

Technical Note

Funding the reinvigorated Resident Coordinator System

This technical note has been prepared to outline the various sources being considered by Member States for funding the reinvigorated Resident Coordinator system¹, as presented by the two Co-facilitators based on the ideas, proposals, suggestions and feedback received from Member States over the course of the General Assembly process on the repositioning of the UN development system, in the context of the QCPR. Further details will be outlined in the proposed implementation plan for the inception of the reinvigorated RC system, which is proposed to be presented by the Secretary General before the end of the 72nd session of the UN General Assembly.

1. Coordination Levy

A possible source for funding the reinvigorated Resident Coordinator (RC) system is a one per cent (1 %) coordination levy on tightly earmarked non-core contributions to UN development-related activities, to be paid at source.

Apart from generating resources, in the long run the levy will also help to incentivize a shift to more pooled, thematic and joint funding mechanisms as called for in the 2016 QCPR.

Applying a coordination levy

As outlined in the attached Table 1 (see annex), contributions for United Nations operational activities for development in 2016 totaled US\$ 29.5 billion. This amount included US\$ 16.9 billion contributions to development-related activities and US\$ 12.6 billion to humanitarian assistance-related activities². Of the US\$ 16.9 billion contributed for development-related activities, US\$ 4.8 billion was contributed as core resources, while US\$ 12.1 billion was contributed as non-core.³ The different forms of non-core resources provided for development-related activities are broken down to include: (i) inter-agency development pooled funds; (ii) entity-specific thematic funds; (iii) local resources (programme country cost-sharing); (iv) global vertical funds and (v) tightly earmarked non-core contributions.

According to the proposal in the draft resolution on the repositioning of the UNDS the levy would be charged on this last category of non-core resources - i.e. tightly earmarked non-core contributions, which in 2016 amounted to a total of US\$ 7.955 billion. On the basis of this amount, a 1% coordination levy could potentially generate approximately **US\$ 80 million**. This value however will vary from year to year given the fluctuations that tightly earmarked non-core contributions experience (as outlined in Table 2 in the annex, over the last five-year period this category of non-core has averaged US\$ 8.7 billion, which would

¹ While this note focuses on sources for funding the reinvigorated Resident Coordinator system, the UN Secretary-General recommends that a dedicated Coordination Fund be established. The cost of such a Fund would amount to US\$35 million and support the Resident Coordinator System in conducting system-wide activities on the ground associated with the implementation of the United Nations Development Framework.

²Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, 2018: Report of the Secretary-General' A/73/63-E/2018/8, Statistical Annex.

³ Given that different UN entities use different terms to refer to non-core resources (e.g. other resources, earmarked contributions) in this note the terminology of the 2018 Secretary General's Report on QCPR implementation (A/73/63-E/2018/8) has been used. The term 'non-core contributions', 'tightly earmarked non-core contributions' has been used throughout the text.

mean an annual average of US\$ 87 million as a 1% levy). In addition, when implementing such a levy, it will be important to ensure specific follow-up with different categories of contributors.

It is also important to note that the proposed levy does not include the other development-related non-core categories listed in the Secretary-General's report on QCPR implementation⁴, namely: inter-agency and entity-specific thematic pooled funds, local resources (local government cost-sharing and cooperation among programme countries) and global vertical funds. It also excludes humanitarian-assistance related activities.

Collecting the levy

The coordination levy is proposed to be collected "at source" i.e. at the point of the contributor. This means the levy would be taken directly by the contributor that has made a non-core contribution and be channeled to a financing instrument that collects the levy. Specifically, the levy could either be taken "off the top" from contributors, with deposits made into a financing instrument every time a contributor makes an earmarked non-core contribution, or the levy could be bundled and calculated based on the annual contribution of each contributor to tightly earmarked non-core resources.

Further details regarding the best options for the most effective and efficient collection and administration of this coordination levy at source will be outlined in the proposed implementation plan for the inception of the reinvigorated RC system.

2. UNDG Cost-Sharing Agreement

Another source for funding the reinvigorated Resident Coordinator system is through the proposed doubling of the existing UNDG cost-sharing arrangement.

In response to GA resolution 67/226 on the QCPR to ensure that Resident Coordinators have the necessary, stable and predictable resources to fulfill their mandate effectively, the UNDG developed and implemented a system-wide cost-sharing arrangement across its agencies, funds and programmes, in support of the RC system. The agreement has been in place since 2014.

The UNDG cost-sharing arrangement is managed by UN DOCO and provides joint funding for country-level coordination functions of the RC system, supported by Regional UNDG Teams and UN DOCO. The cost-sharing budget for 2017 amounts to a total of US\$ 38.7 million, of which US\$ 29.4 million was funded in 2017.⁵ In support of the RC system, UNDP also currently provides "backbone" support, which totaled some US\$ 90 million in 2017. If the 2017 budget for the UNDG cost-sharing arrangement was doubled it would generate **US\$ 77.4 million**.

⁴ "Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, 2018: Report of the Secretary-General' A/73/63-E/2018/8

⁵ The use and results of the UNDG cost-sharing contributions are reported on in the annual UNDG Results Report, which is available for download on the UNDG website www.undg.org.

Entities contributing to the cost-sharing agreement, entity share

19 UN entities are currently expected to contribute to the UNDG cost-sharing: FAO, IFAD, ILO, IOM, ITU, UNAIDS, UNDP, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO, UNOPS, UN Women, UNWTO, WFP, WHO, WMO, and the UN Secretariat.⁶

Each entity's share is calculated through a three-step formula, taking into account: (1) an annual base fee; (2) entity staff size and expenditures; and (3) the share of UNDAFs an entity participates in, at the country level.

UNDG cost-sharing independent review

An independent review of the cost-sharing mechanism was carried out in 2017. The study confirmed the validity of the three main components of the cost-sharing formula. The study recommended to adjust the cost-sharing formula to address some concerns raised by UNDG members, especially regarding the predictability of the expected contributions, while allowing for some natural growth commensurate with growth in the overall system. The study also recommended an increase of the overall budget to a level of US\$ 63 to US\$ 65 million.

Cost-sharing funding gap

With the exception of UN Secretariat entities, all entities have contributed to the cost-sharing, although some members have contributed less than their apportioned shares. In 2017, the overall funding gap amounted to \$7.8 million, primarily due to a shortfall of \$6.5 million from UN Secretariat entities, as well as no contribution from UNWTO and reduced contributions from FAO, UNESCO, UNIDO and WHO. There continues to be a projected funding gap for 2018-2019.

Most UNDG member entities have already made budgetary provisions for the current 2018-2019 UNDG cost-sharing biennium. UN entities participating in the UNDG cost-sharing agreement would also have to seek approval from their respective governing bodies. Hence, successful implementation of this proposal will require a consistent approach by Member States across the different governing bodies.

The specificities for increasing and ensuring full compliance with the current cost-sharing arrangement will be spelled out in the proposed implementation plan.

3. Voluntary Contributions to a dedicated Trust Fund

Another source for funding the reinvigorated Resident Coordinator System is through voluntary contributions to a dedicated Trust Fund. In order to support the inception of the reinvigorated Resident Coordinator system, and to ensure both the required amount and initial predictability, it is proposed to establish a voluntarily funded dedicated Trust Fund to help cover the funding in the 2019/2020 inception period, while mechanisms for the other sources of funding are established on a fully predictable basis. In this context, all Member States would be strongly encouraged to contribute to the Trust Fund, in particular as front-loaded contributions for the inception of the new RC system.

⁶ The UN Secretariat represents 14 UN entities: OHCHR, UNCTAD, UNDESA, UNECA, UNECE, UNECLAC, UNEP, UNESCAP, UNESCWA, UN Habitat, UNODC, UNOHRLLS, UNOSAA, SRSG/CAAC.

4. Efficiencies

The efficiency gains envisioned in the Secretary General's report⁷ and spelled out in the UNDS Explanatory Note 10⁸ are focused on efficiencies accrued in four areas: (1) Business Operations/Common Back-offices; (2) Common Premises; (3) New Generation of UN Country Teams; and (4) Merger of UN Information Centres with RC Offices. As indicated in Explanatory Note 10, efficiency gains are a means to ensure a more impactful use of resources allocated to the UNDS. They are not meant to reduce the overall budget available for development activities.

As outlined, these efficiencies will not materialize immediately and are also dependent on other factors such as: (i) many of the efficiency targets can only be achieved if other components within the overall package of proposals for the UN development system move ahead; (ii) creating significant efficiencies in the area of business operations is dependent on system-wide coordination and cooperation; (iii) changes would need to be implemented with rigor and speed and would require upfront investment of resources; and (iv) that most of the efficiency gains will be made at the level of the individual UN entities, these gains will occur across several entities and in a distributed way. Hence, efficiency gains cannot be easily aggregated and transferred from one part of the UNDS to another.

Efficiency gains are projected to be reached by the year 2022. The potential of how efficiencies could contribute to the funding of a reinvigorated RC system will be explored and elaborated in the proposed implementation plan to be completed by the Secretary-General.

5. Accountability of the RC system, including its funding

In order to ensure full accountability to Member States with respect to the reinvigorated Resident Coordinator system, the Secretary-General will be expected to report on a yearly basis to the ECOSOC Operational Activities Segment on the implementation of the reinvigorated RC system, including its funding. Under the current RC system arrangements, only the UNDP Executive Board receives information on the status of the RC system. With the reinvigorated RC system based on its separation from UNDP, reporting on the status of the RC system would fall under the Council. This would ensure full accountability to Member States as well as their oversight of the RC system, starting in 2019. The Secretary-General would thus be expected to start reporting to the Council on a yearly basis at the inception of the newly adopted system next year.

It is also proposed that the Secretary-General would provide a review of the reinvigorated RC system to the General Assembly before the end of its 75th session, i.e. before September 2021. The review would provide recommendations to Member States on the functioning of the reinvigorated Resident Coordinator system, including its funding arrangement, in the first years of its implementation. This would allow Member States to have a full and transparent assessment of the system, to ensure that the new RC system arrangements are fit to serve the requirements of the 2030 Agenda, as well as to ensure the predictability and sustainability of funding allowing the RC system to strategically lead the UN's development work at country level and deliver on expectations of Member States. An effective review would require time for the reinvigorated RC system to be put in place, hence the need to report on it to the General Assembly no earlier than September 2021. After that, moving forward, the Secretary-General would report to the General Assembly on the RC system as part of the regular QCPR cycle.

⁷ A/72/684-E/2018/7

⁸ www.un.org/ecosoc/sites/www.un.org.ecosoc/files/files/en/qcpr/10_%20Efficiencies%20in%20UNDS%20repositioning.pdf

Annex:

Table 1: Contributions to operational activities for development (2016)⁹

Contributions to development related-activities (in \$US billion)		Contributions to humanitarian-assistance related activities (in US\$ billion)	OAD Contributions (Total)
Core	4.8	1.6	6.4
Non-core	12.1	11	23.1
Total	16.9	12.6	29.5



(i) Interagency development pooled funds (millions of USD)	(ii) Entity -specific thematic funds (millions of USD)	(iii) Local resources (millions of USD)	(iv) Global vertical funds (millions of USD)	(v) Tightly earmarked non-core contributions (millions of USD)	Total non-core development related activities (millions of USD)
An inter-agency pooled fund is a multi-entity funding mechanism designed to support clearly defined programmatic scope and results by contributions that are co-mingled, not earmarked to a specific United Nations entity and held by a United Nations fund administrator. In these, the United Nations takes a lead role in making fund allocation decisions as well as fund implementation, which makes these funds a more flexible form of non-core contributions.	A UN thematic pooled fund, is an 'agency-specific' fund designed to support specific high-level outcomes within a single UN entity's Strategic Plan. The UN entity is fund administrator and fund implementer.	Local non-core resources are grants from programme countries financed from government resources or through loans/credits for use in their own national development frameworks. They are earmarked to specific projects.	Global Funds focus 'vertically' on specific themes, but are not directly administered by a UN entity and do not have a UN lead role in the fund allocation process. The main role of the UN is as fund implementer.	Grants earmarked by the contributor(s) to a specific programme or project of a specific UN entity.	
550	262	1.762	1.573	7.955	12.1

A 1 % coordination levy would generate approximately US\$ 80 million p.a.

⁹ 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, 2018: Report of the Secretary-General' A/73/63-E/2018/8, Statistical Annex

Table 2: Non-core contributions to development related activities for development 2012-2016¹⁰ in USD and percentage share

		2012	2013	2014	2015	2016
<i>Type of contribution:</i>		<i>(millions of current US dollars)</i>				
Core		5,311	5,247	5,266	4,608	4,781
	Inter-agency pooled funds	538	537	800	542	550
	Thematic funds	532	504	552	325	262
Non-core	Local resources	898	1,185	1,004	1,207	1,762
	Global funds	944	930	1,008	1,377	1,573
	Other non-core	8,871	9,548	9,377	7,639	7,955
	Total (non-core)	11,783	12,704	12,741	11,091	12,102
Total core and non-core		17,094	17,950	18,007	15,699	16,883

		2012	2013	2014	2015	2016
<i>Type of contribution:</i>		<i>(percentage share)</i>				
Core		31.1%	29.2%	29.2%	29.4%	28.3%
	Inter-agency pooled funds	3.1%	3.0%	4.4%	3.5%	3.3%
	Thematic funds	3.1%	2.8%	3.1%	2.1%	1.6%
Non-core	Local resources	5.3%	6.6%	5.6%	7.7%	10.4%
	Global funds	5.5%	5.2%	5.6%	8.8%	9.3%
	Other non-core	51.9%	53.2%	52.1%	48.7%	47.1%
	Total (non-core)	68.9%	70.8%	70.8%	70.6%	71.7%
Total core and non-core		100.0%	100.0%	100.0%	100.0%	100.0%

¹⁰ 'Implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, 2018: Report of the Secretary-General' A/73/63-E/2018/8, Statistical Annex; UN inter-agency pooled fund database; CEB database and reporting system.