

Report of the Secretary-General

Analysis of funding of operational activities for development of the United Nations system for the year 2010

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SUMMARY

(a) Contributions

General

Total contributions to operational activities for development of the United Nations system in 2010 amounted to some US\$22.9 billion, an increase of 3 per cent in real terms compared to 2009 and accounted for about 16 per cent of total official development assistance (excluding debt relief) as reported by the OECD/DAC.

Increase in funding for development-related activities

About 68 per cent of funding was directed to longer-term development-related activities against 32 per cent to activities with a humanitarian assistance focus. Contributions for development-related activities increased by some 5 per cent in real terms in 2010, while funding for humanitarian assistance, a volatile item, increased by less than 1 per cent in real terms.

Growing imbalance between core and non-core funding

Some 74 per cent of total funding for operational activities for development in 2010 were non-core and thus characterized by varying degrees of restrictions with regard to their application and use. Core funding declined by 3 per cent in real terms, while non-core funding increased by 6 per cent. Some 70 per cent of development-related contributions were non-core in 2010, compared to 67 per cent in 2009.

Longer-term funding trends positive

In the period from 1995 to 2010, overall trends have been positive for both development- and humanitarian assistance-related activities. In this 15-year period, funding for development-related activities grew by 131 per cent; humanitarian assistance-related activities by 108 per cent; and non-core development-related contributions by 350 per cent, all in real terms.

Overall, contributions for United Nations operational activities for development grew at a faster rate during this 15-year period than total ODA as reported by OECD/DAC. However, almost all of this growth was in the form of non-core resources, resulting in the core ratio for operational activities for development declining from 53 per cent in 1995 to 26 per cent in 2010.

Funding base broadened

The funding base for operational activities for development has seen general broadening between 1995 and 2010 with the share of contributions from non-governmental organizations, public-private partnerships and other multilateral institutions (including global funds) increasing from 7 per cent in 1995 to 17 per cent in 2010. This share is even higher or 23 per cent, when looking at development-related activities only. While the absolute volume of direct contributions of OECD/DAC countries increased by 98 per cent in real terms between 1995 and 2010, their overall share of total funding for operational activities for development declined from 71 to 62 per cent.

United Nations system the largest multilateral partner of OECD/DAC countries

Some 32 per cent of all direct contributions to the multilateral system in 2010 as reported by the OECD/DAC were channelled through the United Nations development system, making the Organization the largest multilateral partner of DAC countries.

Contributions from developing countries growing

Contributions from developing countries (excluding local resources) for operational activities for development were US\$551 million in 2010 and have increased by some 47 per cent in real terms between 2005 and 2010. About half of this funding was in the form of core contributions.

Non-core funding highly fragmented

Some 89 per cent of non-core funding for development-related activities in 2010 was single-donor and programme- and project-specific, thereby contributing to the fragmentation of resources flows, with a consequent impact on overall programme coherence, efficiencies and transaction costs. Contributions to pooled funding arrangements like multi-donor trust funds, including One UN Funds and thematic funds of entities, accounted for the remaining 11 per cent of non-core resource flows and have increased by some 18 per cent compared to 2009.

Predictability of resources flows

Annual changes in donor contributions can be quite significant, including as a result of volatility in exchange rates. As an example, the US\$ equivalent of euro contributions could differ as much as 20 per cent depending on the moment when contributions were received and recorded. The combined negative effect of fluctuations in contributions on the overall availability of resources has been limited during the recent period of general growth. However, this relative stability in overall resources availability seems to be the result of coincidence rather than of a well-functioning funding system that has built-in mechanisms to address the challenges that are intrinsic to a heavy dependency on annual voluntary contributions. By and large, the adoption of integrated strategic and multi-year financing frameworks by entities of the United Nations development system does not seem to have significantly advanced the predictability, reliability and stability of funding flows.

Burden-sharing among OECD/DAC countries

OECD/DAC countries accounted for 84 per cent of total core resources for development-related activities in 2010, with a significant difference in individual contributions if measured as a share of gross national income. If in 2010, median core development-related funding/gross national income (DEV/GNI) ratio were to be set as a minimum target for a system of negotiated pledges, total core contributions would increase by some US\$2.1 billion or 44 per cent to US\$6.7 billion.

(b) Expenditures

General

Some 72 per cent of the total expenditures of US\$24.0 billion for operational activities for development in 2010 concerned programme activities at the country level of which 46 per cent or US\$7.9 billion were in Africa. The remaining 28 per cent of total expenditures related to global and regional programme activities and programme support and management activities.

Expenditures on development-related activities reached US\$16.2 billion in 2010, an increase of 25 per cent in real terms since 2005. About half of development-related expenditures (excluding local resources) at country-level were spent in low-income countries in 2010.

Core resources subsidize support costs of non-core funding

There is a significant difference in the distribution of organizations' total programme support and management costs between core and non-core funding sources. Consequently, the remaining shares of available resources for actual programme activities differ greatly as well: only 64 per cent for core funding as against 90 per cent for non-core funding. Applying a full cost recovery rate in the order of 15 per cent across the board would result in a release of some US\$556 million core resources for programme activities or equivalent to some 23 per cent of the current level of core programme activities.

Work of the United Nations development system only moderately concentrated

The United Nations development system as a whole is moderately concentrated, with 45 programme countries, or 30 per cent of the total, accounting for some 80 per cent of all country-level expenditures in 2010. In 61 programme countries, or 41 per cent of the total, operational activities for development accounted for less than 10 per cent of total ODA in 2010.

The entities of the United Nations development system that reported country-level expenditures together had 1,939 relationships with 149 programme countries in 2010. Some 53 per cent of those relationships were significant in financial terms, meaning that the respective entities were *either* among the larger contributors that together accounted for 80 per cent of total ODA *and/or* allocated a higher share of resources to the programme country than their respective share of total global UN-OAD. In 2010, some 36 per cent of operational activities for development were carried out by entities whose operations can be characterized by a degree of concentration that was above the average.

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LIST OF ACRONYMS

CEB	United Nations Chief Executives Board for Coordination
DAC	Development Assistance Committee
DaO	Delivering as One
DEV	Development-related activities
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
GEF	Global Environment Facility
GFATM	The Global Fund to Fight AIDS, Tuberculosis and Malaria
GNI	Gross national income
HDI	Human Development Index
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMO	International Maritime Organization
ITC	International Trade Centre
ITU	International Telecommunication Union
LDC	Least developed country
LLDC	Landlocked developing country
MDTF	Multi-donor trust fund
MPTF	Multi-partner trust fund
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
PPMC	Pearson product-moment correlation coefficient
QCPR	Quadrennial comprehensive policy review
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework

UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women (now part of UN-Women)
UN-IMCs	United Nations integrated mission countries
UN-OAD	United Nations operational activities for development
UNODC	United Nations Office on Drugs and Crime
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNV	United Nations Volunteers
UNWTO	World Tourism Organization
UPU	Universal Postal Union
USD	United States dollars
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

1. INTRODUCTION

Structure and coverage of the report

1. This report focuses on the thirty-seven United Nations system entities (funds, programmes and agencies) that received funding for operational activities for development in 2010. These entities constitute what is generally referred to as the United Nations development system and together accounted for over 95 per cent of all United Nations system-wide operational activities for development. Detailed statistical data used as the basis for the presentations and analyses in the present report are contained in the Statistical Annex which is available on the web site of the Development Cooperation Policy Branch of the Office for ECOSOC Support and Coordination of UNDESA (DCPB/OESC/DESA)¹.

System-wide reporting: opportunities and challenges

2. There are currently three main actors who report on funding for the United Nations system: the United Nations Department of Economic and Social Affairs (UNDESA), the United Nations Chief Executives Board for Coordination (CEB) and the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD/DAC). UNDESA and OECD/DAC focus on operational activities for development, each from a different perspective. CEB focuses more generally on the overall budgetary and financial situation of the entities of the United Nations system.

3. With regard to access to information, in resolution 63/311, the General Assembly requested the Secretary-General to establish a central repository of information on United Nations operational activities for development. This central repository is expected to form part of the financial statistics database and reporting system that is being developed by the CEB and scheduled to become operational in 2012. Through collaboration, UNDESA and CEB aim to achieve rationalization and harmonization of data collection, enhanced timeliness of reporting and better reconcilability of information. UNDESA has also increased its collaboration with OECD/DAC to enhance the comparability and complementarity of data and information.

4. Annex I contains a technical note on issues and challenges pertaining to system-wide reporting. These relate to the use of terminology, sources and coverage, as well as comparability of data and information between the different United Nations entities. Annex II looks at the differences in the way the United Nations system and OECD/DAC report on core and non-core contributions and expenditures for United Nations operational activities for development.

Operational activities for development

5. Operational activities for development of the United Nations system (UN-OAD) are activities that United Nations entities carry out with the promotion of development as the primary objective. A number of entities have specific mandates in this regard. UN-OAD cover both longer-term development activities (development-related) as well as those with a shorter-term humanitarian assistance (humanitarian assistance-related) focus.

¹ <http://www.un.org/esa/coordination/>

6. With regard to the distinction between development- and humanitarian assistance-related activities, no harmonized system-wide classification exists. For purposes of the current report, and pending the introduction of such a classification system, all activities of UNHCR, UNRWA, and OCHA, emergency operations of UNICEF (some 26 per cent of all activities) and humanitarian operations of WFP (some 91 per cent of all activities) are considered to be humanitarian assistance-related. Accordingly all other activities are treated as being development-related. The distinction between development- and humanitarian assistance-related activities of WFP is a refinement in the current report compared to previous reports in which all activities of WFP were considered humanitarian assistance-related. Many of the more detailed analyses contained in the current report concern the development-related activities in particular.

7. As reflected in Figure 1, UN-OAD in 2010 accounted for about 63 per cent (US\$22.9 billion) of all United Nations system-wide activities (US\$36.1 billion). Peacekeeping operations accounted for 22 per cent (US\$7.8 billion) and the global norm and standard-setting, policy and advocacy functions of the United Nations system accounted for the remaining 15 per cent (US\$5.3 billion²).

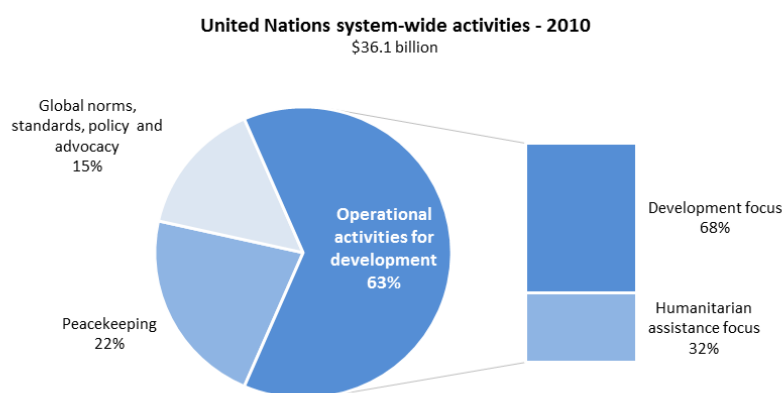


Figure 1

Core and non-core resources

8. UN-OAD are funded by a combination of so-called core and non-core resources. Core resources are those that are commingled without restrictions and whose use and application are directly linked to the entities' multilateral mandates and strategic plans that are approved by the respective governing bodies as part of an intergovernmental process.

9. In contrast, and as determined by the contributors, non-core resources are mostly earmarked and thus restricted with regard to their use and application. The degree to which the use and application of non-core resources are subject to and aligned with the strategic plans approved by governing bodies is not direct.

² estimated on the basis of 2009 data.

10. Core or unrestricted aid is generally seen as a more efficient way of building relevant and effective partnerships with programme countries in the delivery of operational activities for development. Core resources provide the highest quality and flexibility of pooled funding. They are critical for ensuring the entities' capacity to deliver on their multilateral mandates and provide continued substantive leadership and innovation around specific goals, advocacy and policy work in addition to programmatic implementation on the ground. Core resources are central to ensuring their independence, neutrality and role as trusted partner in a rapidly changing development cooperation landscape. Restricted aid in the form of non-core resources, on the other hand, is often seen as potentially distorting programme priorities by limiting the proportion of funding that is directly regulated by intergovernmental governing bodies and processes. Restricted aid is further seen as contributing to fragmentation, competition and overlap among entities and providing a disincentive for pursuing United Nations system-wide focus, strategic positioning and coherence. In addition restricted aid is found to increase transaction costs, especially because of its predominantly single-donor and programme- and project-specific nature.

11. Financing of UN-OAD in the form of non-core resources has grown significantly over time and accounted for some 74 per cent of total resources in 2010 as compared to 47 per cent in 1995. Looking at development-related activities alone non-core resources accounted for some 70 per cent of total resources in 2010 as compared to 36 per cent in 1995.

12. Some 7 per cent of non-core resources is in the form of so-called local resources, i.e. resources that programme countries contribute to entities for programming in the country itself. Whenever so indicated and deemed appropriate, this component is excluded in some of the analyses presented in the current report.

Official development assistance (ODA) and other aid

13. The report makes several references to Official Development Assistance (ODA) when analyses are made to compare UN-OAD with other development assistance. Two versions of ODA (excluding debt relief) are being used, both as defined by OECD/DAC: (i) ODA provided by OECD/DAC governments only (2010: US\$124.5 billion); and (ii) total ODA (2010: US\$131.8 billion). Total ODA includes aid flows that are reported to OECD/DAC by countries that are not members of OECD/DAC. Annex III provides further information on the different components of total ODA. It is understood that neither one of the above versions of ODA captures the totality of development assistance.ⁱ

Current versus real terms

14. In this report, comparisons and trend analyses in "real terms" are based on amounts expressed in constant 2009 United States dollars by applying deflators published by OECD/DAC. These deflators take into account the combined effect of inflation and exchange rate movements.

2. OVERVIEW

15. The present section provides a general overview of selected aspects of the funding for UN-OAD. Subsequent sections provide more detailed analyses, including of key trends, issues and perspectives.

Contributions

16. Total contributions for operational activities for development amounted to US\$22.9 billion in 2010. Some 68 per cent (US\$15.5 billion) were directed towards development-related activities and 32 per cent (US\$7.4 billion) to humanitarian assistance-related activities (see Figure 2). Some 70 per cent of development-related contributions and 83 per cent of humanitarian assistance-related contributions were non-core and thus earmarked.

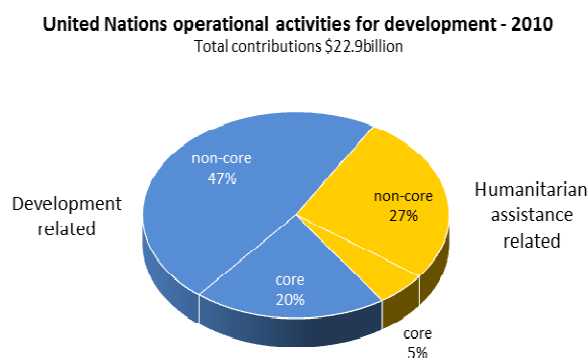


Figure 2

17. Figure 3 provides an overview of the real term growth of funding for UN-OAD over the period 1995 to 2010. While overall trends have been positive for both development and humanitarian assistance-related activities, growth in core resources has been minimal compared to growth in non-core resources. This development and the consequent imbalance between the two sources of financing are central to the discussion about the critical mass required for United Nations entities to maintain and continually develop capacities to deliver on their multilateral mandates, including core programme activities on the ground, to provide substantive leadership and innovation and ensure their independence, neutrality and strategic positioning as trusted partner in a rapidly evolving development environment. The concept of critical mass is further explored in Part 4 (e) of the current report.

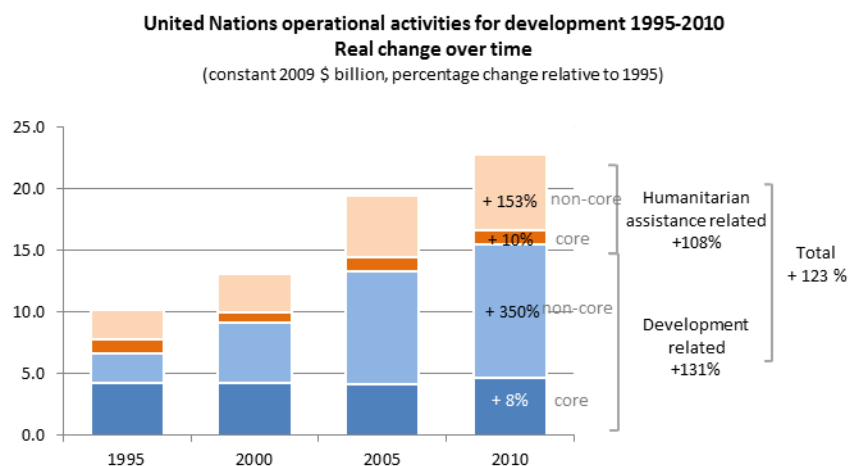


Figure 3

Share of multilateral aid and total ODA

18. The United Nations development system remains the single largest channel for direct multilateral funding when core and non-core contributions are combined as reported by OECD/DAC (see Figure 4). This share is currently estimated at some 32 per cent. The relatively large share of multilateral aid flows confirms the importance of the United Nations system in multilateral development cooperation.

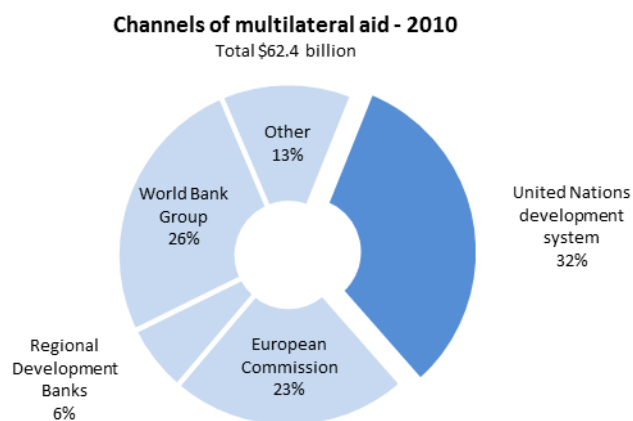


Figure 4

19. Funding for UN-OAD (excluding local resources) in 2010 represented some 16 per cent of total ODA flows (excluding debt relief) and funding for UN-OAD from OECD/DAC countries accounted for 12 per cent of ODA flows from OECD/DAC countries.

Sources of contributions

20. As shown in Figure 5, some 76 per cent of total contributions in 2010 were made by Governments directly, both OECD/DAC and non-OECD/DAC. This includes the contributions made to the so-called United Nations multi-donor trust funds (MDTF) that are covered by the fund administration services of the United Nations Development Programme (UNDP) Multi-Partner trust Fund Office (MPTF Office) on behalf of the United Nations development system³. The remaining 24 per cent is accounted for by the European Commission and by non-governmental organizations, public-private partnerships and other multilateral institutions (including global funds), which themselves are mostly financed by governments. The period 1995-2010 has seen a general broadening of the funding base with the share of contributions from non-governmental organizations, public-private partnerships and other multilateral institutions (including global funds) increasing from 7 per cent in 1995 to 17 per cent in 2010.

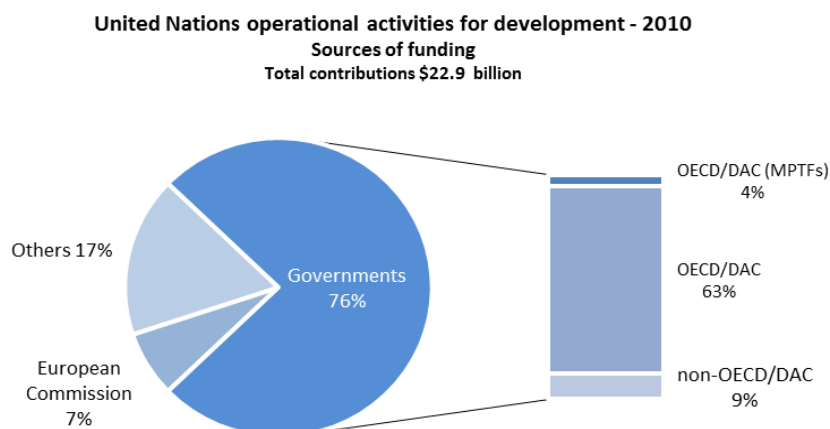


Figure 5

21. Table A-3 of the online Statistical Annex provides a complete list of contributions by contributor, type of activity (development- and humanitarian assistance-related) and type of funding (core and non-core). Figure 6 shows this information for the group of main contributors that together account for 94 per cent of total funding. Information on individual contributors excludes their contributions to MDTFs which as a relatively new and evolving type of pooled non-core funding is shown separately.

³ 3 MDTFs were 95 per cent financed by OECD/DAC governments in 2010 and reflected separately.

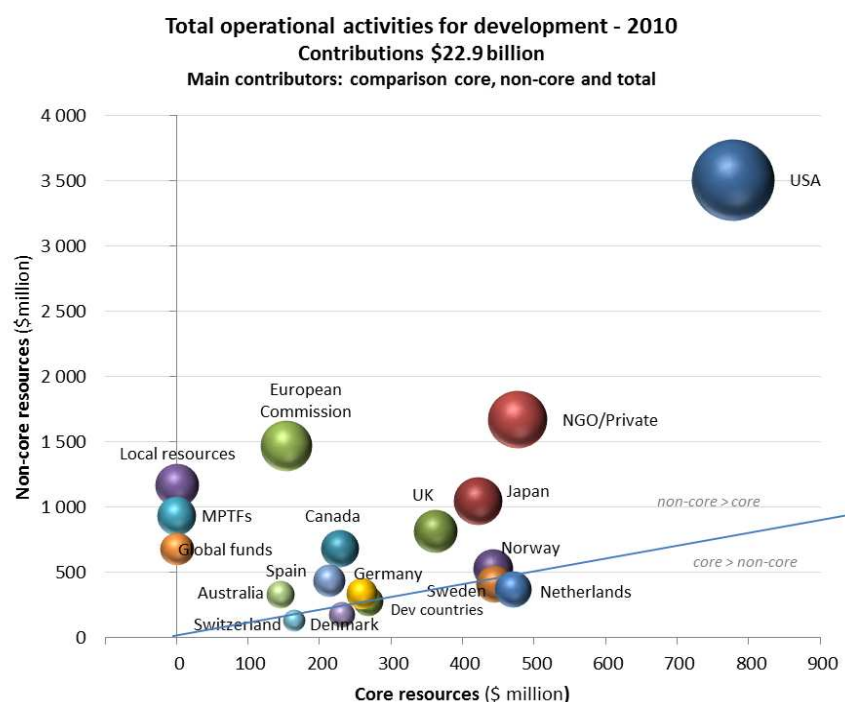


Figure 6

22. Total contributions from developing countries (excluding local resources) were some US\$551 million in 2010 and increased by some 47 per cent in real terms between 2005 and 2010. About half of this funding was in the form of core and half in the form of non-core contributions. In addition developing countries contributed some US\$1.2 billion in the form of non-core local resources for programming in the contributing country itself. This type of contributions to UN-OAD is equivalent to some 5 per cent of the estimated total South-South development cooperation.

Largest United Nations entities

23. Funding for operational activities for development is concentrated in a relatively small number of United Nations entities, with the top nine, i.e. UNDP, WFP, UNICEF, WHO, UNHCR, FAO, UNRWA, UNFPA, and UNESCO accounting for some 86 per cent of all contributions in 2010. The top three accounted for some 55 per cent and UNDP alone for some 22 per cent. The non-core component of funding for all main entities except UNESCO, UNRWA and UNFPA exceeds the core component by a significant margin (see Figure 7). The other 28 entities, or 75 per cent of those covered by the current report, accounted for the remaining 14 per cent of funding. Table A-2 of the online Statistical Annex provides a full list of contributions over the last five years, by entity and type of funding (core and non-core).

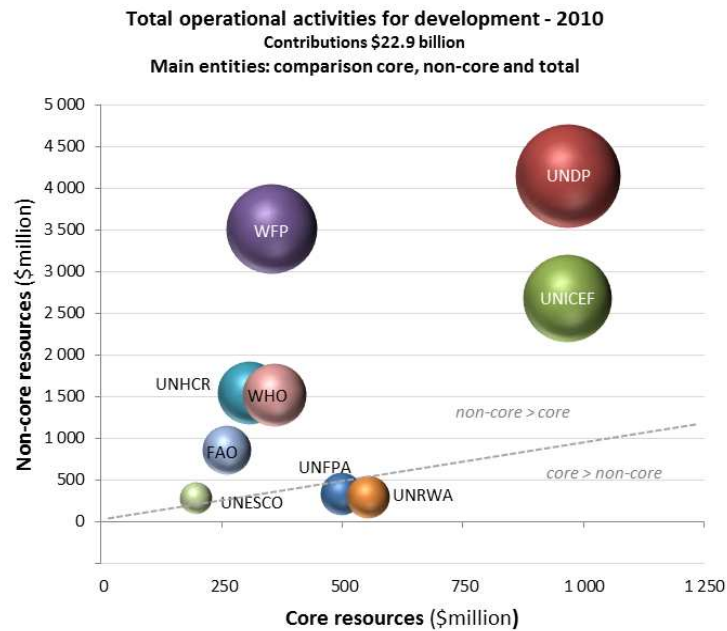


Figure 7

Expenditures

24. Some 72 per cent of the US\$24.0 billion in expenditures for UN-OAD in 2010 (including local resources) concerned programme activities at the country level (see Figure 8) of which 46 per cent or US\$7.9 billion were in Africa. Accordingly, some 28 per cent of total expenditures concerned programme activities at the regional and global levels, programme support and management, and activities that could not be attributed to any of the above categories.

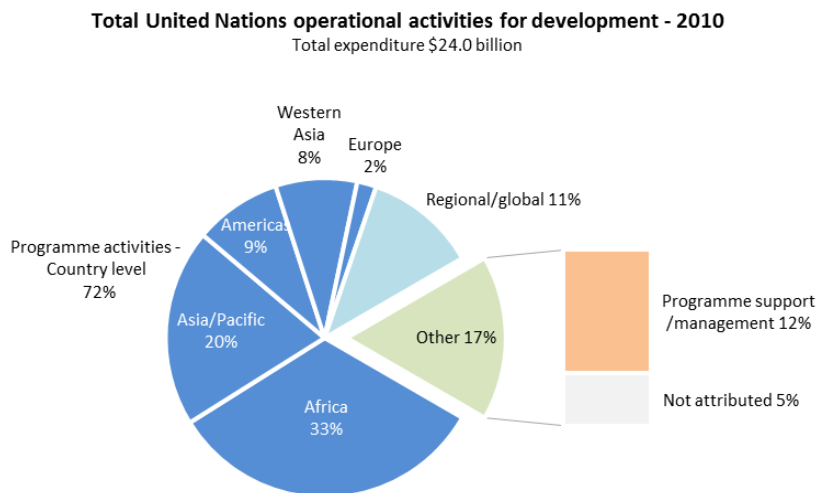


Figure 8

25. Figure 9 shows the distribution and degree of concentration of 2010 country-level programme expenditures, development- and humanitarian assistance-related, among the top 50 programme countries. These together accounted for 83 per cent of total programme expenditures. The top three countries accounted for some 21 per cent and the top nine countries/territories⁴ for some 41 per cent of total country-level programme expenditure.

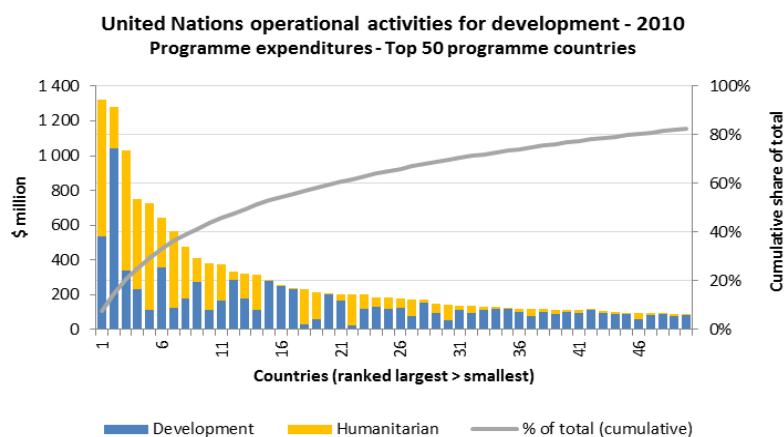


Figure 9

26. Table B-2 of the online Statistical Annex provides a full list of programme expenditures by programme country, type of activity (development- and humanitarian assistance-related) and type of funding (core and non-core).

27. A comparative analysis of total UN-OAD and total ODA at the country level (see Figure 10) shows that UN-OAD accounted for more than 40 per cent of total ODA in 13 or 9 per cent of programme countries in 2010⁵. These 13 countries combined accounted for some 21 per cent of total country-level OAD. At the other end of the spectrum UN-OAD accounted for less than 10 per cent of total ODA in 61 or 41 per cent of programme countries. This group of 61 countries accounted for some 11 per cent of total country-level UN-OAD. Most, or 58 per cent, of UN-OAD was in programme countries where UN-OAD accounted for between 10 and 30 per cent of total ODA.

4 Sudan, Afghanistan, Pakistan, Ethiopia, Occupied Palestinian Territories, Democratic Republic of Congo, Haiti, Kenya and Zimbabwe.

5 Barbados, Chad, DPRK, Lebanon, Libya, Malaysia, Niger, Peru, Somalia, Sudan, Syria, Thailand, Zimbabwe.

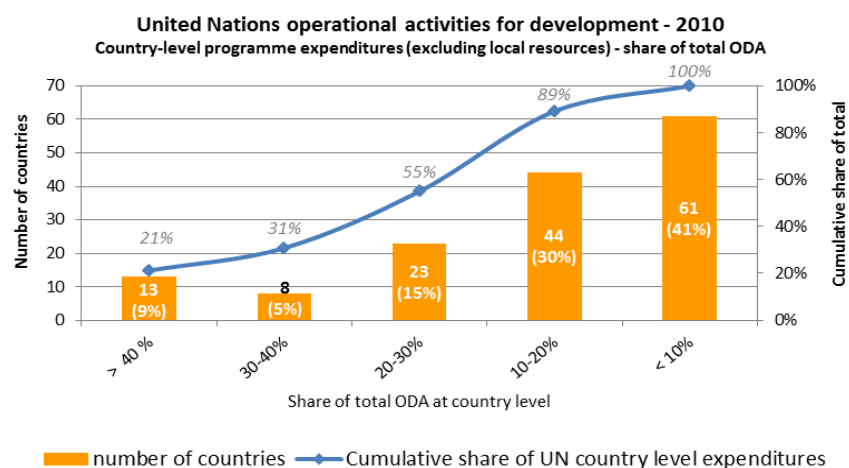


Figure 10

3. MORE DETAILED ANALYSIS

(a) Contributions

General

28. Figure 3 on page 8 and Table 1 show that long-term funding trends for operational activities for development have been favourable. Total funding more than doubled in real terms between 1995 and 2010, with non-core contributions increasing to more than three and half times the level in 1995. The average annual growth in total funding during this 15-year period was some 5.5 per cent in real terms. The growth has been particularly strong for development-related non-core contributions. In 2010 and in real terms, these reached a level of more than four and half times that in 1995, corresponding with an average annual growth rate of some 10.5 per cent. This very strong growth in non-core resources stands in stark contrast to what Table 4 shows as a very modest average annual growth of some 0.6 per cent in core resources. Contributions for humanitarian assistance-related activities, although generally more subject to change from year-to-year, also experienced significant growth of some 108 per cent in real terms between 1995 and 2010, with non-core funding increasing by 153 per cent.

Table 1: United Nations operational activities for development 1995 - 2010
Contributions, 1995-2010

		Current USUS\$ (billion)				Percentage change 1995-2010	
		1995	2000	2005	2010	Nominal terms	Real terms
Total operational activities for development	Core	4.3	3.5	4.6	5.9	36	9
	Non-core	3.9	5.6	12.5	17	340	252
	Total	8.2	9	17.1	22.9	179	123
Development-related	Core	3.4	3	3.7	4.7	36	8
	Non-core	1.9	3.4	8.1	10.9	463	350
	Total	5.4	6.3	11.7	15.5	189	131
Humanitarian assistance- related	Core	0.9	0.5	0.9	1.2	38	10
	Non-core	1.9	2.2	4.4	6.1	217	153
	Total	2.8	2.7	5.4	7.4	160	108

Share of OECD/DAC multilateral aid and total ODA

29. UN-OAD were equivalent to some 16 per cent of OECD/DAC-reported total ODA flows (excluding debt relief) in 2010. Figure 11 compares average annual real terms growth rates of total UN-OAD and its development- and humanitarian assistance-related components (excluding local resources) with those of total ODA and core multilateral ODA (excluding debt relief).

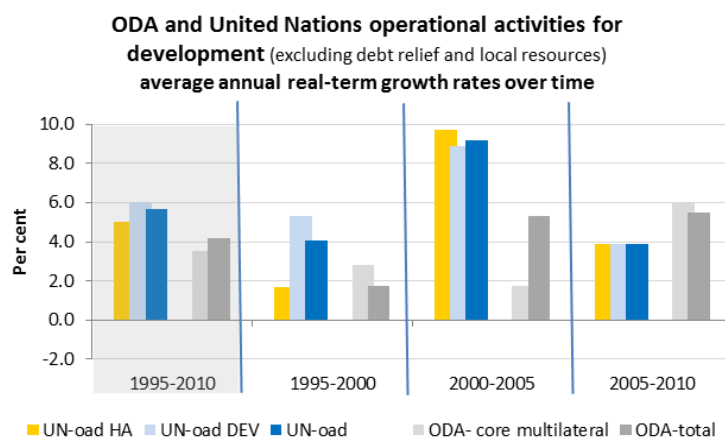


Figure 11

30. Between 1995 and 2005, contributions to UN-OAD grew faster in real terms than both total ODA and core multilateral ODA. That was in particular the case during the period 2000-2005. However, since 2005, total funding for UN-OAD has grown for the first time at a slightly lower pace than total ODA flows.

Preliminary data for 2011

31. According to preliminary data for 2011, core contributions to the United Nations development system from OECD/DAC countries declined by some 9.0 per cent in real terms compared to 2010. This projected decline in core resources in 2011 follows the decline of 2.6 per cent in real terms experienced in 2010, all of which then concerned humanitarian assistance-related activities. This decline must be seen against the background of a decline of 2.7 per cent in overall ODA provided by OECD/DAC countries in 2011. According to OECD/DAC this decrease reflects fiscal constraints in several DAC countries which have affected their ODA budgets. The decline in core contributions to the United Nations development system is in even starker contrast with overall multilateral aid provided by OECD/DAC countries. This component in fact increased in 2011 by 1.2 per cent compared to 2010.

32. Estimates of non-core funding in 2011 were not yet available at the time of preparing the current report. UNDESA plans to issue a funding update in June 2012 prior to the substantive session of the Economic and Social Council, including with regard to non-core contributions.

Sources of funding

33. Figure 3 on page 8 provides a general overview of the real term growth of funding for UN-OAD over the period 1995 to 2010 broken down by development- and humanitarian assistance-related activities. Figure 5 shows the current main sources of financing.

Development-related activities

34. Figure 12 further examines changes in the main sources of financing for development-related activities only (68 per cent of total UN-OAD). By the end of the period 1995-2010 four distinct groups of contributors emerge which indicates a broadening of the funding base for development-related UN-OAD over time. While OECD/DAC countries increased their contributions by 98 per cent in real terms to US\$9.6 billion in 2010 their corresponding share of total resources declined from 71 per cent in 1995 to 62 per cent in 2010.

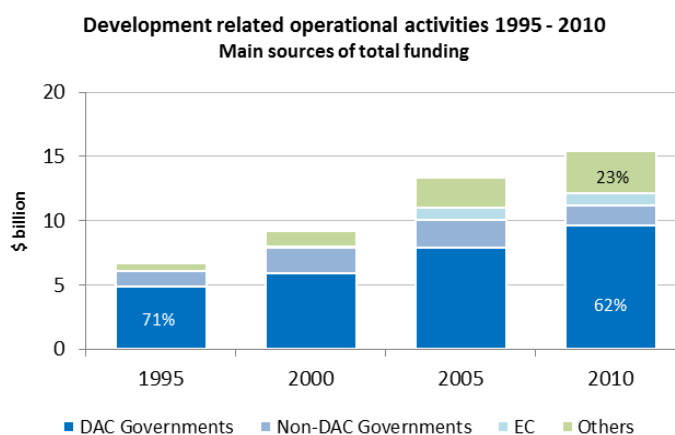


Figure 12

35. Increased funding by multilateral organizations (other than the European Commission), non-governmental and private sources is the most significant funding trend over the past fifteen years. In 2010, development-related non-core contributions from this group amounted to some US\$2.8 billion, or roughly 23 per cent of the total, with major sources as follows: global funds (US\$681 million); intergovernmental organizations other than the European Commission (US\$476 million); and non-governmental organizations and private sources (US\$1,172 million). The latter category includes the development-related share of contributions by UNICEF national committees (estimated to be US\$395 million). The top-three contributors in this category were the European Commission, the GFATM and the GEF.

36. Similar to Figure 6 on page 10, Figure 13 provides further comparative information on contributions by total and type of funding (core and non-core) by main contributors that together account for 93 per cent of total funding for development-related activities. The core component of contributions by OECD/DAC governments for development-related activities (excluding contributions to MDTFs) decreased from 47 per cent in 2009 to 43 per cent in 2010.

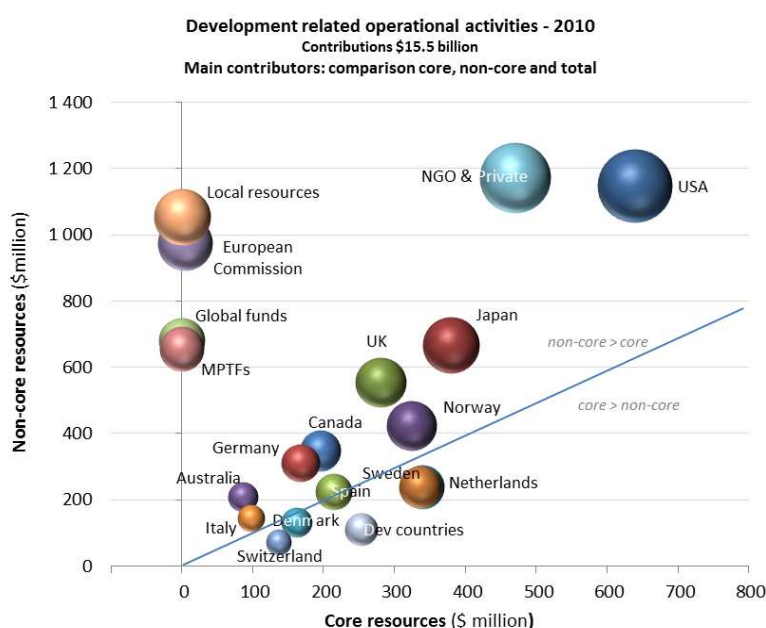


Figure 13

37. Contributions from developing countries for development-related activities (excluding local resources) were some US\$369 million in 2010 and increased by some 17 per cent in real terms between 2005 and 2010. About 69 per cent of this funding was in the form of core resources. In addition, and as shown separately in Figure 13, developing countries contributed some US\$1.1 billion in the form of non-core local resources for development-related activities in their own countries.

38. Figure 14 shows contributions for development-related activities by main entities, with the top ten, i.e. UNDP, UNICEF, WHO, FAO, UNFPA, UNESCO, ILO, IFAD, WFP and UNIDO accounting for some 91 per cent of all contributions for development-related activities in 2010. The top four accounted for some 70 per cent and UNDP as by far the largest entity alone for some 33 per cent. The other 27 entities, or 73 per cent of those covered by the current report, accounted for the remaining 9 per cent. The non-core component of funding for almost all entities exceeds the core component, sometimes by a significant margin. In the case of UNDP⁶, non-core contributions in 2010 accounted for some 81 per cent of total contributions. Of these about 30 per cent was accounted for by local resources (16 per cent) and two global funds: the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM, 9 per cent) and the Global Environmental Facility (GEF, 6 per cent).

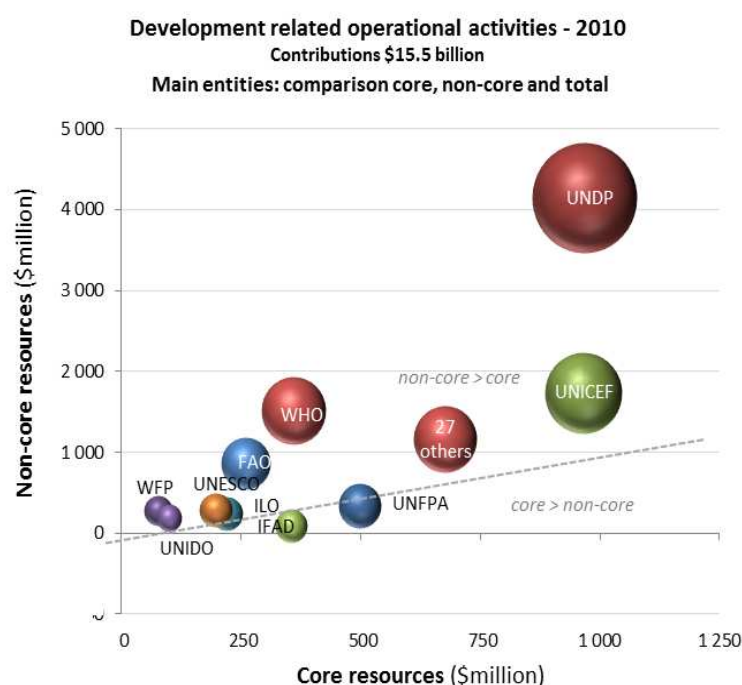


Figure 14

Non-core funding modalities

General

39. Figure 15 provides an overview of the main non-core funding modalities for development-related operational activities that, together, cover some 70 per cent of all funding for development-related operational activities. In 2010, some 89 per cent of such non-core funding, including local resources, was single-donor and programme- and project-specific. Contributions to pooled funding arrangements like multi-donor trust funds, including One UN Funds and thematic funds of entities, accounted for the remaining 11 per cent of non-core resource flows and have increased by some 18 per cent compared to

⁶ Excluding Funds administered by UNDP in 2010 like: UNCDF, UNSO, UNV, UNIFEM, UNDP Energy account.

2009. Pooled funding remains however a small share of total non-core resources flows. The dominance of single-donor and programme- and project-specific contributions, in particular, reflects the high degree of fragmentation of non-core funding.

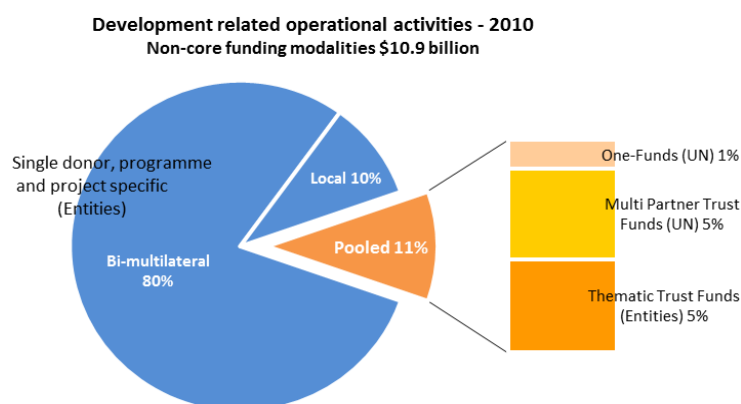


Figure 15

40. Many reviews in the past have highlighted that the growth in fragmented non-core funding has resulted in a corresponding increase in transaction costs. Negotiating individual funding agreements and separate programme and financial reporting for hundreds or even thousands of individual projects according to widely varying sets of requirements add significant costs. Specific support and reporting requirements often fall outside the entities' standard operating systems and managerial processes. As further discussed in this report (see Part 4 (c)), core resources subsidize the cost of supporting activities financed from non-core resources. As a result, the share of core contributions available for programme activities at the country level is significantly lower than the corresponding share of non-core funding. This is further reviewed in Table 9 on page 37.

Local resources

41. Contributions to entities in the form of local resources for programming in contributors' own countries reached a peak in 2007 amounting to some US\$2.2 billion or some 11 per cent of all contributions to the United Nations development system. This type of funding has since been in steep decline to some US\$1.2 billion or about 5 per cent of total contributions in 2010, a level comparable to the mid-1990s. Almost all the decline in local resources contributions between 2007 and 2010 can be attributed to UNDP where, in line with the UNDP strategic plan 2008-2013, such funding decreased from nearly US\$1.6 billion or about one third of total contributions in 2007 to about US\$676 million or 13 per cent of total contributions in 2010. Table 2 provides information of main local resources contributors and main entities involved in 2010⁷.

⁷ In some instances local resources represent loans received by countries from development banks which are channeled through United Nations entities for administration of project funds.

Table 2
Local resources contributions to the United Nations system, 2010

Rank	Main contributors			Main entities		
	Country	Local resources	Share of total contributions	United Nations entity	Local resources	Share of total contributions
		(USD million)	(Percentage)		(USD million)	(Percentage)
1	Argentina	196	16.8	UNDP	676	57.9
2	Brazil	111	9.5	ICAO	118	10.1
3	Panama	82	7.1	WFP	94	8.0
4	Colombia	76	6.5	UNICEF	79	6.7
5	Egypt	72	6.2	UNODC	58	5.0
6	Peru	49	4.2	FAO	48	4.1
7	Nepal	37	3.2	UNESCO	43	3.7
8	Saudi Arabia	28	2.4	UNFPA	18	1.6
9	Mexico	25	2.2	ILO	9	0.7
10	China	23	2.0	UNCTAD	8	0.7

Multi-donor trust funds and thematic trust funds

42. Both multi-donor trust funds (MDTFs) and thematic trust funds are forms of pooled resources and thus a more flexible form of non-core contributions. While the thematic trust funds are specific to and administered by an individual entity, the multi-donor trust funds concern multi-entity operations and are covered by the dedicated fund administration services of the UNDP Multi-Partner Trust Fund Office (MPTF Office) on behalf of the United Nations development system. The increased use of multi-donor trust funds in recent years can be seen as a result of efforts by the international community to promote enhanced aid effectiveness, counterbalancing high fragmentation as a result of the predominantly single-donor and single-programme and project specific nature of non-core resources flows.

43. Table 3 provides information on main contributors to development-related MDTFs in 2010 and main participating entities based on the amounts that the MPTF Office as administrative agents transferred to them in 2010 for programme implementation.

Table 3
Multi-donor trust funds in 2010

Rank	Main contributors			Main entities		
	Donor	Contributions	Share of total	United Nations entity	Transfers received	Share of total
		(USD million)	(Percentage)		(USD million)	(Percentage)
1	United Kingdom	136	25.7	UNDP	361	33.9
2	Norway	97	18.3	UNICEF	150	14.1
3	Netherlands	60	11.4	FAO	77	7.2
4	Sweden	60	11.3	WFP	61	5.7
5	Spain	49	9.3	UNFPA	39	3.6
6	Denmark	23	4.3	WHO	39	3.6
7	Ireland	19	3.6	UNESCO	30	2.8
8	IDA8	17	3.2	UNHCR	22	2.1
9	Belgium	14	2.6	ILO	21	2.0
10	Finland	7	1.3	UNIDO	16	1.5

44. In response to GA resolution 64/289 on system-wide coherence, information on all existing multi-donor trust funds and thematic trust funds, including information on their mandates, performance and governance structures was made available in 2010. This comprehensive information can be found on the website of the Development Cooperation Policy Branch of the Office for Economic and Social Council Support and Coordination of UNDESA (www.un.org/esa/coordination/dcpb_stat.htm).

One UN Funds

45. One UN Funds are multi-donor trust funds that were established specifically to support the delivering-as-one pilot initiatives by providing principally un-earmarked resources to cover funding gaps in One UN Programmes. One UN Funds represent an innovation to support system-wide coherence of the work of the United Nations development system at the country level. In response to GA resolution 64/289, an independent evaluation of the “delivering-as-one” (DaO) experience, including the One UN Funds, will be submitted at the sixty-sixth session of the Assembly as part of the 2012 quadrennial comprehensive policy review (QCPR).

46. Table 4 shows the amounts channelled through One UN Funds in the eight DaO pilot countries with an indication of their share of total development-related expenditures of the United Nations system. The share of One UN Funds of development-related expenditures in the eight countries combined was about 16 per cent and was not more than 30 per cent in any of the pilot countries. The success of the One UN Funds in support of the concept of an integrated funding framework for the United Nations development system has therefore been moderate.

Table 4
One UN Funds in 2010 (pilot countries)

Recipient country	One UN Fund expenditures	Total development- related expenditures	One UN fund share of total
	(USD millions)		(Percentage)
Albania	6	24	25.7
Cape Verde	4	16	27.2
Mozambique	22	111	19.5
Pakistan	24	338	7.2
Rwanda	14	86	15.8
Tanzania, United Republic of	30	131	23.1
Uruguay	3	34	7.5
Viet Nam	31	109	28.3
Total	134	849	15.7

(b) Expenditures

Total expenditures

47. Table 5 provides an overview of expenditures over the period 2005-2010 by total and by type of activities (development-related and humanitarian assistance-related). Figure 8 on page 11 showed that some 72 per cent of expenditures for UN-OAD in 2010 concerned programme activities at the country level of which 46 per cent or US\$7.9 billion, were in Africa. Accordingly, some 28 per cent of total expenditures related to programme activities at the regional and global levels, programme support and management, and activities that could not be attributed to any of the above categories.

48. Development-related expenditures grew by some 25 per cent in real terms, or 5 per cent annually on average, between 2005 and 2010, with the most significant annual increases recorded in 2009 and 2010. This illustrates that the United Nations development system is able to sizeably scale-up its operations when called upon by the international community to do so.

Table 5
Expenditures on operational activities for development, 2005-2010

	Current USUS\$ (billion)						Percentage change 2005-2010	
	2005	2006	2007	2008	2009	2010	Nominal terms	Real terms
Development related	11.3	12.2	13.2	13.9	15.1	16.2	43	25
Humanitarian-assistance related	5.0	4.9	5.2	6.6	7.1	7.9	56	37
Total expenditures	16.3	17.0	18.4	20.5	22.2	24.0	47	29

49. As shown in Figure 16, 10 United Nations entities accounted for some 89 per cent of total expenditures for operational activities for development in 2010, with the remainder 11 per cent spent by 27 entities.

United Nations operational activities for development - 2010
Total expenditures \$24.0 billion
Main entities

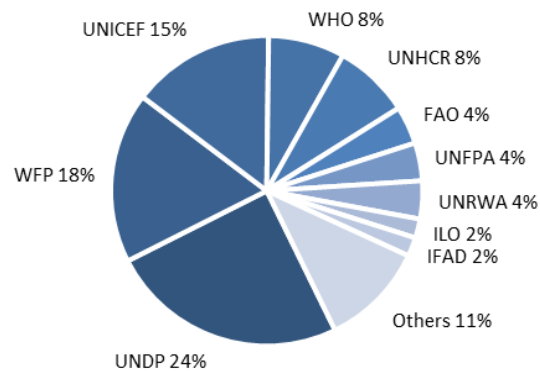


Figure 16

50. Figure 9 on page 12 showed the distribution and degree of concentration of 2010 country-level programme expenditures, development- and humanitarian assistance-related, among the top 50 programme countries. These together accounted for 83 per cent of total programme expenditures. Table 6 shows the top 10 programme countries which together accounted for some 44 per cent of total country-level expenditures in 2010 with an indication of expenditures per capita. Table B-2 of the online Statistical Annex provides a complete list of programme expenditures by programme country, type of activity (development- and humanitarian assistance-related) and type of funding (core and non-core).

Table 6
Top 10 programme countries, 2010

Rank	Programme country	Expenditures (millions of United States dollars)			Total expenditures per capita (USD)
		Total	Development-related	Humanitarian assistance related	
1	Sudan	1 325	536	789	30
2	Afghanistan	1 283	1 042	242	37
3	Pakistan	1 030	338	693	6
4	Ethiopia	749	230	519	9
5	Occupied Palestinian Territory	726	113	613	175
6	Dem Rep of the Congo	643	355	289	10
7	Haiti	564	122	442	56
8	Kenya	474	177	297	12
9	Zimbabwe	408	274	133	32
10	Chad	381	109	272	34

Development-related activities

51. While Figure 8 on page 11 analyzed expenditure components for UN-OAD as a whole, Figure 17 shows the analysis for development-related expenditures (including local resources) only. Some 64 per cent of development-related expenditures in 2010 concerned programme activities at the country level of which 44 per cent or US\$4.5 billion, were in Africa. Accordingly, some 36 per cent of total expenditures concerned programme activities at the regional and global levels, programme support and management, and activities that could not be attributed to any of the above categories.

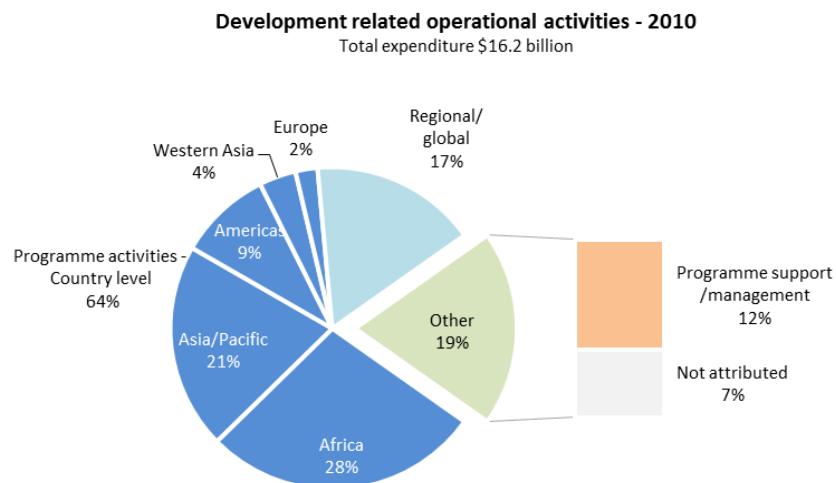


Figure 17

Overall distribution of development-related programme expenditure

52. Figure 18 provides an overview of the general distribution and degree of concentration of 2010 development-related programme expenditures (excluding local resources) by country and by type of funding (core and non-core) ranked according to decreasing total expenditure. For presentation purposes, expenditures in excess of US\$300 million are not shown. Table 7 shows the top 10 programme countries which together accounted for close to 40 per cent of total expenditures in 2010 with an indication of expenditures per capita.

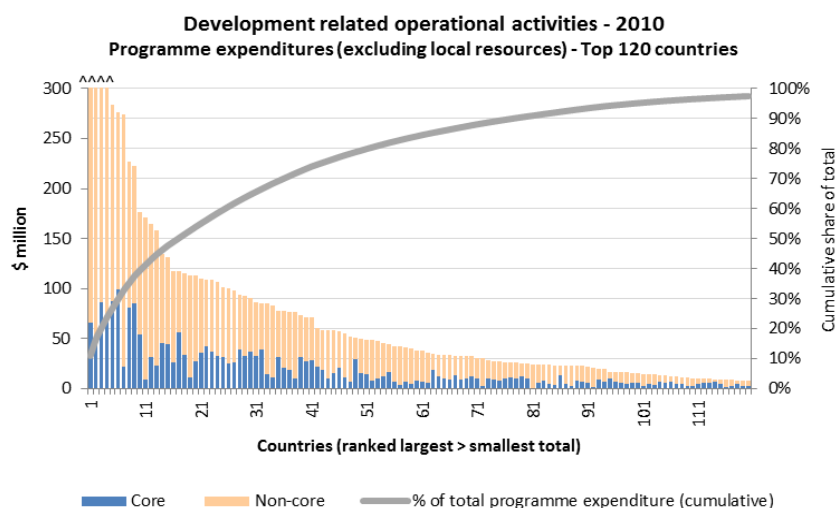


Figure 18

Table 7
Development related operational activities – 2010
Programme expenditures top 10 programme countries (excluding local resources)

Rank	Programme country	Development related expenditures (millions of United States dollars)			
		Core	Non-core	Total	per capita
1	Afghanistan	66	956	1 022	30
2	Sudan	45	471	516	12
3	Dem Rep of the Congo	86	260	346	5
4	Pakistan	69	259	328	2
5	Bangladesh	88	196	284	2
6	India	99	177	276	0
7	Zimbabwe	22	252	274	22
8	Ethiopia	81	146	227	3
9	Nigeria	85	138	223	1
10	Kenya	54	123	177	4

Development-related programme expenditure by country groupings.

53. For review of operational activities for development and development assistance in general, reference is often made to country groupings that are based on certain common attributes and characteristics. Some of the groupings are based on defined, authoritative lists while others are not. The latter is the case with regard to groupings based on attributes like conflict/post-conflict, crisis/post crisis and different forms of transition as for disasters. The groupings used for analysis in the current report are those that are based on: (i) the 2010 income brackets defined by the World Bank: 35 low-income, 57 lower-middle income, 53 upper-middle income and 11 high-income countries; (ii) formal United Nations categorizations: 49 least-developed countries (LDCs), 31 landlocked developing countries (LLDCs) and 39 small island developing states (SIDSs); (iii) informal United Nations categorizations like 18 integrated mission countries/areas (UN-IMCs)⁹ and the Human Development Index (HDI)¹⁰: 47 HDI-low, 47 HDI-medium, 43 HDI-high countries; and (iv) generally accepted categorizations that capture different states of vulnerability: 31 countries in fragile situations (World Bank)¹¹ and 45 fragile states (OECD)¹². Groupings generally overlap in that a country can fall in more than one category. Annex V contains the full lists of countries in the different groupings used.

54. Figure 19 provides an overview of how country-level programme expenditure were distributed among the different country groupings, by different income levels (WB 2010). Low-income countries accounted for some 50 per cent and middle-income countries for some 48 per cent of total expenditure. LDCs accounted for some 55 per cent of total expenditure, 80 per cent of which were in low-income LDCs and 20 per cent in lower-middle income LDCs. Countries with a low-HDI accounted for some 65 per cent of expenditures, 73 per cent of which were in low-income and 27 per cent in lower-middle income countries. Since 2005 a number of programme countries have graduated from the low-income group to the middle-income groups. Some US\$2.0 billion or 21 per cent of 2010 development-related expenditures concerned the group of countries that have graduated since 2005.

9 United Nations peace operations and development activities are pursued in an integrated manner

10 2011

11 Harmonized list of World Bank, African Development Bank and Asia Development Bank.

12 Expanded list based on the World Bank list of countries in fragile situations.

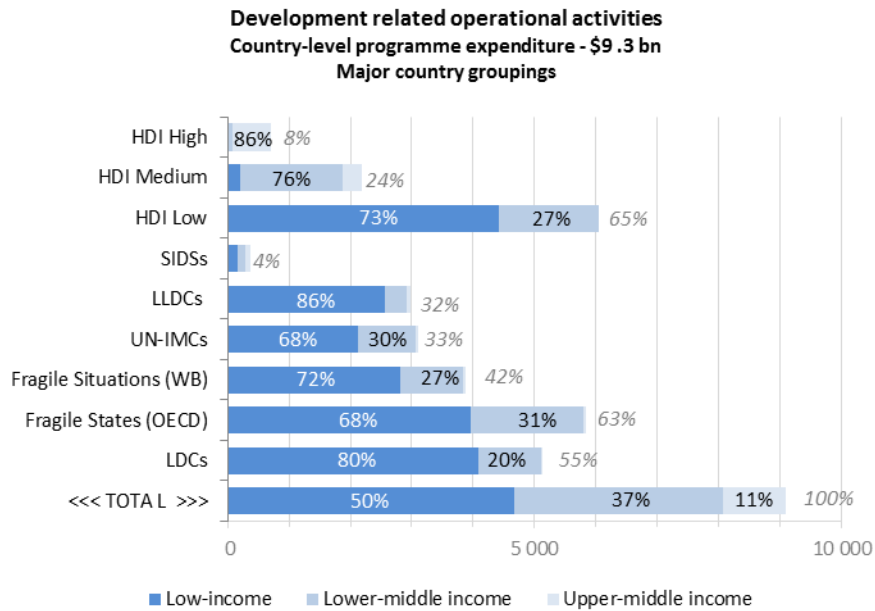


Figure 19

55. Figure 20 provides a different view of how country-level programme expenditures were distributed among the different country groupings by examining how total expenditures for each group and the two main sources of funding (core and non-core) compare. The figure shows that there is no marked difference between the core/non-core ratio for groupings like LLDCs, low-income, LDCs, HDI-low and fragile states (OECD). The ratio is markedly lower for groupings like UN-IMCs and fragile situations (WB) and somewhat higher for the HDI-medium and middle-income groupings.

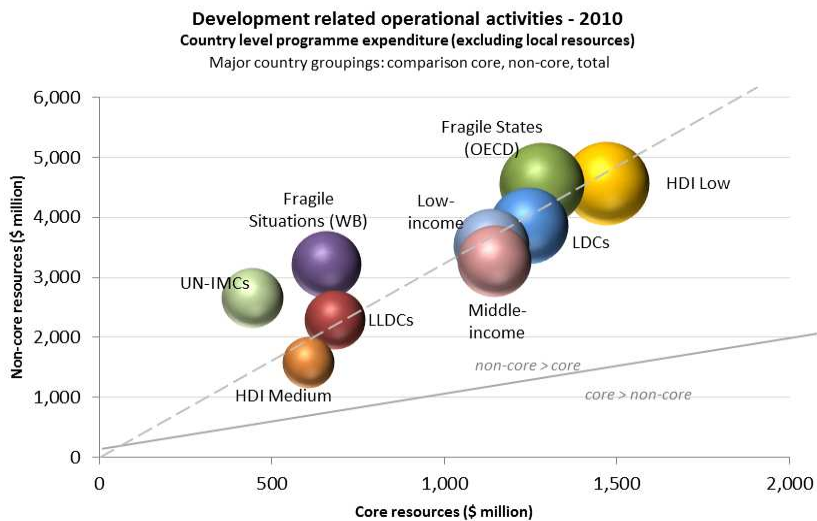


Figure 20

Correlation between core and non-core

56. Examining the possible correlation between the distribution of core and non-core resources is of interest if the distribution of core resources is seen as reflecting the totality of the United Nations development system's multilateral mandates and strategies that were approved by governing bodies as part of intergovernmental processes. For purposes of the analysis, a perfect correlation would mean that for all countries their individual share of non-core resources would be the same as their share of core resources. In this regard Figure 21, similar to Figure 18, provides again the overview of the general distribution and degree of concentration of 2010 development-related programme expenditures (excluding local resources) by country and by type of funding (core and non-core) but now with countries sorted according to decreasing total core expenditures. The cumulative share of total core expenditures is shown as well. For presentation purposes expenditures in excess of US\$300 million are again not shown. Table 8 shows the top 10 programme countries (core resources) which together accounted for some 30 per cent of core and 35 per cent of non-core development related country-level programme expenditures in 2010, excluding local resources.

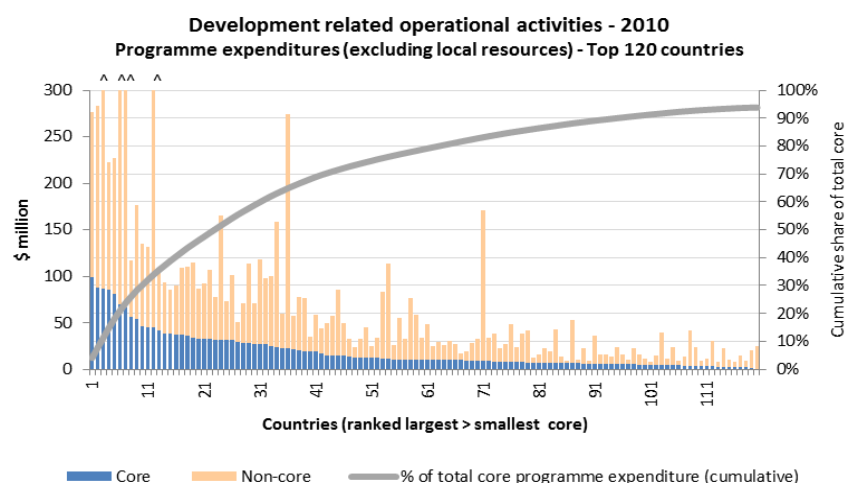


Figure 21

Table 8
Development-related operational activities – 2010
Programme expenditures top 10 programme countries –core resources

Rank	Programme country	Development related expenditures (millions of United States dollars)			core expenditures per capita (USD)
		Core	Non-core	Total	
1	India	99	177	276	0.1
2	Bangladesh	88	196	284	0.6
3	Dem Rep of the Congo	86	260	346	1.3
4	Nigeria	85	138	223	0.5
5	Ethiopia	81	146	227	1.0
6	Pakistan	69	259	328	0.4
7	Afghanistan	66	956	1 022	1.9
8	Uganda	56	61	117	1.7
9	Kenya	54	123	177	1.3
10	China	46	89	135	0.0

57. The 2010 correlation, purely based on financial data, is depicted in Figure 22 which shows, on logarithmic scales, the relationship between core and non-core components of expenditures for each of the top 120 programme countries. The Pearson product-moment correlation coefficient (PPMC), if used as an indicator, would suggest that the correlation for the United Nations development system as a whole can be considered as moderate¹³.

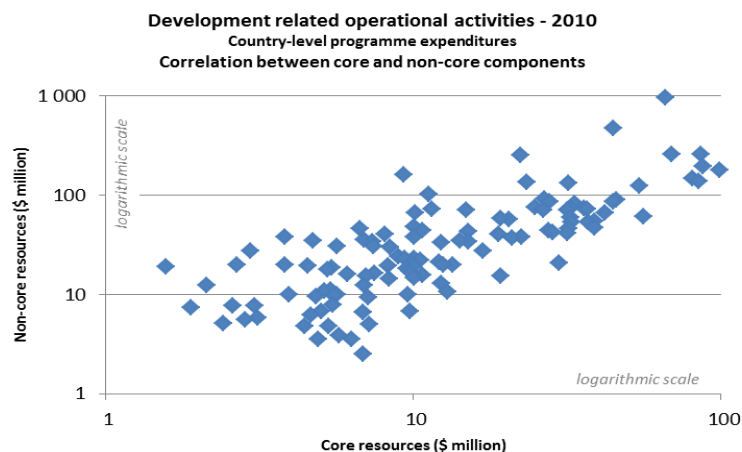


Figure 22

58. This correlation can be further examined for the impact of income and special development situations. The analysis shows that the correlation is stronger if the 31 countries in fragile situations¹⁴ are excluded.

13 PPMC: 0.62 (PPMC of 1 would indicate a perfect correlation).

14 World Bank harmonized definition.

59. It is important to note that the correlation as calculated (i) applies to the United Nations development system as a whole; (ii) is purely financial in character; and (iii) does not necessarily indicate a causal relationship between the amount of core and non-core resources. Given the composition of the United Nations development system with over 37 individual entities and the fragmented nature of non-core funding, causal relationships would be very much dependent on how activities form part of a deliberately interrelated and coherent system-wide programming and resource mobilization framework like the UNDAF.

60. Similar analysis for individual agencies also shows that there are material differences in correlation factors thus calculated. For example, the financial correlation is stronger in the case of UNICEF than of UNFPA and UNDP, both when countries in fragile situations¹⁵ are included and excluded¹⁶. The usefulness and applicability of correlation reviews like the one used above will continue to be explored and refined in future reports.

4. SELECTED ISSUES

(a) Predictability of core and non-core funding (update)

General

61. In the 2011 funding report (see A/66/79-E/2011/107), elements of predictability, reliability and stability of funding were reviewed for a number of entities by examining actual fluctuations in contributions and the impact thereof on the availability of total resources over time. This section provides an update of that analysis and covers the six-year period 2005-2010 for UNDP, UNICEF, UNFPA, FAO, ILO, UNESCO and WHO. These entities together accounted for more than 89 per cent of total funding (excluding local resources) for development-related activities in 2010. The review of each of the entities has again focused on the group of main contributors that together accounted for some 80 per cent of the resources of the entities concerned. For UNDP, UNICEF and UNFPA the situation was reviewed for both core and non-core voluntary contributions. For FAO, ILO, UNESCO and WHO only non-core voluntary resources were reviewed since the core component of funding is almost exclusively financed from assessed contributions. Assessed contributions by nature are less subject to volatility and unpredictability apart from issues relating to timeliness of payment.

62. The findings of this review of the predictability, reliability and stability of funding are discussed below based on a series of charts that illustrate issues and patterns that have been found to apply to most entities. Figure 24 shows the relative movement in total contributions to entities since 2005¹⁷. With the exception of UNESCO and, to a lesser degree WHO, all the entities experienced growth in funding over the six-year period. Towards the end of the period a declining trend can however be observed for core resources of UNDP and UNICEF and voluntary funded resources (non-core) of ILO. For

¹⁵ idem

¹⁶ Respective PPMCs: UNICEF 0.73/0.85; UNFPA 0.59/0.49; UNDP 0.39/0.62

¹⁷ For UNICEF, UNDP and UNFPA core is shown as UNICEF c, UNDP c and UNFPA c, and for UNICEF and UNDP non-core is shown as UNICEF nc and UNDP nc

presentation purposes, Figure 24 does not show the trends for FAO and non-core resources of UNFPA, but both experienced significant nominal growth of 148 and 141 per cent respectively compared to a relatively small base in 2005.

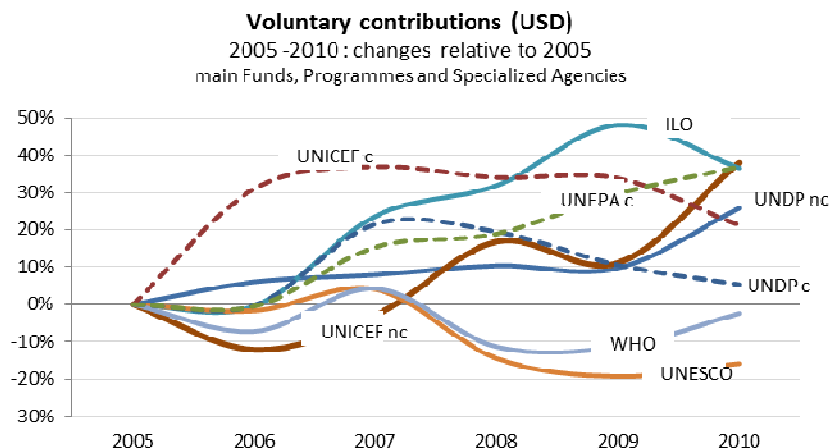


Figure 23

63. A more detailed review of each entity has revealed that the actual volatility in contributions from main sources is much more pronounced than the above overall patterns suggest. Despite generally positive aggregate growth it is clear that entities continue to face challenges of predictability, reliability and stability of funding from individual sources. Data from different entities are used to illustrate this.

64. Figure 24 shows as an example the relative movement of total core resources for UNDP over the period 2005-2010 (dotted line) with in the background the relative movement of contributions by individual main contributors.

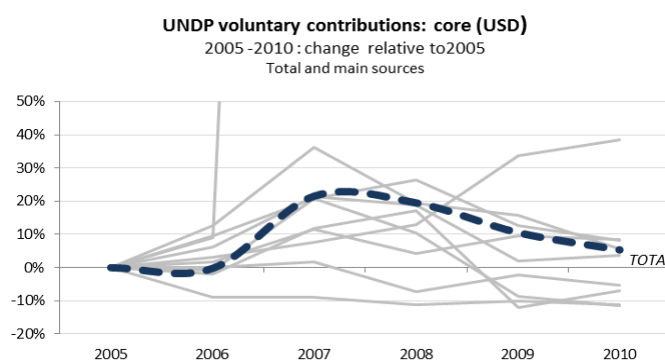


Figure 24

65. Fluctuations in contributions by individual sources have clearly been much more prominent than is suggested by the relatively smooth and stable movement in total resources. This volatility is further confirmed by the information contained in Figure 3 which shows annual changes in contributions by

individual main contributors compared to the previous year. As shown, annual changes in contributions can vary considerably.

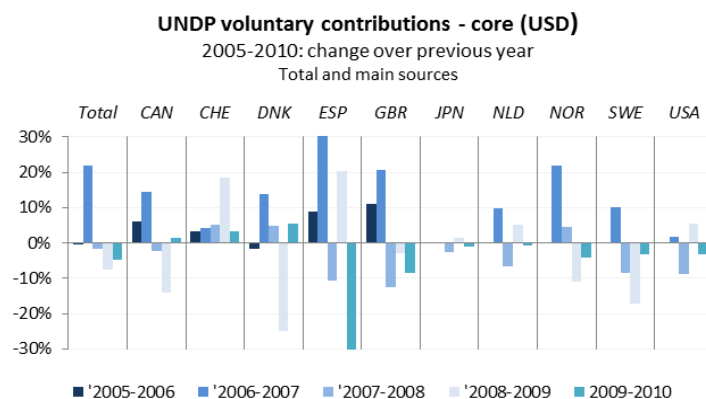


Figure 25

66. Fluctuations in individual non-core contributions have been found to be even more prominent than in the case of core resources. Figures 26 and 27 reflect this by using FAO as an example.

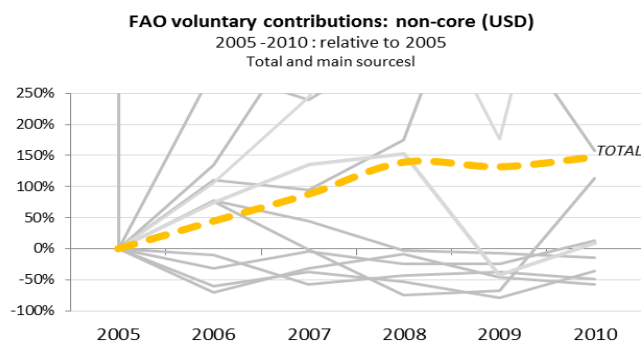


Figure 26

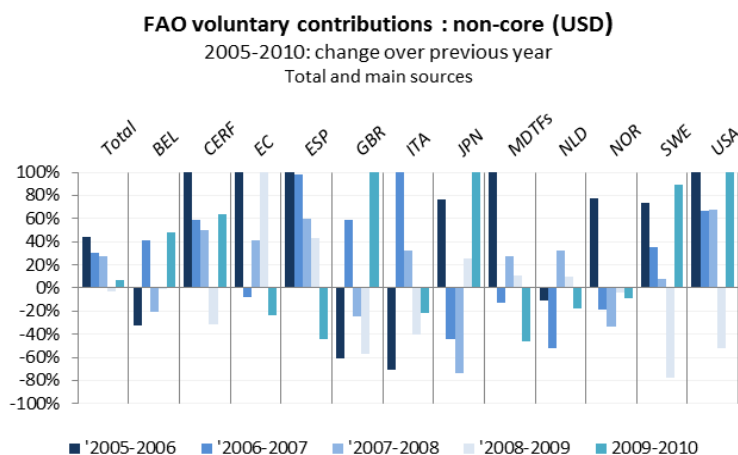


Figure 27

67. A higher volatility in non-core contributions is not unexpected since some 89 per cent of non-core funding remains primarily single-donor and programme- or project-specific. However, in accordance with the relevant financial rules and regulations, non-core funding relating to multi-year programmes or projects are required to be secured in advance in the form of formal funding agreements, even though actual cash payments can generally be made in instalments. This in fact adds a considerable degree of predictability and stability at the level of the specific programme or project once the non-core funding agreements have been concluded.

Impact of exchange rate fluctuations

68. Since the United States dollar is the general unit of account and reporting in the United Nations system, the 2011 report included an analysis of the impact that fluctuations in exchange rates can have on the United States dollar equivalent of contributions made by donors in their own national currency¹⁸. This review was updated as part of the analysis contained in the present report. Figure 22 is based on the monthly United Nations exchange rates and illustrates the very significant volatility in exchange rates during the period 2005-2011, both within and between years. As for 2010, fluctuations in exchange rates during the year have again been significant. For example the United States dollar equivalent of euro contributions could differ by as much as 20 per cent depending on the moment when contributions were received and recorded.

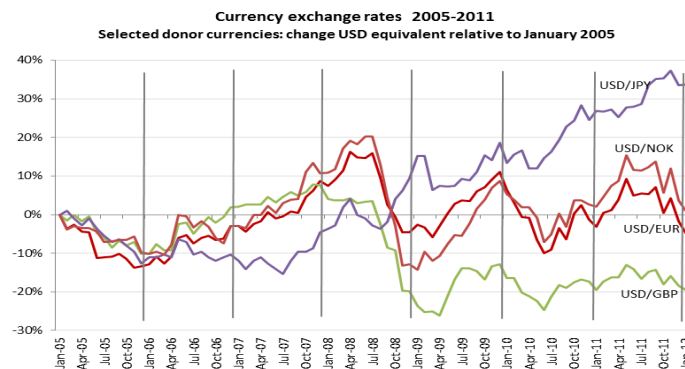


Figure 28

69. As an example Figure 29 compares changes in UNICEF core contributions in donor currencies with the United States dollar equivalent as recorded in the accounts. Again as an example, euro denominated increases by Finland and Spain resulted in a USD denominated increase of one per cent in the case of Finland but a seven per cent decrease in USD.

¹⁸ see A/66/79-E/2011/107).

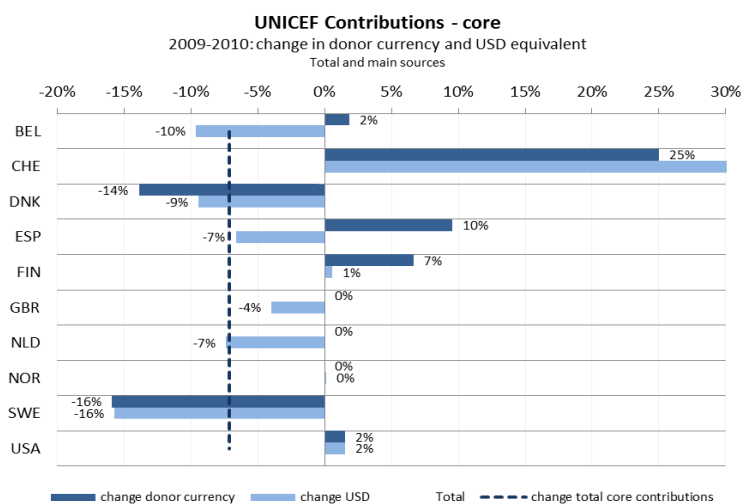


Figure 29

70. In addition to applying general cash-flow planning mechanism, some entities actively hedge foreign exchange exposure in the financial markets. Foreign exchange hedging helps mitigate volatility and uncertainty for entities' financial planning.

71. As illustrated above, annual changes in donor contributions can be quite significant, including as a result of volatility in exchange rates. However, the combined effect of the fluctuations on the overall availability of resources does not seem to have been negative. It seems obvious, however, that such relative stability, during a period of general growth, is more the result of coincidence than of a well-functioning funding system with built-in mechanisms to address the challenges that are intrinsic to a heavy dependency on annual voluntary contributions.

Addressing negative aspects of present system

72. As was mentioned in last year's report and over time various formal and informal discussions have been held among Member States to examine alternatives to the present funding system. These discussions have particularly focused on objectives such as providing a better link between funding commitments to approved programming levels, providing increased predictability and broadening the base of burden-sharing among Member States.

73. The general focus of those discussions has been on the elimination of some of the negative aspects of the present system in an evolutionary manner, rather than through fundamental change. Central to the most recent approaches to enhancing the predictability of funding flows has been the adoption of *multi-year pledging* in the context of multi-year strategic plans and financial frameworks with links to results-based management. Such multi-year pledging, possibly based on *voluntary indicative scales* or *negotiated burden-sharing* can be seen as a means to introduce the combined positive elements of voluntary contributions, assessed contributions and negotiated replenishment systems that are in place, for instance, in the international financial institutions. By and large, integrated strategic and multi-year

financing frameworks have been developed by all organizations of the United Nations development system, but have so far not significantly advanced the reliability and stability of funding, as demonstrated by the above analysis.

74. In addition to the development of multi-year strategic plans and frameworks, organizations have also explored and introduced other funding modalities that can reduce the overall impact of volatile non-core contributions in particular. These include the use of pooled-funding modalities in the form of thematic or other multi-donor trust funds. However, such pooled funding modalities still constitute a small part of non-core funding, as indicated elsewhere in the current report.

75. Following the approaches that were developed and successfully introduced by the funds and programmes, most of the specialized agencies have further invested in their relationships with partners and stakeholders, including by developing resource mobilization strategies, by developing longer-term cooperation agreements with key donors, by increasing knowledge in the secretariats of new aid modalities and instruments (e.g., global funds and public-private partnerships) and by developing relevant guidelines and training for the staff concerned.

76. The Department will continue to examine the issue of predictability of resources flows to the United Nations development system in future reports, including with regard to initiatives and experiences of individual organizations to address the challenges that are inherent to a funding system that to a large extent depends on annual voluntary contributions.

(b) *Burden-sharing*

77. Figure 13 on page 16 and Table A-5 in the online Statistical Annex provide information about 2010 development-related contributions by main source and type of funding (core and non-core). Some 58 per cent of total contributions were made by OECD/DAC countries¹⁹. This share is the combined result of OECD/DAC countries' contributing 84 per cent of total development-related core and 47 per cent of development-related non-core resources.

78. In order to examine the issue of burden-sharing, development-related core contributions by individual OECD/DAC countries were reviewed relative to their GNI as expressed by a core-DEV/GNI ratio. Figure 30 shows the outcome of this review including how country-specific core-DEV/GNI ratios compare to the median ratio of 0.0118 per cent for the group of OECD/DAC countries as a whole. It should be noted that a logarithmic scale is used on the horizontal axis in Figure 30. As a result, countries that provide significantly different amounts of core contributions may appear relatively close to each other in the graph. The analysis confirms that burden-sharing is uneven. The eleven countries that show a core-DEV/GNI ratio in excess of the median ratio (group A) together contributed US\$1.8 billion or 46 per cent of total OECD/DAC core contributions while their share of total OECD/DAC GNI was only 13 per cent. The eleven countries that show a core-DEV/GNI ratio below the median ratio (group B) also contributed some 47 per cent of total OECD/DAC core contributions but their share of total OECD/DAC

¹⁹ Excluding contributions to Multi Donor trust funds (MDTFs). Figure 12 on page 12 shows the OECD/DAC share when MDTFs are included.

GNI was 81 per cent²⁰. This uneven burden-sharing has added importance in view of the fact that core resources are found to subsidize the support to and management of activities financed from non-core resources. This is further reviewed in Part 4 (c) on page 36.

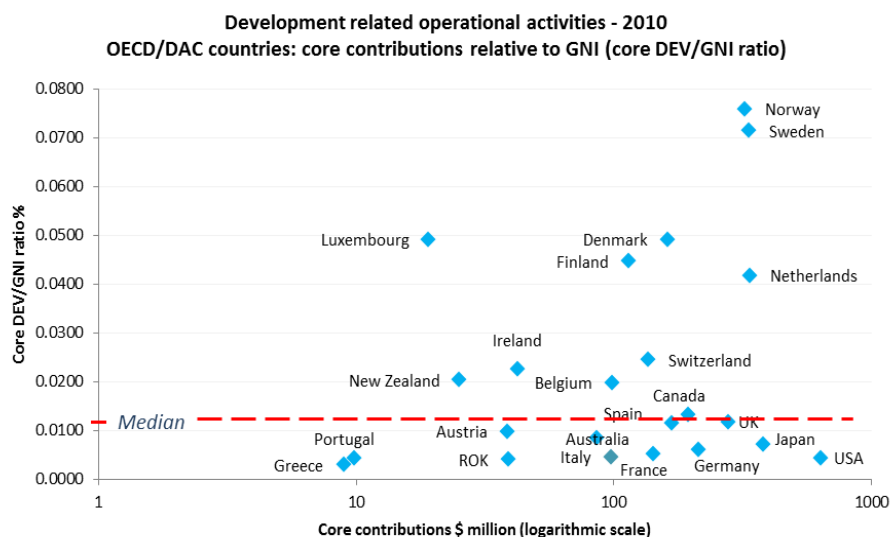


Figure 30

79. Based on the above a number of scenarios can be reviewed to frame further discussions on the issue of burden-sharing:

Contributions based on median core-DEV/GNI ratio as “rate of assessment”

80. If the 2010 median core-DEV/GNI ratio were to be set as a “rate of assessment” and all OECD/DAC countries would contribute accordingly, total core contributions would increase by some US\$0.9 billion or 18 per cent to US\$5.5 billion²¹. Contributions by group A countries would decrease by US\$1.2 billion or 66 per cent to some US\$0.6 billion and contributions by group B countries would more than double and increase to US\$3.9 billion.

Contributions based on median core-DEV/GNI ratio as “rate for negotiated pledging”.

81. If the 2010 median DEV/GNI ratio were to be applied as a minimum target for a system of negotiated pledges, total core contributions would increase by some US\$2.1 billion or 44 per cent to US\$6.7 billion. Contributions by group A countries would remain the same and contributions by group B countries would, like in the first scenario, more than double and increase to US\$3.9 billion.

Covering shortfalls by switching non-core to core contributions

82. An analysis was made of the extent to which shortfalls in core contributions by group B countries in either one of the above scenarios could be covered by those countries’ switching existing non-core contributions to core. The outcome of the analysis shows that of the total shortfall of US\$2.0 billion

²⁰ Remaining 7 per cent of contributions and 6 per cent of total GNI on account of country with median ratio

²¹ The table in Annex IV shows how these figures were derived.

some US\$1.8 billion or close to 90 per cent could indeed be covered by shifting all or part of existing non-core contributions to core²¹.

83. On a number of occasions, various governing bodies have called for or discussed the desirability of a major shift of donor countries' contributions from non-core to core. Achieving such a shift may prove difficult. As the strategic priorities of the United Nations system have become more complex over the decades, so have those of the major donor countries. In general, donor country aid policies are much more carefully targeted today than in the past - either by theme or beneficiary or by some combination of the two. Donor aid ministries have also added over the years many new targeted funding lines to their institutional and budgetary structures. Core resources generally come from a budget line used to sustain long-term strategic partnerships with multilateral organizations. Here, the competition for resources has increased dramatically, with the EU and the global funds being but two examples.

84. While further research is necessary to confirm the details, most of the non-core funding does not come from these same multilateral budget lines, but from "country-targeted" or "theme-targeted" funding lines that may even be controlled by different line ministries. Most of these budget lines have very clear legislative or regulatory conditions that govern their use – with some combination of beneficiary or thematic targeting. Whether purpose-limited by legislation or ministry-internal regulation, these funds do not easily cross budget lines. A parallel can be found in the United Nations system. Despite the considered importance of One Funds to DaO approaches in the field, no major United Nations entity has been able to contribute fully un-earmarked funds to any of the One Funds. A United Nations organization's funds cannot, without serious policy or regulatory problems, cross over into the budget of another entity to be used for purposes different from the purposes for which they were contributed.

85. In the near future, a sample survey is planned to be carried out with OECD/DAC donor countries to attempt to understand more fully the nature and importance of these legislative or regulatory restrictions. The second report of the Secretary-General on funding in September will provide further details on this survey.

(c) *Non-core funding and cost recovery – cross subsidization*

86. Analyses of the sources, modalities and destination of funding for operational activities for development show that core resources, compared to non-core resources, cover a significantly higher share of non-programme institutional costs of entities. In this connection the last report (A/66/79-E/2011/107 paragraphs 107 through 127) contained an in-depth review of the policies and practices that are in place to recover support and management costs. The report concluded that core resources indeed "subsidize" the support to and management of non-core financed activities. This conclusion was based on a review of a high-level breakdown of the use of resources by funding source and by broad cost classifications. Table 9 contains an update of this high-level review based on 2010 data provided by 23 entities representing some 87 per cent of total development-related expenditures in 2010. Where necessary, data have been supplemented by data contained in public financial and budgetary reports of the organizations concerned.

Table 9
Development related operational activities – 2010
High-level breakdown expenditures
(Millions of United States dollars)

	<u>Programme activities</u>		<i>Programme support and management activities</i>	<i>Other</i>	<i>Total</i>
	<i>Country-level</i>	<i>Regional and global</i>			
Core resources	1,779	684	1,132	243	3,840
Share	46.3%	17.8%	29.5%	6.3%	100.0%
Non-core resources	7,439	1,782	1,042	16	10,279
Share	72.4%	17.3%	10.1%	0.2%	100.0%
Total resources	9,218	2,466	2,174	259	14,118
Share	65.3%	17.5%	15.4%	1.8%	100.0%

Information based on 23 UN entities representing 87 per cent of total development-related expenditures in 2010

87. The updated analysis reconfirms the significant difference in the attribution of programme support and management costs to core and non-core funding sources. Consequently, the remaining shares available for actual programme activities continue to differ greatly, i.e. 64 per cent of core funding is applied to programme activities at different levels (country, regional, global) compared with 90 per cent for non-core resources. The in-depth review referred to above noted that the extent to which the current subsidization by core resources is counter to legislation adopted by governing bodies is open to interpretation because of legislative ambiguity about which costs in fact are expected to be fully recovered i.e. full costs or incremental costs. A principle of full cost recovery would be based on the premise that all activities, regardless of the source of financing equally benefit, either directly or indirectly, from the totality of substantive and operational capacities of entities. Table 9 shows that applying the principle of full cost recovery without further differentiation would require a recovery rate in the order of 15 per cent. Applying such rate across the board would result in a release of some US\$556 million core resources for programme activities or equivalent to some 23 per cent of the current level of core programme activities.

88. As recommended in the last year's report, legislative and governing bodies should review and confirm whether the underlying policy of incremental cost recovery remains valid in the current funding environment. This is also of relevance for the review of *critical mass of core funding* as further elaborated in paragraphs 101 to 111 of the present report. A common system-wide policy statement would be critical in this regard to provide guidance to the work that United Nations organizations should continue, under the auspices of the CEB, in pursuit of further harmonization and rationalization of practices and cost classifications related to costs and cost recovery. In this connection, the outcome of the work of a second working group under the auspices of UNDG and the High-level Committee on Management between 2007 and 2010 was not conclusive. UNDP, UNICEF and UNFPA are currently undertaking another joint cost-recovery harmonization exercise as part of the development of an

integrated budget framework by 2014. This exercise can provide an impetus in this regard. The outcome of the joint review by UNDP, UNICEF and UNFPA was not available at the time of preparing the current report.

(d) Concentration and fragmentation (update)

89. In this section, financial indicators and statistical methods are used to further examine the level of significance, concentration and fragmentation of operational activities for development in 2010. Such an analysis based on financial information has inherent limitations as it does not cover the qualitative aspects of the outcomes of the relationships between United Nations entities and programme countries. For example, the amount of support extended by a particular entity to a given country may be very small in terms of expenditures, but be highly relevant and effective in its impact on addressing broader priority needs.

90. Despite its limitations, an analysis on the basis of financial information can provide insights into the relative importance of UN-OAD compared to total development assistance at programme country level, and into the way that individual United Nations development system entities differ in their distribution of resources.

91. The methodology applied in this section follows the one developed and applied by OECD/DAC to assess the degree of fragmentation of ODA from its members to recipient countries. While this methodology was not specifically designed to be applied in a multilateral context, an analysis of this kind can provide useful information on aspects and context of relationships between the United Nations development system and programme countries and hence inform reviews of UN-OAD at different levels.

92. The methodology as applied to the review of UN-OAD is summarised in Box 1. The analysis is based on total operational activities for development, thus comprising both development-related and humanitarian assistance-related activities, and all types of funding i.e. core and non-core combined.

Box 1.

Defining significance of cooperation relations and concentration and fragmentation ratios

The rationale: When considering the significance of a development cooperation relation, it is important to examine both the programme country and entity perspectives. The policy inference is that where cooperation relations are neither significant from the programme country point of view, nor from the entity's point of view, there is a rationale to revisit these relations.

Definitions

"Significance" of a cooperation relation: An cooperation relation is considered significant in financial terms if "yes" is the answer to at least one of the following questions:

Question 1: Does the entity allocate a higher share of resources to the programme country than the entity's overall share of total UN-OAD? and

Question 2: Is the entity's share of UN-OAD resources at the level of the individual programme country higher than the entity's global share of total country-level UN-OAD?

In question 1, there is a bias towards smaller entities based on the fact that they are usually involved in fewer partner countries, which makes it less difficult for them at country level to exceed their global share of aid. In contrast, question 2 includes a bias towards larger entities, for which it is less difficult to be among the top contributors that cumulatively provide 80 per cent of total ODA at the programme country level. By combining these two criteria both the small and large entity biases are taken into consideration.

Concentration ratio: Defined from an entity's point of view, the overall aim would be a concentrated portfolio with significant programme country cooperation relations. On this basis, the concentration ratio measures the number of entities' significant cooperation relations compared to all of its cooperation relations. The higher the concentration ratio, the less an entity's portfolio is fragmented.

Fragmentation ratio: Defined from a programme country point of view, the aim would be to maximise the number of significant relations with entities and minimise the number of non-significant relations. On this basis, the fragmentation ratio measures the number of non-significant entities compared to the overall number of entities. The lower the fragmentation ratio, the less fragmented are the entities' cooperation programmes in that country.

These two indicators are complementary at the global level, since the sum of the global concentration and fragmentation ratios are one.

93. The significance, concentration or fragmentation of operational activities for development of the United Nations system has been examined at two levels: (i) how important is the whole United Nations development system as a source of development financing for individual programme countries and how are the resources distributed among those countries?; and (ii) how important are individual United Nations entities as a source of development financing in programme countries?

Importance of system-wide operational activities to programme countries

94. The overall share of United Nations operational activities for development of total ODA (excluding debt relief) in 2010 was 16 per cent. Operational activities for development therefore played a modest role in the overall financing for development in programme countries. A comparative analysis of total UN-OAD and total ODA at the country level (see Figure 10 on page 13) shows that UN-OAD accounted for more than 40 per cent of total ODA in 13 or 9 per cent of programme countries in 2010²². UN-OAD

22 Barbados, Chad, DPRK, Lebanon, Libya, Malaysia, Niger, Peru, Somalia, Sudan, Syria, Thailand, Zimbabwe

in these 13 countries combined accounted for some 21 per cent of total country-level UN-OAD. At the other end of the spectrum UN-OAD accounted for less than 10 per cent of total ODA in 61 or 41 per cent of programme countries. This group of 61 countries accounted for some 11 per cent of total country-level UN-OAD. Most, or 58 per cent, of UN-OAD concerned countries where UN-OAD accounted for between 10 and 30 per cent of total ODA.

95. Table 10 breaks down information according to the categories used in Figure 10 according to two country groupings, i.e. *low-income* and *vulnerable situations* and shows that the United Nations development system tends to be more important in low-income countries and countries in fragile situations. For example, the United Nations development system contributes to more than 30 per cent of total country-level ODA in 25 per cent of low-income countries and 29 per cent in countries in fragile situations as compared to 14 per cent globally.

Table 10
United Nations operational activities for development - 2010
Country-level programme expenditures (excluding local resources)
share of total ODA by low-income and Fragile Situations

<i>Share of ODA at country-level</i>	<i>All programme countries</i>		<i>Low-income countries</i>		<i>Fragile Situations (Worldbank)</i>	
	<i>No.</i>	<i>Share</i>	<i>No.</i>	<i>Share</i>	<i>No.</i>	<i>Share</i>
> 40%	13	9%	5	14%	4	13%
30-40%	8	5%	4	11%	5	16%
20-30%	23	15%	7	20%	5	16%
10-20%	44	30%	13	37%	10	32%
< 10%	61	41%	6	17%	7	23%
Total	149	100%	35	100%	31	100%

Significance, concentration and fragmentation

96. With regard to the significance of entities' cooperation relations with programme countries and concentration ratios, Table 11 provides an overview of key findings. The 28 entities that reported expenditures at the country level had together 1,939 relationships with 149 programme countries. Some 53 per cent of those relationships were significant in financial terms, meaning that the respective entities were *either* among the larger contributors that together accounted for 80 per cent of total ODA *and/or* allocated a higher share of resources to the programme country than their respective share of total global UN-OAD. Accordingly and as a measure of fragmentation 47 per cent of relationships were not significant as defined for this review, meaning that from a programme country's perspective the entity was not among the largest contributors that cumulatively accounted for at least 80 per cent of total ODA allocated to the programme country *and* that the entity allocated a lower share of its resources to that country than its overall share of total global UN-OAD.

97. Table 11 shows that the operations of some 16 entities, or more than half of the total, can be characterized by a higher than average level of concentration with the degree of concentration as a measure of the number of insignificant relationships as a percentage of total relationships. These 16

entities accounted for some 36 per cent of total United Nations operational activities at the country level. Consequently, the operations of the other 12 entities, accounting for 64 per cent of total operational activities at the country level, can be characterized by a higher than average degree of fragmentation.

Table 11
United Nations entities: cooperation relationships with programme countries
significance, concentration, fragmentation

<i>United Nations entity</i>	<i>Significant relations</i>	<i>Non-significant relations</i>	<i>Total relations</i>	<i>Concentration ratio (2010)</i>	<i>Degree of concentration</i>
	A	B	A+B	A/(A+B)	
UNRWA	4	0	4	100%	High
OCHA	21	4	25	84%	
IAEA	69	29	98	70%	
UNCDF	11	5	16	69%	Average to high
UNWTO	11	5	16	69%	
UNFPA	79	38	117	68%	
ITC	26	13	39	67%	
UNAIDS	70	38	108	65%	
ILO	53	29	82	65%	
OHCHR	23	13	36	64%	
UNCTAD	24	14	38	63%	
UNDP	88	52	140	63%	
UPU	10	6	16	63%	
IFAD	58	36	94	62%	
ITU	41	28	69	59%	
UNODC	27	23	50	54%	
UNIFEM	16	15	31	52%	
UNICEF	58	62	120	48%	
UNHCR	44	50	94	47%	
WHO	66	81	147	45%	Low to average
FAO	63	79	142	44%	
UNEP	31	40	71	44%	
UNIDO	45	65	110	41%	
UNESCO	44	64	108	41%	
UN Habitat	21	37	58	36%	
WIPO	4	8	12	33%	
WFP	24	56	80	30%	
UNDESA	5	13	18	28%	Low
Total	1036	903	1939	53%	

98. A review was made whether there are marked differences in the above significance, concentration and fragmentation indicators according to different country groupings. Table 12 shows that the overall fragmentation ratio was above average in low-income countries and average for the group of LDCs.

Table 12
United Nations entities: cooperation relationships with programme countries
significance, concentration, fragmentation
by country income level and LDC status

<i>Income group</i>	<i>Number of programme countries</i>	<i>Significant relations</i>	<i>Non- significant relations</i>	<i>Total relations</i>	<i>Fragmentation Ratio</i>	<i>Average no. of entities in country</i>
	C	A	B	A+B	B/(A+B)	(A+B)/C
Low-income	35	267	324	591	55%	17
Low-middle income	57	418	322	740	44%	13
Upper-middle income	53	334	244	578	42%	11
High income	4	17	13	30	43%	7.5
Least-developed countries	49	371	365	736	50%	15
Global	149	1036	903	1939	47%	13

99. Similar analyses show that the overall fragmentation ratio was also above average for countries in fragile situations and that there were no significant differences between regional groupings except for the Western Asia region which showed a relatively high fragmentation ratio.

100. The applicability of reviews like the one used above will continue to be explored and refined in future reports.

(e) Critical mass of core funding

101. The General Assembly, in a 2010 resolution on improving United Nations system-wide coherence (GA resolution 64/289), requested governing bodies of funds and programmes to initiate the discussion of “the most appropriate definition of and a process towards arriving at a critical mass of core funding”. Till date none of the governing bodies has initiated formal discussions in this regard.

102. Member States’ decision to discuss the concept of critical mass of core resources reflects concerns about the current funding architecture of the United Nations operational activities for development, particularly the rapid increase of non-core resources as a share of total contributions.

103. Critical mass of core resources can be viewed from a variety of perspectives, but perhaps the most relevant are: (i) for the United Nations development system as a whole, (ii) for United Nations development activities in each programme country; and (iii) for each entity of the United Nations development system. Overlaid on these considerations is the importance of understanding what core resources are used for viz (i) core programmes; (ii) funding what could be called the base structure of each organization; and (iii) subsidizing support costs when there is insufficient recovery from non-core contributions. Issues relating to the funding of base structures and subsidization have been reviewed in paragraphs 86 to 88 of the current report and an in-depth review in last year’s report of the policies and practices that are currently in place to recover support costs (A/66/79-E/2011/107 paragraphs 107 through 127).

UN system as a whole

104. When looking at *total resources flows*, it is at present legitimate to conclude that some level of critical mass has been achieved for the United Nations development system as a whole. As illustrated by Figure 3 on page 8 contributions to the United Nations system increased significantly during the 1995-2010 period and during most of the time at a faster rate than total ODA (see Figure 11 on page 14). In addition, the United Nations system has become the largest multilateral partner of OECD/DAC countries, accounting for 32 per cent of total contributions to the multilateral system as reported by the OECD/DAC if core and non-core resources are combined (see Figure 4 on page 8).

105. A different perspective arises when funding patterns for core and non-core resources are broken out. As mentioned in table 1 on page 8, between 1995 and 2010 core contributions increased only 8 per cent in real terms, while non-core contributions increased by 350 per cent, also in real terms. Recent studies and surveys²³ have generally concluded that it is possible for the United Nations development system to apply non-core resources effectively to meet needs at the country level but that this shift in funding does have important implications, both centrally and at the country level. The same surveys for example point at the fact that the increasing percentage of non-core resources makes it more difficult for the United Nations development system and individual entities to pursue their strategic objectives due to differences in how the non-core resources are allocated – by the contributor as opposed to by the governing bodies.

Country level

106. At the country level, there are very real practical implications if there is a loss of critical mass for core resources. Currently, at the outset of many new UNDAF periods, assured funding through core resources can be as low as 30 per cent of planned expenditures. Against the UNDAF plan, supplementary non-core funding is mobilized. But as the percentage of core funding is reduced then the credibility of the plan may be increasingly questioned by those asked to provide supplementary non-core funds. If core resources for country-level programming fall too low, this can threaten the viability of the UNDAF approach, either in selected countries or for the United Nations system as a whole. For country programming purposes, it is a possible conclusion that core funding has reached the point where critical mass has been eroded over time.

UN entity level

107. Historical practices of the United Nations system have determined that all of an entity's *base structure* is to be funded from its core resources. The base structure is generally defined as the minimum capacity that the entities need to deliver on their multilateral mandates and provide continued substantive leadership and innovation around specific goals, advocacy and policy work in addition to programmatic implementation on the ground. In theory, this structure should remain fixed over time (hence the term "*fixed indirect costs*"). In practice however, the required size of the base

23 E.g. the surveys carried out for the 2012 QCPR of programme country governments and Resident Coordinators and United Nations country team members.

structure has to be adjusted periodically as the organization grows, based on the pragmatic premise that all activities, regardless of the source of financing equally benefit from such structure, either directly or indirectly. Fixed indirect costs are only fixed in the short term, not in the medium or long term. The major driver in institutional growth over the past two decades has come from non-core resources. These however make no contribution to base structure costs even though they are a major factor in base structure cost increases. The net result is that growth in non-core places an irregular but nonetheless consistently increasing demand on core resources to fund base structure costs.

108. The base structure includes all of the essential core competencies of the organization. To the extent those competencies are under-funded then the core competencies of the organization will be eroded. Base structure costs can be significant as indicated in last year's report. Table 9 on page 37 illustrates the consequences in that for the system as a whole only 64 per cent of core resources is applied to programme activities as against 90 per cent of non-core resources.

109. The base structure clearly needs to be funded for the organization to maintain its critical mass. However, reliance solely on core resources for this can result in a series of negative implications as the percentage of core funding continues to fall: (i) there will be pressure to control (perhaps unduly) the base structure costs which could erode the organization's core competencies²⁴; (ii) the smaller percentage of core funding that finds its way to programme purposes represents an incentive for donors to contribute additional funds as non-core rather than core; and (iii) the strategic orientation of the organization can be undermined as core resources for programming are reduced.

110. Under-recovery of full costs also needs to be addressed because the source of non-core funding has changed significantly in recent years. As illustrated by Figure 12 on page 15 there has been a very significant growth in the combined non-core contributions by the European Commission, other multilateral organizations (including the global funds), non-governmental organizations and public private partnerships. To the extent that the support costs for these non-core activities funded by other multilateral organizations are not fully recovered, then funds that could be used for United Nations core programmes are being used to subsidize the implementation costs of these organizations. An unfortunate result is that these organizations, benefitting from the United Nations system's subsidizing the true costs of their activities, are able to show contributors that they are "more-efficient" than the United Nations system.

111. As already mentioned in paragraph 88 and as recommended in last year's report, legislative and governing bodies should review and confirm whether the underlying policy of incremental cost recovery remains valid in the current funding environment.

24 This is particularly evident in some of the specialized agencies which experience for many year zero assessed budget growth policies.

Annex I

Technical note on definitions, sources and coverage

For the purposes of the present report, the United Nations development system is defined as the 37 entities¹ that reported funding for operational activities for development in 2009 (this does not include the Bretton Woods institutions).

Among the entities that constitute the United Nations development system there has been no commonly agreed definition of key terms such as “operational activities for development” and “contributions”.

This report begins to address this shortcoming by defining operational activities for development as those activities of the United Nations development system entities which promote the sustainable development and welfare of developing countries and countries in transition. They cover both longer-term development-related activities as well as those with a humanitarian-assistance focus and relate to the work of those United Nations funds, programmes, specialized agencies, departments and offices which have a specific mandate in this regard.

The specialized agencies have adopted coefficients to measure the share of assessed or regular budget contributions considered to be for operational activities for development based on consultations with OECD/DAC. For agencies such as UNIDO, WHO, ILO, UNESCO and FAO, this share is very significant (see table 1).

Table 1: Percentage of assessed or regular budget contributions of specialized agencies defined as being for operational activities for development

<i>United Nations Entity</i>	<i>Percentage</i>
FAO	51
IAEA	33
ICAO	0
ILO	60
IMO	0
ITU	18
UNESCO	60
UNIDO	100
UNWTO	0
UPU	16
WHO	76
WIPO	3
WMO	4

Many United Nations entities do not use the terms “core” and “non-core” when classifying contributions. For example, WFP uses the terms “multilateral contribution” and “directed multilateral

contribution” to define “core” and “non-core” resources, respectively. UNHCR uses the terms “unrestricted”, “tightly earmarked” and “lightly earmarked” to classify its contributions.

Specialized agencies have assessed contributions on a regular budget which is supplemented by “extra-budgetary resources”. For system-wide reporting purposes, all the above terms are grouped under “core” and “non-core” resources, with the former referring to un-earmarked funding that is used at the sole discretion of the respective United Nations entity and its governing board, and the latter meaning earmarked funding that is directed by donors towards specific locations, themes, activities and operations.

Harmonization of the terms “core” and “non-core” within the United Nations development system is difficult to achieve owing to the different business models adopted by funds, programmes and specialized agencies. Instead, a more pragmatic approach is proposed wherein these terms are mapped (see table 2) against those used in the present report so that it is clear how they relate to each other.

Table 2: Terms used by different entities for core and non-core contributions

Core	Entity	Non-core	Entity
Regular resources	UNDP, ^a UNCDF, UNIFEM, ^b UNV, UNICEF, UNFPA	Other resources	UNDP, UNCDF, UNIFEM, UNV, UNICEF, UNFPA
Multilateral contribution	WFP	Directed multilateral contribution	WFP
Regular budget	UNRWA, UNDESA, UN- Habitat, UNCTAD, ITC	Projects and emergency appeals	UNRWA
Un-earmarked contribution	UNHCR, ^a OCHA, ^a IFAD, OHCHR	Earmarked contribution	IFAD, OCHA, UNEP, UN- Habitat, OHCHR
		Tightly earmarked	UNHCR, OECD/DAC
		Lightly earmarked	UNHCR, OECD/DAC
Environment Fund	UNEP ^a		
Core resources	UNAIDS, OECD/DAC	Extra-budgetary contribution	UNAIDS, UNCTAD, Department of Economic and Social Affairs, ITC, FAO, IAEA, ICAO, ILO, IMO, ITU, UNESCO, UNIDO, UPU, UNWTO, WIPO, WMO, ECA, ECE, ECLAC, ESCAP, ESCWA
General purpose fund	UNODC ^a	Special purpose fund	UNODC
Assessed budget	FAO, ICAO, ILO, ITU, UNESCO, UNIDO, UPU, UNWTO, WHO, WIPO,	Voluntary contributions – core	WHO

Core	Entity	Non-core	Entity
	WMO, ECA, ECE, ECLAC, ESCAP, ESCWA		
Technical Cooperation Fund	IAEA, ^a IMO ^b	Voluntary contributions – specified	WHO

^aAlso receives a regular budget contribution.

^bHas since become part of UN-Women.

Data on contributions and expenditures are obtained directly from United Nations funds and programmes (UNDP (including UNDP-administered funds, i.e., UNCDF, UNIFEM and UNV), UNEP, UNFPA, UNHCR, UNICEF, WFP, UNCTAD, ITC, UN-Habitat, UNODC and UNRWA), IFAD, UNAIDS, the Department of Economic and Social Affairs, the regional commissions and most specialized agencies (FAO, ICAO, ILO, UNESCO, UNIDO, IAEA, IMO, UNWTO, UPU, WIPO and WMO). Data on the contributions and expenditures of the Office for the Coordination of Humanitarian Affairs are gathered using its annual report. Data on WHO was gathered using WHO's interim financial report for the year 2010 which was presented at the 64th World Health Assembly. Country-level breakdown of WHO expenditures for 2010 was not available. Instead, past country-level expenditure breakdown was used and prorated against WHO's total expenditures in 2010. For ITU, the most recent data that could be retrieved was for 2009. Data on official development assistance are derived from OECD/DAC annual reports. Data on multi-donor trust funds were obtained directly from the UNDP Multi-Donor Trust Funds Office Gateway²⁵.

In this report, the term “real terms” refers to constant 2009 United States dollars computed using the OECD/DAC deflators which take into account both inflation and exchange rate movements.

Data on contributions refers to actual funding for operational activities for development received in a given calendar year from Governments and other public and private sources by organizations in the United Nations system. Data on resource transfers from one agency of the system to another are excluded wherever possible. Data on expenditures represent the support provided by the organizations of the United Nations system for operational activities for development in developing countries. Contributions and expenditures are expressed in current United States dollars, unless otherwise stated.

The designations employed and the presentation of the information in the report do not imply the expression of any opinion whatsoever on the part of the United Nations Secretariat concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The term “country” as used in the report also refers, as appropriate, to territories or areas. A hyphen between dates representing years signifies the full period involved, including the beginning and end years.

²⁵ <http://mptf.undp.org/>

Annex II

Differences in OECD/DAC and United Nations system reporting

There are a number of important differences between the way the United Nations and OECD/DAC define, classify and report contributions to the United Nations system. The use of different definitions and classifications by the United Nations and OECD/DAC means that the United Nations contributions data cannot be compared with the OECD/DAC official development assistance data without considerable double counting.

In United Nations statistics, both core and non-core funding from Governments to the United Nations system are classified as contributions to the United Nations for its operational activities. OECD/DAC classifies only core contributions from Governments as multilateral aid to the United Nations system, while non-core contributions, sometimes called “multilateral” assistance, are classified as bilateral aid.

The United Nations includes non-core contributions in its estimates because it considers the purposes of both core and non-core Government contributions to the United Nations system to support its operational activities. OECD/DAC classifies non-core contributions to the United Nations system as bilateral aid because it considers the use of such funds to be effectively under the control of the donor Governments, with United Nations entities serving as a channel of delivery for those funds, as opposed to being recipients, of aid.

This difference in the treatment of non-core contributions is the single most important difference in reporting on the operational activities for development of the United Nations system by the two organizations. This different treatment of non-core resources includes local resources contributions, which are not defined as aid flows by OECD/DAC since these resources do not constitute a flow of development funding from one country to another.

United Nations figures on contributions to operational activities for development are more comprehensive than the ones provided by OECD/DAC as they include funding from all non-OECD/DAC countries, whereas OECD/DAC reporting is limited to those countries that officially submit such reports to DAC. This means that the figures from OECD/DAC on contributions to the United Nations development system exclude a number of large non-OECD/DAC countries.

The United Nations reporting also includes contributions from non-governmental organizations and private organizations, while OECD/DAC records them under the category of private flows (i.e., not official development assistance), and those extended to the United Nations cannot be separately identified.

There are also other reporting differences, including on contributions to the United Nations system for multi-donor trust funds, which are still reported by OECD/DAC mainly as bilateral aid but are included in the United Nations financial statistics. It is not only a classification problem, but also a timing problem. For example, when a donor contributes money to a multi-donor trust fund, it is recorded as a disbursement by that donor (and thus by OECD/DAC) at the moment the donor makes the contribution

to the United Nations administrative agent. However, there may be a delay before the United Nations administrative agent actually transfers the funds to the implementing United Nations agency. Only at the time the funds are transferred to the participating agent are they recorded as income by the United Nations.

In the below table, an attempt is made to reconcile the summary figures for core, non-core and total contributions to the United Nations development system and presented in the present report with those published by OECD/DAC. As the table shows, the figures of the Department of Economic and Social Affairs and those of OECD/DAC could not be fully reconciled. Accordingly, the Department will work with OECD/DAC to further improve the accuracy of this reconciliation in next year's funding report.

Reconciliation of United Nations and OECD/DAC reporting on contributions for operational activities for development in 2010

(Billions of current United States dollars)

	<i>2010 contributions</i>		
	<i>Core</i>	<i>Non-core</i>	<i>Total</i>
Reported by United Nations	5 900	17 013	22 914
Contributions from developing countries not reported by OECD/DAC	- 267	- 284	- 551
Local resources not reported by OECD/DAC		-1 167	-1 167
NGO and private contributions not reported by OECD/DAC		-1 062	-1 062
Resources funnelled to G8 countries not reported by OECD/DAC	- 16	- 81	- 97
Contributions made to UNDP MDTF office but not yet transferred to UN participating entities		- 313	- 313
Not elsewhere classified	76	- 93	- 17
Not reconciled	1 027	- 536	491
Reported by OECD/DAC^a	6 720	13 478	20 198

^a Source: OECD/DAC statistics, DAC Table 1 and OECD Creditor Reporting System.

Annex III

Total ODA flows, 2010

(Billions of United States dollars)

<i>Type of aid</i>	<i>Volume</i>
Bilateral aid from OECD/DAC member countries	90.8
Bilateral aid from non-OECD/DAC countries	5.5
Multilateral aid from OECD/DAC countries	37.7
Multilateral aid from non-OECD/DAC countries	1.7
Total ODA	135.7
Debt relief	3.9
Total ODA, excluding debt relief	131.8

Source: OECD/DAC statistics, table 'ODA by Donor'.

Annex IV: Burden sharing

2010 Contributions	Actual Development-related contributions							Core levels based on median Core/GNI			Making up core shortfalls with existing non-core			
	Donor	GNI	Core	Non-core	Total	Core/GNI	Non-core/GNI	Total/GNI	Core	Non-core	Total	Core	Non-core	Total
Australia	1,030,268	86	209	295	0.0084	0.0203	0.0287	121	209	330	121	174	295	
Austria	394,575	39	19	58	0.0098	0.0048	0.0146	47	19	65	47	11	58	
Belgium	499,506	99	74	173	0.0198	0.0148	0.0346	59	74	133	99	74	173	
Canada	1,475,865	195	349	544	0.0132	0.0236	0.0369	174	349	523	195	349	544	
Denmark	329,507	162	133	294	0.0491	0.0403	0.0894	39	133	171	162	133	294	
Finland	255,154	114	83	197	0.0447	0.0324	0.0770	30	83	113	114	83	197	
France	2,749,821	142	60	203	0.0052	0.0022	0.0074	324	60	384	203	0	203	
Germany	3,521,983	215	225	439	0.0061	0.0064	0.0125	415	225	640	415	24	439	
Greece	304,963	9	2	11	0.0029	0.0006	0.0035	36	2	38	11	0	11	
Ireland	187,138	42	23	65	0.0226	0.0123	0.0350	22	23	45	42	23	65	
Italy	2,159,254	98	144	242	0.0045	0.0067	0.0112	255	144	399	242	0	242	
Japan	5,334,370	380	668	1048	0.0071	0.0125	0.0196	629	668	1297	629	419	1048	
Korea, Republic of	972,299	39	36	75	0.0040	0.0037	0.0078	115	36	151	75	0	75	
Luxembourg	39,030	19	46	65	0.0491	0.1183	0.1674	5	46	51	19	46	65	
Netherlands	814,762	340	292	631	0.0417	0.0358	0.0775	96	292	388	340	292	631	
New Zealand	124,177	25	15	41	0.0203	0.0123	0.0326	15	15	30	25	15	41	
Norway	427,071	324	424	748	0.0758	0.0993	0.1751	50	424	474	324	424	748	
Portugal	232,648	10	4	14	0.0042	0.0016	0.0058	27	4	31	14	0	14	
Spain	1,462,894	168	312	479	0.0115	0.0213	0.0328	172	312	484	172	307	479	
Sweden	469,805	336	240	575	0.0715	0.0510	0.1225	55	240	295	336	240	575	
Switzerland	559,735	137	72	209	0.0245	0.0129	0.0373	66	72	138	137	72	209	
United Kingdom of Great Britain and Northern Ireland	2,377,244	280	555	836	0.0118	0.0234	0.0351	280	555	836	280	555	836	
United States of America	14,645,629	639	1148	1787	0.0044	0.0078	0.0122	1726	1148	2875	1726	61	1787	
OECD/DAC countries	40,367,697	3,897	5,132	9,030	0.0097	0.0127	0.0224	4,758	5,132	9,891	5,728	3,302	9,030	

Annex V

Country groupings

List of Countries by Income Group

<i>Low-income</i>	<i>Low-middle income</i>	<i>Upper-middle income</i>	<i>High income</i>
Afghanistan	Angola	Albania	Andorra
Bangladesh	Armenia	Algeria	Australia
Benin	Belize	Antigua and Barbuda	Austria
Burkina Faso	Bhutan	Argentina	Bahamas
Burundi	Bolivia	Azerbaijan	Bahrain
Cambodia	Cameroon	Belarus	Barbados
Central African Rep.	Cape Verde	Bosnia and Herzegovina	Belgium
Chad	Congo	Botswana	Brunei Darussalam
Comoros	Cote d'Ivoire	Brazil	Canada
Dem People's Rep of Korea	Djibouti	Bulgaria	Croatia
Dem Rep of the Congo	Egypt	Chile	Cyprus
Eritrea	El Salvador	China	Czech Republic
Ethiopia	Fed States of Micronesia	Colombia	Denmark
Gambia	Fiji	Cook Islands	Equatorial Guinea
Guinea	Georgia	Costa Rica	Estonia
Guinea-Bissau	Ghana	Cuba	Finland
Haiti	Guatemala	Dominica	France
Kenya	Guyana	Dominican Republic	Germany
Kyrgyzstan	Honduras	Ecuador	Gibraltar
Liberia	India	Gabon	Greece
Madagascar	Indonesia	Grenada	Hungary
Malawi	Iraq	Iran, Islamic Republic	Iceland
Mali	Kiribati	Jamaica	Ireland
Mozambique	Kosovo	Jordan	Israel
Myanmar	Lao People's Dem Republic	Kazakhstan	Italy
Nepal	Lesotho	Latvia	Japan
Niger	Marshall Islands	Lebanon	Kuwait
Rwanda	Mauritania	Libyan Arab Jamahiriya	Liechtenstein
Sierra Leone	Mongolia	Lithuania	Luxembourg
Somalia	Morocco	Malaysia	Malta
Tajikistan	Nicaragua	Maldives	Monaco
Togo	Nigeria	Mauritius	Netherlands
Uganda	Niue	Mexico	New Zealand
United Rep of Tanzania	Occupied Palestinian Territory	Montenegro	Norway
Zimbabwe	Pakistan	Namibia	Oman
	Papua New Guinea	Palau	Poland
	Paraguay	Panama	Portugal
	Philippines	Peru	Qatar
	Republic of Moldova	Romania	Republic of Korea
	Samoa	Russian Federation	San Marino
	Sao Tome and Principe	Serbia	Saudi Arabia
	Senegal	Seychelles	Singapore
	Solomon Islands	South Africa	Slovak Republic
	Sri Lanka	St. Kitts and Nevis	Slovenia
	Sudan	St. Lucia	Spain
		St. Vincent and the Grenadines	
	Swaziland	Suriname	Sweden
	Syrian Arab Republic	Thailand	Switzerland
	Timor-Leste		Trinidad and Tobago

[illegible]

Somalia	St. Lucia
Sudan	St. Vincent and the Grenadines
Timor-Leste	Suriname
Togo	Timor-Leste
Tuvalu	Tonga
Uganda	Trinidad and Tobago
United Rep of Tanzania	Tuvalu
Vanuatu	Vanuatu
Yemen	
Zambia	

Classification of countries by Human Development Index (HDI)

<i>Low</i>	<i>Medium</i>	<i>High</i>
Afghanistan	Algeria	Albania
Angola	Bhutan	Antigua and Barbuda
Bangladesh	Bolivia	Armenia
Benin	Botswana	Azerbaijan
Burkina Faso	Cambodia	Belarus
Burundi	Cape Verde	Belize
Cameroon	China	Bosnia and Herzegovina
Central African Rep.	Congo	Brazil
Chad	Dominican Republic	Bulgaria
Comoros	Egypt	Colombia
Cote d'Ivoire	El Salvador	Costa Rica
Dem Rep of the Congo	Equatorial Guinea	Cuba
Djibouti	Fed States of Micronesia	Dominica
Eritrea	Fiji	Ecuador
Ethiopia	Gabon	Georgia
Gambia	Ghana	Grenada
Guinea	Guatemala	Iran, Islamic Republic
Guinea-Bissau	Guyana	Jamaica
Haiti	Honduras	Kazakhstan
Kenya	India	Kuwait
Lesotho	Indonesia	Lebanon
Liberia	Iraq	Libyan Arab Jamahiriya
Madagascar	Jordan	Malaysia
Malawi	Kiribati	Mauritius
Mali	Kyrgyzstan	Mexico
Mauritania	Lao People's Dem Republic	Montenegro
Mozambique	Maldives	Palau
Myanmar	Mongolia	Panama
Nepal	Morocco	Peru
Niger	Namibia	Saudi Arabia
Nigeria	Nicaragua	Serbia
Pakistan	Occupied Palestinian Territory	Seychelles
Papua New Guinea	Paraguay	St. Kitts and Nevis
Rwanda	Philippines	St. Lucia
Sao Tome and Principe	Republic of Moldova	St. Vincent and the Grenadines
Senegal	Samoa	The FYR of Macedonia
Sierra Leone	South Africa	Tonga
Solomon Islands	Sri Lanka	Trinidad and Tobago
Somalia	Suriname	Tunisia

Sudan
Timor-Leste
Togo
Uganda
United Rep of Tanzania
Yemen
Zambia
Zimbabwe

Swaziland
Syrian Arab Republic
Tajikistan
Thailand
Turkmenistan
Uzbekistan
Vanuatu
VietNam

Turkey
Ukraine
Uruguay
Venezuela

World Bank list of countries in fragile situations

Afghanistan
Angola
Bosnia and Herzegovina
Burundi
Central African Rep.
Chad
Comoros
Congo
Cote d'Ivoire
Dem Rep of the Congo
Eritrea
Georgia
Guinea
Guinea-Bissau
Haiti
Iraq
Kiribati
Kosovo
Liberia
Myanmar
Nepal
Sao Tome and Principe
Sierra Leone
Solomon Islands
Somalia
Sudan
Tajikistan
Timor-Leste
Togo
Yemen
Zimbabwe

OECD list of Fragile States

Afghanistan
Angola
Bangladesh
Burkina Faso
Burundi
Cameroon
Central African Rep.
Chad
Comoros
Congo
Cote d'Ivoire
Dem People's Rep of Korea
Dem Rep of the Congo
Eritrea
Ethiopia
Georgia
Guinea
Guinea-Bissau
Haiti
Iraq
Kenya
Kiribati
Lebanon
Liberia
Malawi
Myanmar
Nepal
Niger
Nigeria
Occupied Palestinian Territory
Pakistan
Papua New Guinea
Sao Tome and Principe
Sierra Leone
Solomon Islands
Somalia
Sri Lanka
Sudan
Tajikistan
Timor-Leste
Togo
Uganda
Uzbekistan
Yemen
Zimbabwe

Annex VI:

List of statistical tables posted on the web site of the Development Cooperation Policy Branch of the Office for ECOSOC Support and Coordination of UNDESA

A. Contributions for operational activities for development

1. Contributions by entity: 2005-2010
2. Contributions by entity and type of funding (core and non-core): 2005-2010
3. Contributions by source, type of activity (development- and humanitarian assistance-related) and type of funding (core and non-core): 2010
4. Contributions by source, entity and type of funding (core and non-core): 2010
5. Top contributors to development-related activities: 2010

B. Expenditures on operational activities for development

1. Expenditures by entity: 2005-2010
2. Expenditures by recipient, type of activity (development- and humanitarian assistance-related) and type of funding (core and non-core): 2010
3. Expenditures by recipient and entity: 2010
4. Expenditures by region: 2010

END NOTES:

ⁱ In this connection, the United Nations 2010 International Development Cooperation Report estimated that private flows amounted to some US\$25 billion and South-South development cooperationⁱ to some US\$17 billion in 2009, expanding the notion of total development assistance already to some US\$174 billion.