million in 2019.