

Informal Note

**Funding of operational activities for
development of the United Nations system**

United Nations Secretariat
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1. Introduction

General Assembly resolution 63/311

“Requests the Secretary-General to include in his comprehensive statistical analysis of the financing of operational activities for development further analysis and actionable proposals on the current situation and perspectives in respect of core and non-core funding for the United Nations development system, notably the implications of various forms of non-core funding, in terms of predictability, country ownership and the implementation of intergovernmental mandates” (paragraph 15).

This informal note has been prepared in the context of the consultations of the General Assembly on system-wide coherence (SWC). The note presents some of the preliminary findings of the analysis being conducted for the 2010 Statistical Compendium of the Secretary-General to be issued in May for the substantive session of ECOSOC.¹ That report will also outline possible “actionable proposals”, requested in GA resolution 63/311.

Operational activities for development represent some 60 per cent of all UN system-wide activities (see Figure 1). Operational activities for development, notably, include activities with a humanitarian focus.²

The first part of this note provides analysis of incoming resources flows to the UN development system, with the second one reviewing the use of those resources in programme countries. Figure 2 shows the main UN system entities involved in operational activities for development (based on 2008 expenditures).

Annex I provides additional information on the comparability of information contained in the current note with information from other sources such as the OECD/DAC and individual UN entities.

A wide array of terms is used by UN system entities to classify types of funding for operational activities for development. For purposes of the current note, the main types are classified as “core” and “non-core” resources. Core resources are those that are co-mingled without restrictions and their use and application is directly linked to strategic

Figure 1 – UN system-wide activities

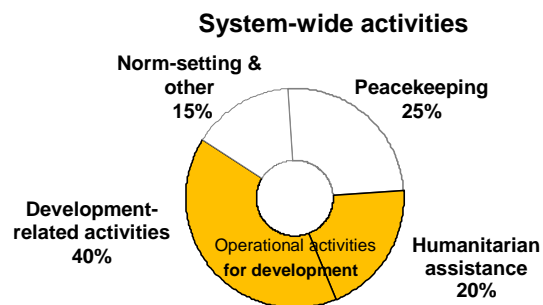
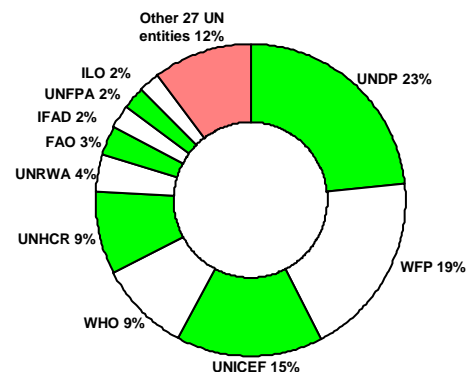


Figure 2 – Main entities of UN development system



¹ The data, analysis and findings contained in this informal note will be further validated in the preparation of the 2010 Statistical Compendium.

² The ratios for development-related activities and humanitarian assistance in Figure 1 are based on 3-year averages, but for peacekeeping operations on the 2008 figure.

mandates, guidelines, priorities and goals established by the respective intergovernmental bodies. Non-core resources, as determined by the contributing source, are resources that are generally 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 mandates, guidelines, priorities and goals established by their respective intergovernmental, is generally more indirect.

2. Summary of findings

A. Available resources

(a) Volume, trends, core and non-core contributions

- In 2008, total contributions to UN operational activities for development amounted to US\$22 billion, the highest level ever. Some 61 per cent of contributions were directed towards development activities and 39 per cent to those with a humanitarian focus (see Table 1 for breakdown of core and non-core resources flows in 2008).³
- In the 1993 to 2008 period, contributions to the UN development system grew at a faster pace than overall OECD/DAC flows, excluding debt relief (see Table 2). This indicates that the UN development system remains relevant and seems to have gained in importance.
- Between 1993 and 2008, the growth in non-core funding has been exponential compared to only very modest increase in core contributions (see Table 2). Non-core funding almost tripled in real-terms in this fifteen-year period while core contributions only grew by 10 per cent. The relevance of the UN system referred to earlier seems thus to extend to non-core resources in particular.
- Of total contributions in 2008 for development-related activities, 27 per cent was in the form of core/un-earmarked funding, with the remaining 73 per cent thus characterized by varying degrees of earmarking (see Table 2). For OECD/DAC donors, 47 per cent of 2008 contributions for development-related activities consisted of un-earmarked core resources compared to 65 per cent in 1993 (see Figure 3).⁴
- Only about 11 per cent of contributions to development-related activities in 2008 were programmed through pooled funding mechanisms such as multi-donor trust funds (MDTFs) and thematic funds (see Table 1). Accordingly, 89 per cent of non-core development-related funding remains programme and project specific, contributing to overall fragmentation of resources with consequent impact on transaction costs. In 2008, OECD/DAC countries contributed US\$4.1 billion or 64 per cent of such programme and project specific resources.

³ It should be noted that the contribution level to humanitarian assistance was unusually high in 2008.

⁴ Other multilateral organizations such as the World Bank have also experienced declining core ratio in the past two decades (see Figure 4).

(b) Sources of funding, funding quality, volatility, burden-sharing and prospects

- The funding base for operational activities for development has broadened over time with the share of OECD/DAC donors declining from 80 per cent in 1993 to 63 per cent in 2008. During the same period, the share of overall funding from non-DAC countries increased from 7 to 12 per cent and from intergovernmental (excluding the European Commission) and non-governmental sources (i.e. global funds, foundations and private sector), from 7 to 18 per cent. The share of the European Commission increased slightly from 6 to 7 per cent (see Figures 5 and 6).⁵
- The UN system accounted for 31 per cent of total ODA flows delivered directly from OECD/DAC countries to the multilateral system in 2006 and was the single largest actor (see Figure 4 and Annex I).
- Almost all increases in contributions by non-OECD/DAC countries have been in the form of non-core and earmarked resources. By far most of such resources have been in the form of self-supporting contributions of programme countries themselves, often as “pass-through” mechanism for funding from other external sources. Such self-supporting contributions amounted to US\$1.7 billion in 2008 or 75 per cent of total funding by non-OECD/DAC countries (see Table 1). Apart from local, self-supporting contributions, non-OECD/DAC countries (both developed and programme countries) contributed about US\$300 million to development-related activities of the UN system in 2008.
- A preliminary review of actual programme expenditures at regional and programme country-level compared to overall contributions seems to confirm that core resources continue to cover a higher share of UN institutional costs.⁶
- The unpredictability of resources flows is seen to affect the overall effectiveness of the UN development system. A preliminary review of key entities of the UN development system such as UNDP and UNICEF suggests that annual fluctuations in core contributions (as an indicator of predictability) did not have a negative impact on the overall steady growth in available core resources in the 2000 to 2008 period. In this connection and during the same period the very significant fluctuations in the US\$ exchange rate compared to major donor currencies, are noteworthy (see Graph 5). Some of the fluctuations in exchange rates had orders of magnitude similar to fluctuations in US\$ denominated contributions. This suggests that exchange rates can be an important source of unpredictability.
- Multi-year financing frameworks (MYFFs) represent a key instrument to promote predictability, stability and policy coherence in the work of UN entities. The extent to which MYFFs can serve to advance the predictability of core funding depends on the

⁵ The cost and benefits of this diversification of the funding base of the UN development system, needs to be further examined.

⁶ This follows the approach whereby non-core cost recovery principles are based on the recovery of direct costs and variable indirect costs and not the so-called fixed indirect costs needed to finance the base structures of UN entities.

willingness of donors to shift from single-year pledges to committing resources over an extended period of time.⁷

- Of total core contributions from governments to UN operational activities for development in the 2007 to 2008 biennium, 10 donor countries accounted for approximately 79 per cent (See Table 4). The core ratio also differs significantly among donor countries (see Figure 3), which negatively affects the “critical mass” of resources required for the UN system to deliver on its universal operational and normative mandates.
- There is concern that the growth seen in contributions to the UN system over the past five years could stagnate, or possibly reverse, in 2010, due to the negative impact of the global economic crisis.

B. Use of resources

(a) Volume, geography and agency

- Total expenditures in 2008 were US\$18.3 billion, with 62 per cent development-related and 38 per cent with a humanitarian focus (see Table 5).
- The targeting of UN operational activities for development has changed in the past few years, with more than 50 per cent of expenditures in 2008 in least-developed countries (LDCs) compared to 39 per cent in 2003.
- The distribution of the use of core resources is concentrated, in that 81 per cent was spent in low-income countries in 2008 while 14 per cent of expenditures were in low-middle income countries and 3 per cent in upper-middle income countries (see Table 7).⁸
- Non-core contributions are not as well targeted in low-income countries, although this aspect seems to be improving (see Table 6). In 2008, 63 per cent of non-core funding was spent in low-income countries with 24 per cent of expenditures in low-middle income countries and 10 per cent in upper-middle income countries (see Table 7). The difference between the destination of core and non-core resources seems to confirm the varying degree to which the use and application of core and non-core funding is subject to and aligned with the mandates, guidelines, priorities and goals established by the respective intergovernmental governing bodies.
- Operational activities for development are highly concentrated in a small number of UN entities, but fragmentation remains an issue. Funds and programmes accounted for 78 per cent of expenditures in 2008 and specialized agencies and others for 22 per cent (see Table 5). Five UN entities accounted for 75 per cent of expenditures in 2008 and ten for 88 per cent, with twenty-seven organizations spending the remaining 12 per cent (see Figure 2).

⁷ For many donors, providing multi-year pledges may require resolving important legal and budgetary constraints.

⁸ Income groups are based on the World Bank's *World Development Indicators 2009* publication which groups countries according to 2008 GNI per capita.

3. Addendum to summary of findings

A. Available resources

(a) Volume and trends

Table 1 Overview of contributions to the UN development system in 2008

This table provides an overview of total, core and non-core resources flows to UN operational activities for development in 2008; breakdown between development-related funding and humanitarian assistance; and the share of OECD/DAC donors of core and non-core resources flows. Furthermore, the table shows the different funding modalities used to deliver non-core contributions to the UN development system. For example, of the US\$15.7 billion in non-core funding in 2008, US\$12.7 was development-related and programme and project specific, with OECD/DAC donors contributing US\$4.1 billion.

| Types of funding | Total | Development-related activities | | | | Humanitarian focus | | | |
|------------------------------------|-------|--------------------------------|----|----------|----|--------------------|----|----------|-----|
| | | All donors | | OECD/DAC | | All donors | | OECD/DAC | |
| | US\$ | US\$ | % | US\$ | % | US\$ | % | US\$ | % |
| Total contributions | 22.0 | 13.3 | 61 | 7.7 | 58 | 8.7 | 39 | 6.1 | 70 |
| Core | 6.3 | 4.5 | 72 | 3.6 | 79 | 1.8 | 28 | 1.0 | 60 |
| Non-core (of which): | 15.7 | 9.0 | 57 | 4.9 | 54 | 6.7 | 43 | 5.0 | 74 |
| (a) MDTFs | 0.9 | 0.7 | 82 | 0.6 | 91 | 0.2 | 18 | 0.2 | 100 |
| (b) Thematic funds | 0.4 | 0.3 | 72 | 0.3 | 91 | 0.1 | 28 | 0.1 | 91 |
| (c) Self-supporting contributions | 1.7 | 1.6 | 91 | 0.0 | 0 | 0.1 | 9 | 0.0 | 0 |
| (d) Programme and project specific | 12.7 | 6.4 | 51 | 4.1 | 64 | 6.3 | 49 | 4.7 | 75 |

Table 2 Overview of key trends in operational activities for development between 1993 and 2008

This table presents long-term trends in funding of UN operational activities for development. It shows that core, non-core and total contributions grew, in real-terms, cumulatively by 10, 190 and 104 per cent respectively in the 1993 to 2008 period. To facilitate better understanding of trends in core and non-core resources flows, operational activities for development have been broken down into two main categories (a) development-related activities and (b) humanitarian assistance. Further information on how the share of each category is estimated, is provided here below.

The real growth in non-core funding for development-related activities was particularly high or 257 per cent. Total contributions to UN operational activities for development grew, in real-terms, by 5 per cent annually in the 1993 to 2008 period, compared with 1.5 per cent in overall OECD/DAC ODA flows. The core ratio of development-related contributions to the UN development system, however, declined from 55 to 27 per cent during this period.

| | | Current US\$ (billion) | | | | Constant 2007 US\$ (billion) | | | | |
|-------------------------|------------|------------------------|------|------|------|------------------------------|------|------|------|------------------|
| | | 1993 | 1998 | 2003 | 2008 | 1993 | 1998 | 2003 | 2008 | % change '93-'08 |
| TOTAL | core | 3.6 | 3.6 | 3.7 | 5.7 | 4.9 | 4.9 | 4.5 | 5.4 | 10% |
| | non-core | 3.9 | 5.1 | 9.2 | 16.4 | 5.4 | 6.9 | 11.3 | 15.6 | 190% |
| | total | 7.5 | 8.7 | 12.8 | 22.0 | 10.3 | 11.8 | 15.8 | 21.0 | 104% |
| | core ratio | 48% | 42% | 29% | 26% | | | | | |
| Longer-term development | core | 2.6 | 2.8 | 2.6 | 4.0 | 3.6 | 3.8 | 3.2 | 3.8 | 6% |
| | non-core | 2.1 | 3.5 | 6.5 | 11.1 | 2.9 | 4.7 | 8.0 | 10.5 | 257% |
| | total | 4.8 | 6.3 | 9.1 | 15.1 | 6.6 | 8.5 | 11.3 | 14.4 | 119% |
| | core ratio | 55% | 44% | 29% | 27% | | | | | |
| Humanitarian focus | core | 0.9 | 0.8 | 1.1 | 1.6 | 1.3 | 1.1 | 1.3 | 1.5 | 20% |
| | non-core | 1.8 | 1.6 | 2.6 | 5.3 | 2.4 | 2.2 | 3.3 | 5.1 | 110% |
| | total | 2.7 | 2.4 | 3.7 | 7.0 | 3.7 | 3.3 | 4.6 | 6.6 | 79% |
| | core ratio | 35% | 35% | 29% | 23% | | | | | |

- The data in the table is based on nine UN entities accounting for 87 per cent of total contributions to UN operational activities for development in 2008. The nine entities are: UNDP (including administrative funds UNCDF, UNIFEM and UNV), UNICEF, UNFPA, WFP, FAO, ILO, UNESCO, WHO and UNHCR. An estimate for total contributions to the UN development system was made by dividing each figure by 0.87.
- The figure for longer-term development activities is calculated by adding 95 per cent of all contributions to UNDP⁹, 75 per cent of all contributions to UNICEF and 100 per cent of all contributions to UNFPA, WHO, FAO, ILO and UNESCO.
- The figure for humanitarian assistance is calculated by adding 5 per cent of all contributions to UNDP, 25 per cent of all contributions to UNICEF and 100 per cent of all contributions to WFP and UNHCR.

⁹ Including administrative funds UNCDF, UNIFEM and UNV.

Graph 1 Real growth in core, non-core and total contributions between 1993 and 2008

This graph shows the real growth in core, non-core and total contributions to UN operational activities for development between 1993 and 2008. As can be seen from the graph, the real increase in core contributions was very modest compared to the growth in non-core contributions which almost tripled during this period.

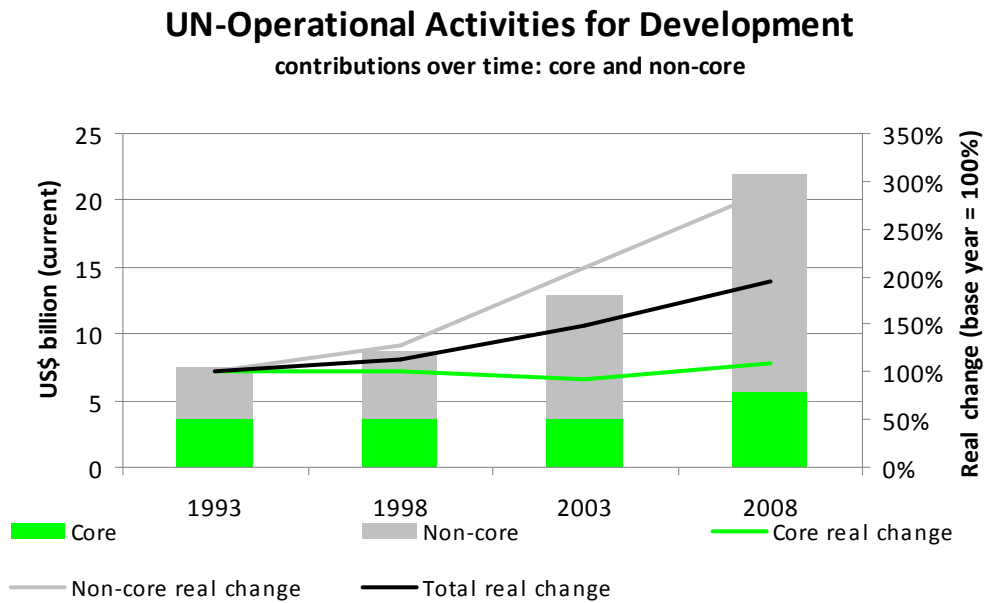
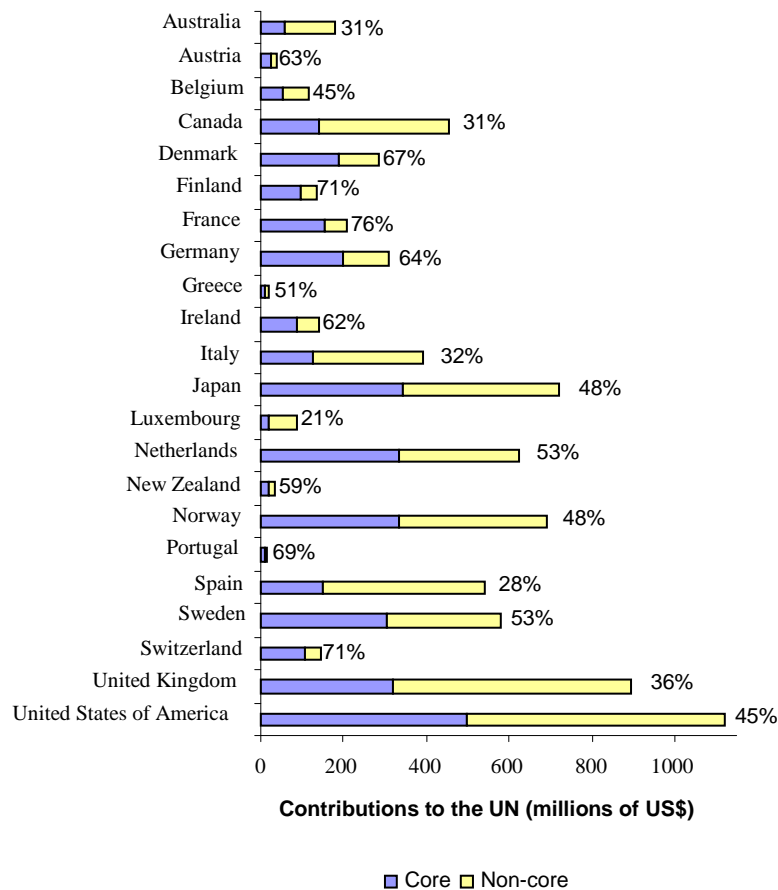


Figure 3 Contributions and core ratio of OECD/DAC countries for development-related activities in 2008

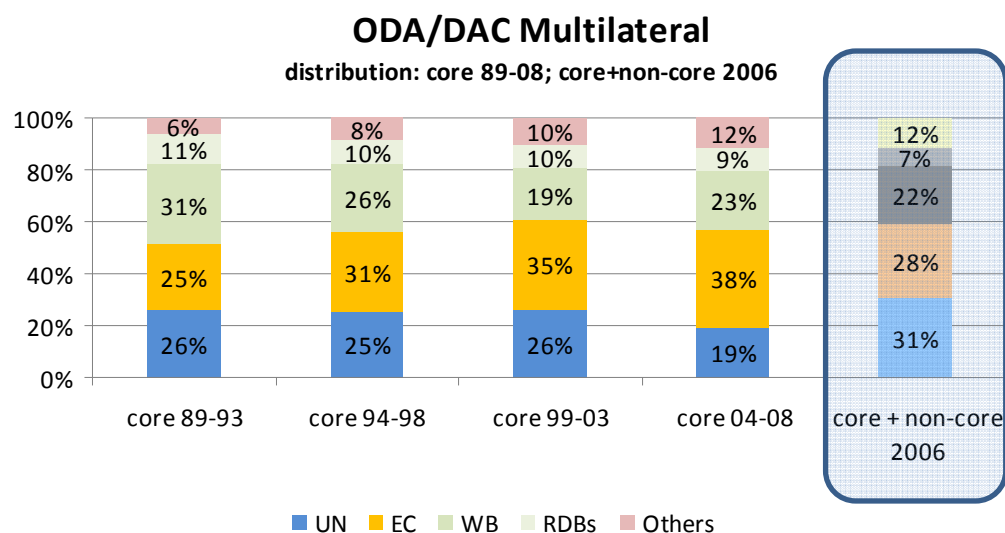
This graph presents the volume of development-related funding provided by OECD/DAC countries in 2008 as well as the ratio of core funding. The core ratio of eleven of the OECD/DAC countries was higher than 50 per cent in 2008, with the average 47 per cent. Six OECD/DAC countries contributed less than 40 per cent of development-related contributions as core funding.



(c) Sources of funding

Figure 4 Share of UN development system of OECD/DAC bilateral flows to multilateral system

This graph presents trends in direct funding of OECD/DAC countries to key multilateral institutions. It shows that the share of the UN development system of all core contributions by OECD/DAC countries to the multilateral system declined from 26 to 19 per cent between 1989 and 2008, with the World Bank experiencing a reduction from 31 to 23 per cent¹⁰. The share of the European Commission, however, increased significantly from 25 to 38 per cent. The last column in the figure shows the relative share of the UN system, European Commission, World Bank, regional development banks and others of overall funding to the multilateral system. Annex I provides additional information on the comparability of OECD/DAC and UN system reporting.



The above graph captures direct funding by OECD/DAC countries and not the funding channeled through the UN system indirectly in the form of contributions to the UN system by the EC, WB, RDBs and others. Non-core contributions of the European Commission to the UN development system for instance increased from US\$0.2 billion in 1999 to US\$1.25 billion in 2008. Accordingly, the share of total OECD/DAC resources being channeled through the UN system is estimated to be in the range of 35 per cent.

The 5-year averages of total OECD/DAC ODA contributions to the multilateral system (in billions of 2007 constant US\$) were as follows: 1989-1993: \$23.5; 1994-1998: \$22.6; 1999-2003: \$24.6; 2004-2008: \$30.0.

¹⁰ World Bank figures are based on OECD/DAC statistics.

Figure 5 Sources of contributions to operational activities for development in 1993

Figure 5 shows that of all contributions to UN operational activities for development in 1993, OECD/DAC accounted for 80 per cent. About 57 per cent of all funding by OECD/DAC countries in 1993 were core contributions.

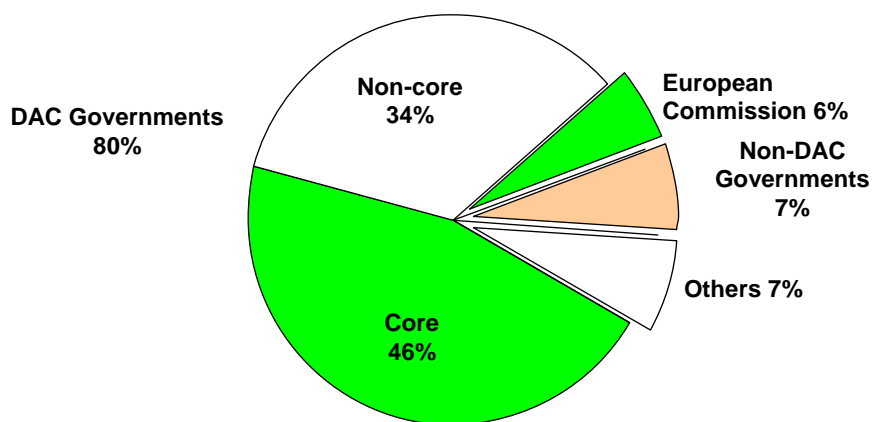


Figure 6 Sources of contributions to operational activities for development in 2008

By the year 2008, the share of OECD/DAC countries of overall contributions to UN operational activities for development had declined to 63 per cent. During this time, a notable diversification had taken place in the funding base of the UN system. For example, non-DAC countries accounted for 12 per cent of total contributions in 2008 compared to 7 per cent in 1993 and others i.e. global funds, foundations and the private sector for 18 per cent.

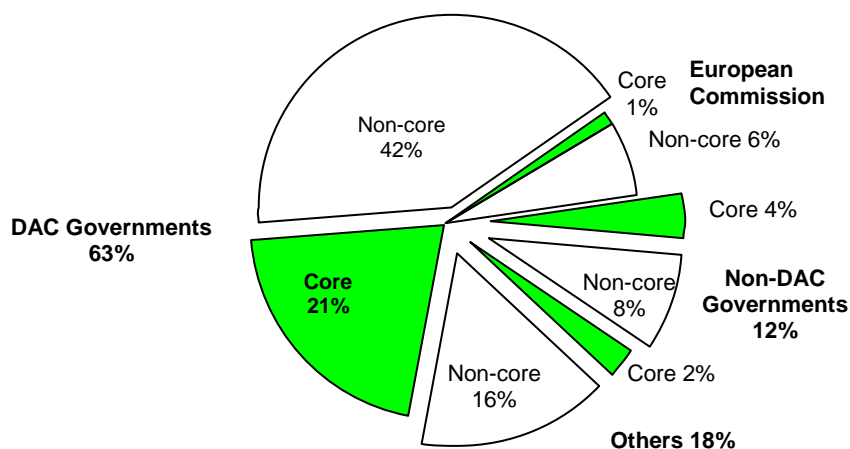
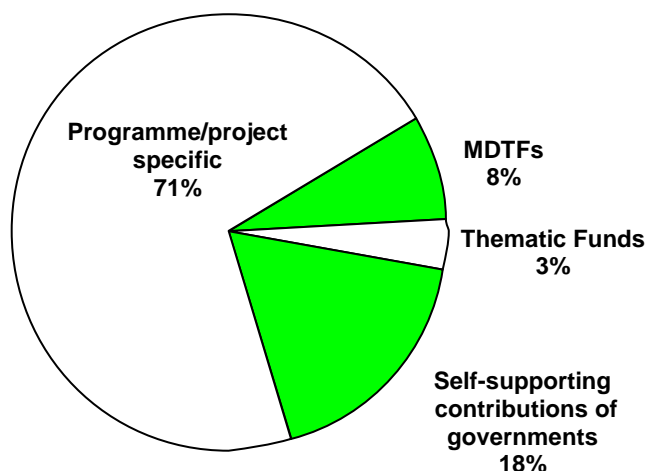


Figure 7 Modalities for delivering non-core development-related funding in 2008

Non-core funding to the UN development system is delivered through three main funding modalities: (a) pooled mechanisms such as multi-donor trust funds and thematic funds, (b) local, self-supporting contributions of programme countries, and (c) programme and project specific funding. Of the US\$15.7 billion in non-core funding to the UN development system in 2008, US\$9.0 billion was development-related (see Table 1). Of this amount, 71 per cent, or US\$6.4 billion, was programme and project specific funding, of which OECD/DAC countries contributed 64 per cent or US\$4.1 billion. It is this non-core development-related programme and project specific funding by OECD/DAC countries that constitutes the main pool of resources that could potentially become more flexible and predictable.



(d) Predictability of resources

Table 3 Comparison of projected and actual contributions to four UN entities (millions of US\$)

This table compares projected core and non-core funding to four entities as reflected in strategic plans to actual contributions received from development partners. The table shows that projected and actual figures, particularly for non-core funding, have varied considerably.

| Year | UNDP | | | | UNICEF | | | | UNFPA | | | | WHO | | | |
|--------------|-------------|-------------|--------------|--------------|-------------|-------------|-------------|--------------|--------------------|-------------|------------|-------------|---------------|---------------|----------------|----------------|
| | Core | | Non-core | | Core | | Non-core | | Core | | Non-core | | Core | | Non-core | |
| | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual | Projected | Actual |
| 2000-2003 | | | 6314 | 8090 | | | | | 1377 ¹¹ | 1051 | 140 | 412 | | | | |
| 2000 | 800 | 634 | | | 643 | 597 | 435 | 516 | | | | | | | | |
| 2001 | 900 | 652 | | | 701 | 541 | 453 | 639 | | | | | | | | |
| 2002 | 1000 | 663 | | | 588 | 697 | 610 | 702 | | | | | | | | |
| 2003 | 1100 | 769 | | | 585 | 721 | 610 | 967 | | | | | | | | |
| 2004-2007 | | | 7800 | 14610 | | | | | 1203 | 1471 | 320 | 538 | | | | |
| 2004 | 800 | 842 | | | 602 | 779 | 610 | 1190 | | | | | | | | |
| 2005 | 900 | 918 | | | 815 | 796 | 610 | 1946 | | | | | | | | |
| 2006 | 1000 | 916 | | | 839 | 1043 | 1249 | 1710 | | | | | 2006-7 915 | 2006-7 909 | 2006-7 2398 | 2006-7 3072 |
| 2007 | 1100 | 1116 | | | 869 | 1090 | 1275 | 1889 | | | | | | | | |
| 2008-2011 | | | | | | | | | | | | | | | | |
| 2008 | 1100 | 1097 | 3900 | 4160 | 900 | 1067 | 1301 | 2273 | 416 | 429 | 200 | 366 | | | | |
| Total | 8700 | 7607 | 18014 | 26860 | 6542 | 7331 | 7153 | 11832 | 2996 | 2951 | 660 | 1316 | | | | |

(See below).

¹¹ The strategic plan projected core contributions to be in the range between 1,294 and 1,460 million US\$.

An effort has been made to examine predictability of resources by comparing information in strategic planning frameworks with actual contributions received. At the time of preparing the current note insufficient data were available for a comprehensive and meaningful review.

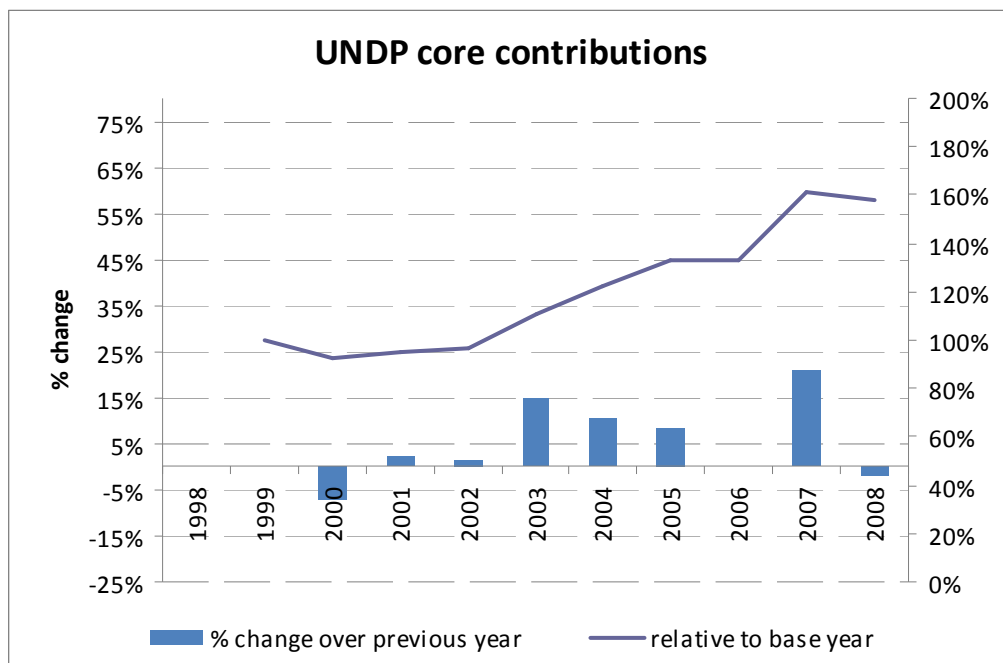
Instead, elements of predictability have been reviewed for some entities by examining actual volatility and fluctuation in contributions compared to the previous year and the actual impact thereof on overall availability of resources over time as compared to a given base year. Further review is needed to examine whether the actual performance in the case of UNDP and UNICEF is representative for other entities and for operational activities as a whole.

In the case of both UNDP and UNICEF it would seem that annual fluctuations in core contributions did not have a negative impact on the overall steady growth in available core resources during the 2000 to 2008 period. It is further believed that annual fluctuations had an even lesser impact on overall programme expenditures as a result of the inherent delay between receipt of contributions and actual programme delivery.

In examining fluctuations and volatility in contributions, the impact of exchange rates should be taken into account. Graph 5 provides information in this regard by examining volatility and fluctuations in US\$ exchange rates of the Euro and Japanese Yen compared to the previous year and the actual impact thereof over time as compared to a given base year. The graph illustrates the very significant fluctuations experienced during the period 1999-2008. Some of the fluctuations had orders of magnitude that were similar to fluctuations in US\$ denominated contributions reviewed for UNDP and UNICEF.

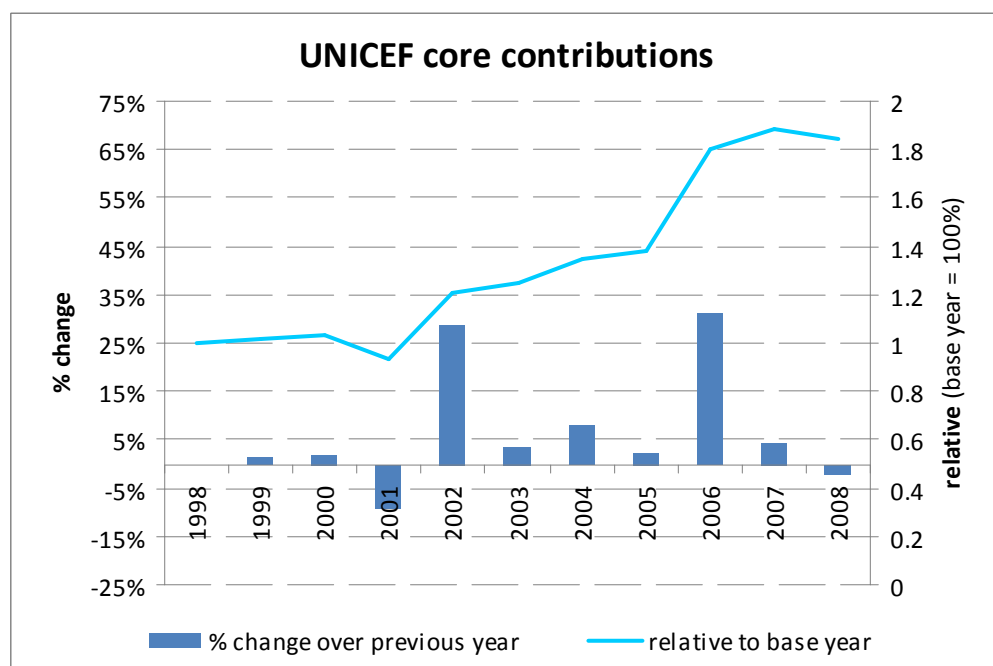
Graph 2 Trend in core contributions to UNDP (base year: 2000; nominal data)

As can be seen from this graph, core contributions of UNDP experienced a steady increase during the 2000 to 2008 period.

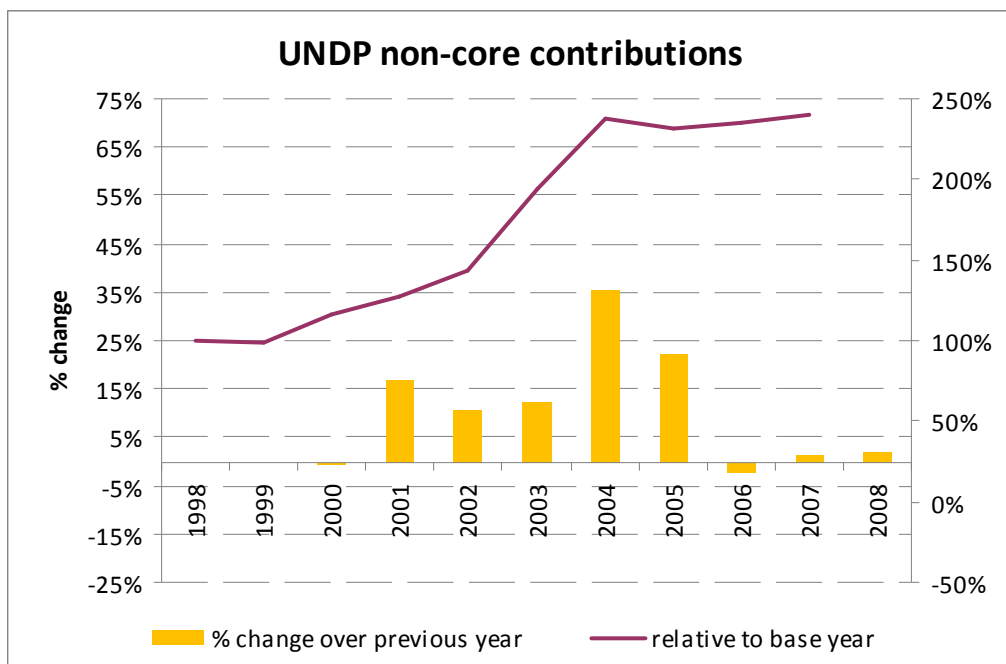


Graph 3 Trend in core contributions to UNICEF (base year: 1998; nominal data)

Core contributions of UNICEF also experienced steady increase between 1998 and 2008.

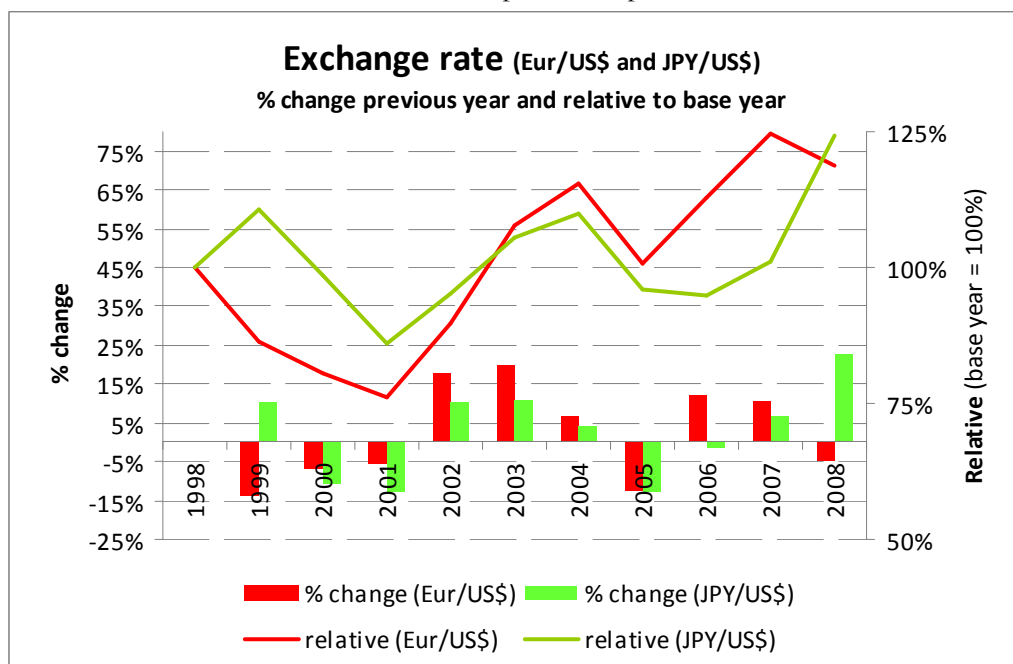


Graph 4 Trend in non-core contributions to UNDP (base year: 1998; nominal data)



Graph 5 Trend in Euro/US\$JPY exchange rates (base year: 1998)

This graph shows the significant influence that exchange rate fluctuations have had on contribution levels to the UN development system. Between 1998 and 2001, the Euro and Japanese Yen depreciated about 25 per cent against the US\$, a trend that has since reversed in the other direction, with positive impact on contribution levels.



(e) Prospects for 2010

There is concern that the growth seen in contributions to the UN system over the past five years could stagnate, or possibly reverse, due to the negative impact of the global economic crisis.¹² UNDP, for example, is projecting core resources in 2009 to decrease to about US\$1.0 billion and amount to US\$2.3 billion in the 2010/11 biennium, the same as 2008/9. UNDP is also projecting non-core contributions to drop to US\$5.0 billion in the 2010/11 biennium, down from US\$5.3 billion in 2008/9. UNICEF forecasts total income to decrease about 14 per cent in 2009 compared to 2008, with income increasing slightly each subsequent year, but not reaching the 2008 level until at least 2012 (US\$3.16 billion forecasted for 2012).¹³ UNICEF attributes the decrease in non-core funding in 2009 primarily to the negative impact of the global economic downturn. WFP received US\$4.0 billion in contributions in 2009, down from US\$5.0 billion in 2008. UNFPA is forecasting income of US\$1.4 billion in the 2010/11 biennium, slightly down from the US\$1.446 billion in 2008/9.

(f) Burden-sharing among DAC donors

The volume of core funding for UN operational activities and respective sources of such funding is closely linked to the sharing of the burden by contributing donors. This has added importance in view of the fact that core resources in general cover a greater proportion of institutional costs of UN entities thereby affecting the volume of core resources available for actual programme expenditures at regional and programme country levels. The difference between donors in this regard is quite significant. The volume of core funding for UN operational activities is closely linked to the sharing of the burden by donors.

The 1970s and 1980s saw a trend emerging towards increasingly uneven burden-sharing of core funding for UN operational activities for development.¹⁴ This trend has largely continued during the 1990s and the first decade of the new century. From 1995 to 2008, the top ten donors to UNICEF contributed on average 80.5 per cent of core contributions; for UNDP the percentage was close to 84.1 per cent; and for UNFPA 92.5 per cent. The issue of concentration of donor-related funding also applies to specialized agencies. In FAO, for example, the top ten donors (excluding global funds such as CERF, but including multilateral contributions) accounted for 53 per cent of total voluntary resources received in 2006-2007, with the top twenty contributing 79 per cent.¹⁵

Of total core contributions from governments to UN operational activities for development in the 2007 to 2008 biennium, 10 donor countries accounted for approximately 79 per cent (See Table 4). Reliance on small number of countries for high share of core contributions also makes UN entities vulnerable to fluctuations in overall resources flows, e.g. if one, or more, major donors suddenly decide to reduce funding. This risk should be addressed by broadening the donor base of UN operational activities for development.

¹² Information provided in this section is largely based on inputs provided by UNDP, UNICEF and UNFPA for the 2009 UN Pledging Conference.

¹³ See E/ICEF/2009/AB/L.5.

¹⁴ Report of the Nordic Project, 1991.

¹⁵ FAO Programme Implementation Report, 2006-2007 (paragraph 34 and table 4).

Table 4 Top 10 donors of core contributions to the UN system in 2007/2008 biennium (thousands of US\$)

| Rank | Donor | Core Contributions (2007, 2008) | Share (%) |
|-------|---|------------------------------------|--------------|
| 1 | United States of America | 1 387 295 | 14 |
| 2 | Japan | 966 152 | 10 |
| 3 | Netherlands | 909 481 | 9 |
| 4 | United Kingdom of Great Britain and Northern Ireland | 894 580 | 9 |
| 5 | Norway | 838 476 | 8 |
| 6 | Sweden | 823 541 | 8 |
| 7 | Germany | 626 940 | 6 |
| 8 | Saudi Arabia | 533 491 | 5 |
| 9 | Denmark | 520 964 | 5 |
| 10 | Spain | 470 113 | 5 |
| Total | | 7 971 033 | 79 |

B. Use of resources

(a) Volume

Table 5 Expenditures on operational activities for development by the UN system in 2008¹⁶

| 2008 (thousands of US\$) | | | |
|-----------------------------|--------------------------|------------------------------|-------------------|
| <i>Expenditures by:</i> | <i>Core financed</i> | <i>Non-core financed</i> | <i>Total</i> |
| <i>Funds and Programmes</i> | | | |
| UNDP | 590 436 | 3 679 363 | 4 269 799 |
| UNFPA | 272 246 | 164 209 | 436 455 |
| UNICEF | 746 575 | 2 061 764 | 2 808 339 |
| WFP | 516 699 | 3 019 046 | 3 535 746 |
| UNHCR | 319 495 | 1 277 978 | 1 597 473 |
| Other Funds and Programmes | 773 817 | 697 753 | 1 471 570 |
| <i>Specialized Agencies</i> | | | |
| FAO | 48 972 | 512 888 | 561 860 |
| ILO | 237 968 | 159 354 | 397 322 |
| UNESCO | 143 169 | 228 213 | 371 382 |
| UNIDO | 116 506 | 102 616 | 219 122 |
| WHO | 452 499 | 1 253 779 | 1 706 277 |
| Other Specialized Agencies | 357 084 | 340 173 | 697 257 |
| <i>Regional Commissions</i> | 12 235 | 41 658 | 53 892 |
| <i>Other¹</i> | 55 583 | 150 076 | 205 659 |
| Total Expenditures | 4 643 284 | 13 688 871 | 18 332 155 |

¹ UNDESA, UNOCHA, PBSO

¹⁶ Reporting on contributions to WHO's operational work will be further refined in collaboration with that entity. For the time being, the entire WHO core budget is included in the above table.

(b) Geography

Figure 8 Top ten recipient countries of non-core funded expenditures in 2008

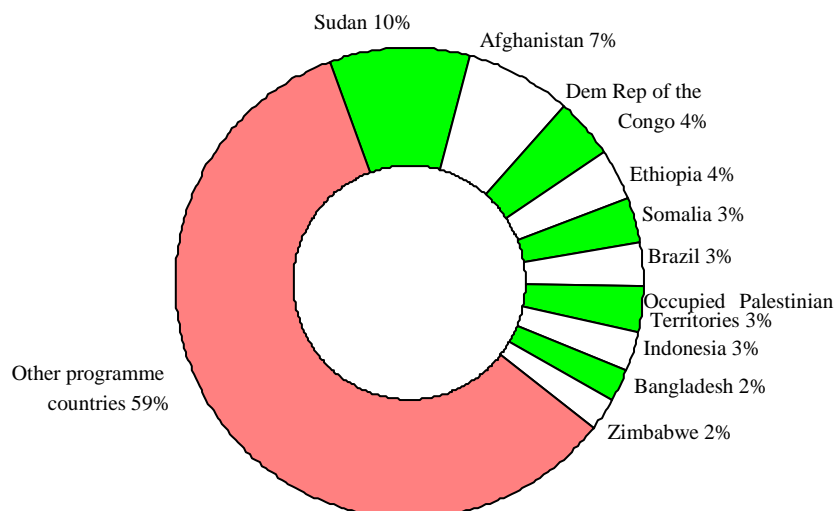


Table 6 Top twenty recipient countries of core and non-core funding in 2008¹⁷

| Recipient | Expenditure ranking | |
|----------------------------------|---------------------|----------|
| | Core | Non-core |
| Sudan | 3 | 1 |
| Afghanistan | 8 | 2 |
| Occupied Palestinian Territories | 1 | 6 |
| Dem Rep of the Congo | 5 | 3 |
| Ethiopia | 4 | 4 |
| Somalia | 26 | 5 |
| Kenya | 6 | 10 |
| Bangladesh | 19 | 9 |
| Uganda | 12 | 12 |
| Zimbabwe | 43 | 9 |
| Indonesia | .. | 7 |
| Iraq | 21 | 11 |
| Chad | 17 | 13 |
| Pakistan | 14 | 16 |
| India | 11 | 17 |
| Myanmar | 20 | 15 |
| Jordan | 53 | 2 |
| Lebanon | 10 | 18 |
| Nigeria | 9 | 20 |
| Liberia | 15 | 22 |

¹⁷ Brazil, Colombia, Panama and Argentina with major “self-supporting” non-core contributions, have not been included in the above list.

Table 7 Proportion of expenditures financed from core resources of selected entities in LDCs and non-LDCs¹⁸

This table shows the share of expenditures in least-development countries (LDCs) and other developing countries that do not belong to the LDC group that is financed from core contributions to the respective entities. Where the share is greater for LDCs than for non-LDCs, it means that non-core resources are less focused on LDCs compared to core resources.

| | LDC | non-LDC |
|------------------------------|------------|----------------|
| (Development-related) | | |
| UNDP | 18 | 8 |
| UNFPA | 58 | 67 |
| UNICEF | 31 | 22 |
| FAO | 15 | 24 |
| UNIDO | 4 | 3 |
| WHO | .. | .. |
| (Humanitarian focus) | | |
| WFP | 12 | 7 |
| UNHCR | .. | .. |
| UNRWA | .. | .. |
| Overall (excl. UNRWA) | 21 | 14 |

¹⁸ Least-developed countries are considered the most vulnerable countries in the world as classified by the UN Committee for Development Policy (a subsidiary body of the UN Economic and Social Council).

Table 8 Proportion of expenditures financed from core resources by income groups¹⁹

The *first column* in this table shows the proportion of expenditures in the three income groups financed from core resources in 2008. For example, 62 per cent of expenditures of UNFPA in low-income countries were financed from core contributions in 2008. The *second column* shows the share of core resources spent in the three income groups. For example, 79 per cent of core resources in UNDP were spent in low-income countries; 17 per cent in low-middle income countries; and 4 per cent in upper-middle income countries. The *third column* shows the share of non-core resources spent in the three income groups. For example, 23 per cent of non-core resources in UNDP were spent in upper-middle income countries.

| | CORE SHARE | | | CORE EXPENDITURE SHARE | | | NON-CORE EXPENDITURE SHARE | | |
|------------------------------|------------|-------------------|--------------|------------------------|-------------------|--------------|----------------------------|-------------------|--------------|
| | Low-Income | Low-middle income | Upper-middle | Low-Income | Low-middle income | Upper-middle | Low-Income | Low-middle income | Upper-middle |
| (Development) | | | | | | | | | |
| UNDP | 20 | 7 | 2 | 79 | 17 | 4 | 45 | 31 | 23 |
| UNFPA | 62 | 65 | 61 | 69 | 24 | 6 | 70 | 22 | 6 |
| UNICEF | 31 | 16 | 21 | 84 | 13 | 3 | 71 | 24 | 4 |
| FAO | 15 | 25 | 36 | 53 | 31 | 13 | 69 | 22 | 5 |
| UNIDO | 5 | 3 | 1 | 58 | 34 | 7 | 39 | 42 | 16 |
| WHO | | | | | | | | | |
| (Humanitarian) | | | | | | | | | |
| WFP | 13 | 1 | 54 | 96 | 2 | 1 | 81 | 16 | 0 |
| UNHCR | | | | | | | | | |
| UNRWA | .. | 63 | 50 | 0 | 88 | 12 | 0 | 80 | 20 |
| Overall (excl. UNRWA) | 22 | 11 | 7 | 81 | 14 | 3 | 63 | 24 | 10 |

¹⁹ Income groups are based on the World Bank's *World Development Indicators 2009* publication which groups countries according to 2008 GNI per capita.

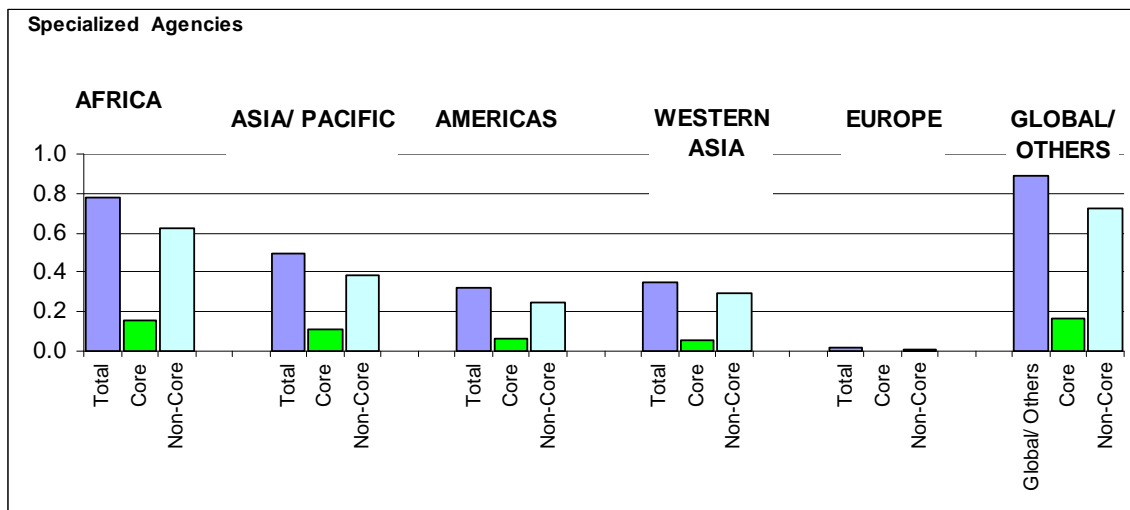
Table 9 Proportion of expenditures financed from core resources of selected entities by region (blank cells means no information available)²⁰

This table presents the share of expenditures in different regions that was financed in 2008 from core contributions. For example, 30 per cent of the expenditures of UNICEF in Africa were financed from core resources. This ratio was much lower in FAO or 19 per cent. It is particularly noteworthy that a considerable part (25%) of global programmes in funds and programmes were financed from core resources.

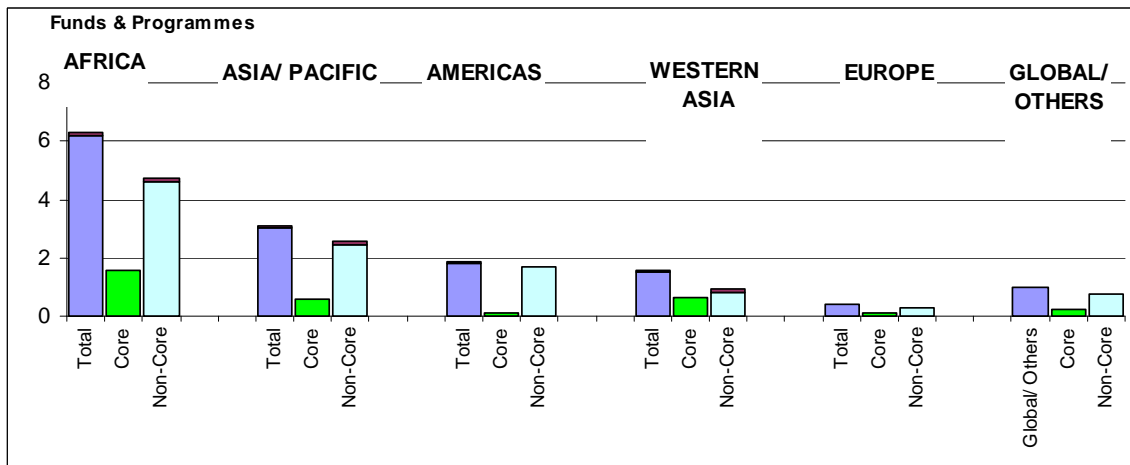
| | Africa | Asia/Pacific | Americas | Western Asia | Europe | Global |
|-----------------------|-----------|--------------|----------|--------------|-----------|-----------|
| (Development) | | | | | | |
| UNDP | 23 | 14 | 2 | 5 | 8 | 25 |
| UNFPA | 60 | 78 | 52 | 45 | 59 | .. |
| UNICEF | 30 | 24 | 19 | 17 | 23 | 16 |
| FAO | 19 | 22 | 40 | 20 | 45 | 0 |
| UNIDO | 4 | 5 | 8 | 1 | 5 | 15 |
| WHO | 26 | 31 | 60 | 16 | 38 | 25 |
| (Humanitarian) | | | | | | |
| WFP | 13 | 3 | 9 | 17 | 37 | .. |
| UNHCR | 37 | 31 | 36 | 16 | 83 | .. |
| UNRWA | .. | .. | .. | 61 | .. | .. |
| Overall | 23 | 18 | 9 | 34 | 31 | 21 |
| Specialized Agencies | 21 | 25 | 43 | 17 | 27 | 26 |
| Funds & Programmes | 23 | 17 | 6 | 43 | 15 | 25 |

²⁰ See Annex II of the *Comprehensive statistical analysis of the financing of operational activities for development of the United Nations system for 2007* (A/64/75-E/2009/59) for a complete country-breakdown of the regions.

Graph 6 Expenditures of specialized agencies by region in 2008 (billions of US\$)



Graph 7 Expenditures of funds and programmes by region in 2008 (billions of US\$)



Annex I

Differences in OECD/DAC and UN system reporting

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

In UN 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. 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 UN includes non-core contributions in its estimates because it considers that the purpose of both core and non-core Government contributions to the United Nations system is to support its operational activities. DAC classifies non-core contributions to the United Nations system as bilateral aid because it considers that donor Governments effectively control the use of non-core funds and that the UN entities are channels of delivery, as opposed to recipients, of aid.

This difference in the treatment of non-core contributions is the most important single cause of differences between the data published by the two organizations. This includes self-supporting contributions which are not treated as contributions to the United Nations by DAC, as DAC would have already classified them as contributions either directly to the recipient country or to the relevant development bank.

In addition, UN figures include contributions to the UN system from all non-DAC countries whereas the DAC does not collect data from some large non-DAC countries.

The UN data include contributions from NGOs and private organizations. In DAC statistics these are recorded under the category of private flows (i.e., not ODA), and those extended to the UN cannot be separately identified.

There are also other reporting differences currently under review, such as contributions to the United Nations system for thematic programmes, still mainly reported by DAC as bilateral aid but 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 trust fund, it would probably be recorded as a disbursement by that donor (and thus by OECD/DAC) at the moment the donor makes the contribution. However, there may be a delay before those funds are transferred to the implementing agencies. Money is allocated to the United Nations entities implementing certain aspects of a project only when the project has been approved, and, once allocated, the amount is recorded as income by the UN.

Annex II

Key non-core funding modalities

Thematic funds

Thematic contributions remain a tiny source of funding for entities of the UN development system, except UNICEF. This form of contributions, however, may be considered the most attractive form of funding after regular resources and/or voluntary core funding, because such support is aligned with the strategic goals and priorities of the respective UN entity, while allowing for longer-term planning and sustainability. One advantage of thematic funds vis-à-vis other non-core funding modalities is lower transaction costs combined with less burdensome reporting, thus allowing more concentration on programming and achieving results. Member States may wish to discuss how to strengthen the role of thematic funds in the overall funding architecture of UN operational activities for development.

Multi-donor trust funds

As of the end of 2009, over \$4.5 billion had been invested in UN-administered MDTFs, with the vast majority of these resources being channeled through the UNDP MDTF Office. Fourteen of the twenty-eight MDTFs administered by UNDP are Delivering-as-One related.²¹ The experience in the UN system in administering such funds in post-conflict contexts has been mixed.²² The MDTFs are being used to address various humanitarian, recovery, reconstruction and development challenges that have emerged at the country-level as the result of 'horizontal' programming, including the UNDAFs. Such funds have well-defined objectives, but operate outside the strategic planning framework of UN agencies as special development situations cannot easily be foreseen and planned for. The MDTFs provide an instrument to enable UN entities to pool their technical resources to address difficult development challenges at the country-level.

Self-supporting contributions

Often countries provide resources, either in cash or in kind, to UN agencies for development activities in their own countries. In 2008, so-called "self-supporting" resources, channeled by Governments, through United Nations agencies for expenditure in their own country, amounted to \$1.73 billion. The top self-supporting contributing countries in 2008 were Panama, Brazil and Argentina.

Self-supporting contributions represent a large share of UNDP resources and reached \$1.04 billion in 2008. This type of financing is most prevalent in middle-income Latin American countries,

²¹ The experience from Tanzania suggests that the One UN Fund has fostered strategic focus, enhanced Government ownership, allowed for better performance on Paris indicators, reduced transaction costs and competition for funds, served as catalyst for harmonization of business practices and allowed better long-term planning, MDTF undg-Donor Meeting, 21 January 2010.

²² Lessons from operating MDTFs in Southern Sudan suggest the following: (a) if there is more than one pooled fund in a country, a joint management and governance structure should be created to enable joint assessments and improve synergies, (b) pooled funding mechanisms must be given sufficient management capacity including the deployment of sufficient numbers of appropriately trained professionals and allocations to cover necessary operational costs, (c) flexibility to respond to changing dynamics and insufficient Government capacity without compromising accountability must be included in the management arrangements of MDTFs and (d) a core set of harmonized procedures and guidelines for management and implementation of MDTFs, with specific fast-track provisions should be developed to enable efficient and accountable strategic results aligned to national priorities, MDTF undg-Donor Meeting, 21 January 2010.

where the host country channels funds through the local UNDP office, which receives a management fee for that service.

Programme and project specific funding

As presented in Figure 7, 71 per cent of non-core development-related contributions are programme or project specific funding. These contributions are often of an unpredictable nature. The rapid growth in such programme and project specific funding in the past decade has been an important factor in increasing transaction cost for UN entities. Negotiating individual funding agreements, tracking and reporting programming and financial data for hundreds or even thousands of individual projects, and reporting according to widely varying sets of requirements, for example, all add significant costs that fall outside of the organization's basic operating systems. As a result, agencies must juggle both large and small supplementary contributions in time frames inconsistent with their basic managerial processes. In some instances, supplementary funding is also still provided with conditions on monitoring and reporting that fall outside of the normal systems of the respective agencies. Such conditions are an important factor in increasing transaction cost.²³

There are also concerns that rapidly rising programme and project specific funding may distort the work priorities of UN agencies mandated by the respective governing body. While most UN organizations try to ensure that supplementary funding is aligned with strategic priorities, all such financing to some extent distorts the substantive direction set by the respective governing body. This poses a particular challenge for standard-setting specialized agencies, which collectively have seen the share of core funding decline from 36.8 per cent of overall contributions in 2003 to 30.0 per cent in 2008.²⁴ In addition, activities funded by extra-budgetary financing are often not subject to full cost recovery, which, de facto, means that they are being subsidized by core resources.

²³ Discussion paper on funding of UN technical cooperation activities, Lindores (2007).

²⁴ The ratio of regular/extra-budgetary resources among specialized agencies varies greatly. For ILO, for example, this ratio is much higher than the above figure or above 60 per cent.