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**Operational activities of the United Nations for international development cooperation: follow-up to policy recommendations of the General Assembly and the Council**

## **Implementation of General Assembly resolution [71/243](#) on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, 2019: funding analysis**

### **Report of the Secretary-General**

#### *Summary*

The analysis contained in the present addendum is submitted pursuant to General Assembly resolution [71/243](#) on the quadrennial comprehensive policy review of operational activities for development of the United Nations system. It provides an overview of the overall status of the funding of operational activities for development, with a focus on 2017. The analysis includes a review of the progress made in addressing the funding-related challenges highlighted in that resolution, as well as in Assembly resolution [72/279](#).

\* [A/74/50](#).



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## I. Quantity and quality of funding

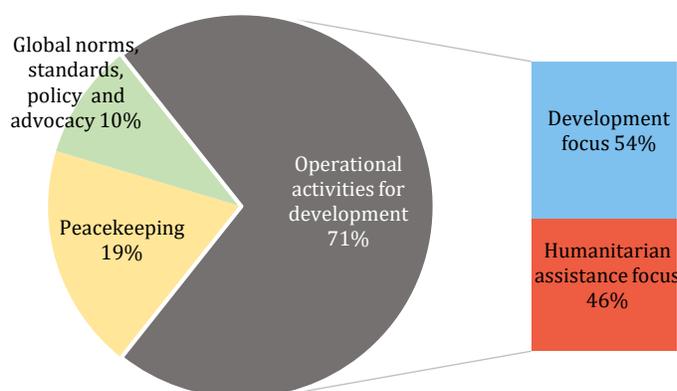
### A. Overview and trends

#### Context of United Nations operational activities for development

1. Expenditure on operational activities for development amounted to \$34.3 billion in 2017, which represented about 71 per cent of the \$48.3 billion in expenditure on all United Nations system-wide activities. Peacekeeping operations accounted for just under a fifth of total expenditures, while global norm- and standard-setting, policy, advocacy and other functions made up the remaining 10 per cent (see figure I).

Figure I

#### Financing of United Nations system-wide activities, 2017

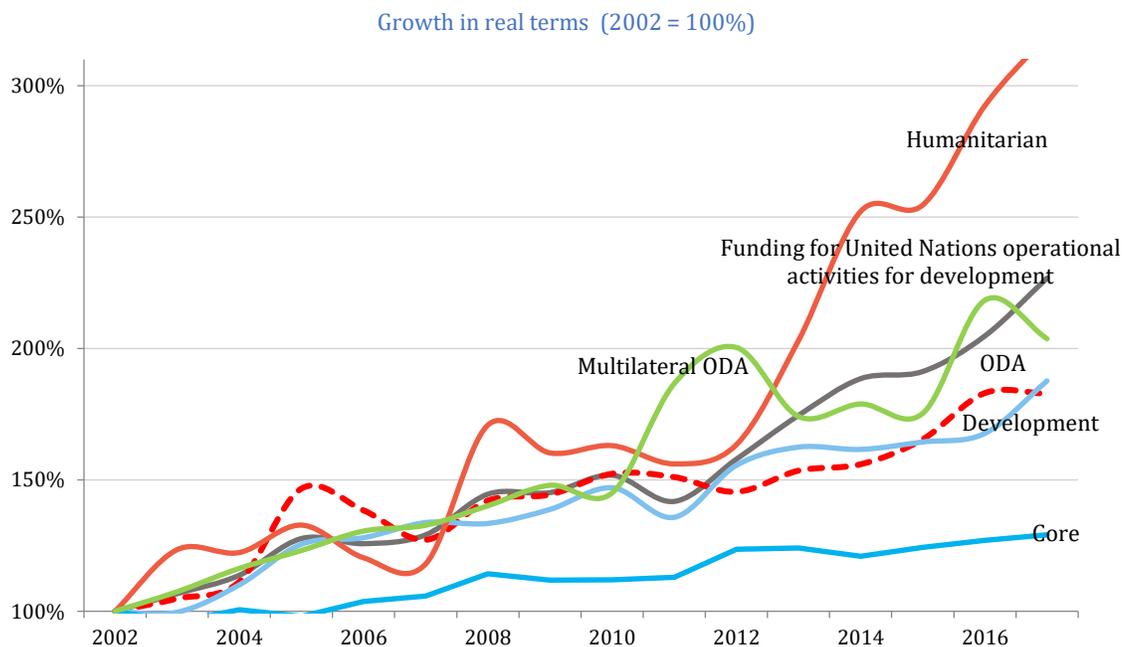


2. Contributions for operational activities for development reached \$33.6 billion in 2017,<sup>1</sup> which equals 23.3 per cent of total official development assistance (ODA). The rate of growth in funding for operational activities for development followed a track similar to that of overall global ODA since 2002. In the five years from 2013 to 2017, however, United Nations development system<sup>2</sup> funding exceeded the ODA growth rate. Core funding for the development system grew at a significantly slower pace than ODA over the 15-year period (see figure II).

<sup>1</sup> This amount differs slightly from the \$34.3 billion expended by the United Nations development system in 2017, since contributions are not necessarily expended in the same calendar year as they are received.

<sup>2</sup> In the present annex, the designation “United Nations development system” refers to 43 United Nations entities that undertake operational activities for development and are eligible for ODA.

Figure II  
**Growth in official development assistance and funding for United Nations operational activities for development, 2002–2016**



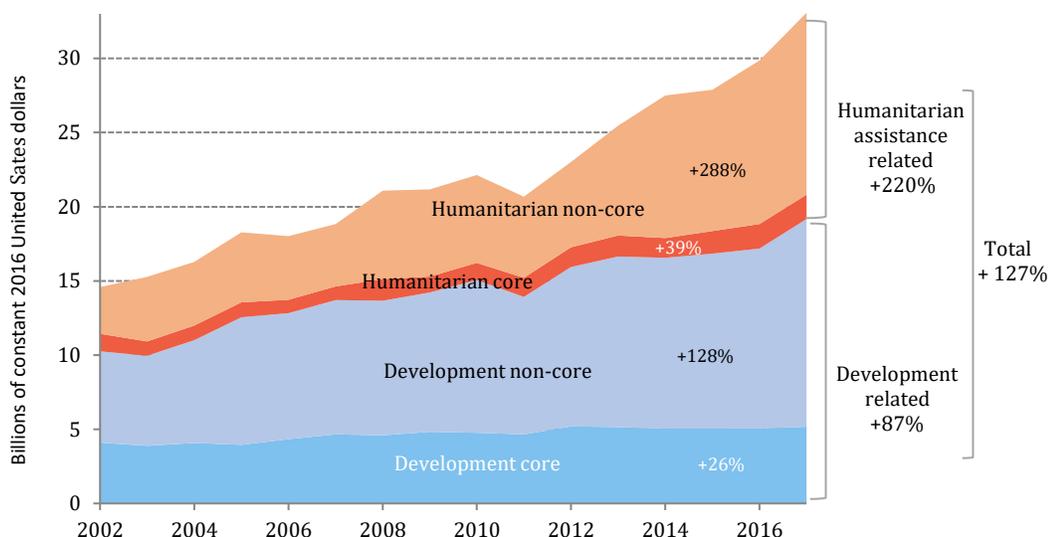
3. Figure II indicates that multilateral ODA grew faster than ODA in general (and at about the same pace as funding for United Nations operational activities for development). The growth in global vertical funds, specifically the Global Alliance for Vaccines and Immunization, the Global Fund to Fight AIDS, Tuberculosis and Malaria and the Asian Infrastructure Investment Bank, is a prime factor in the increase in multilateral ODA. Global funds have rapidly become more prominent and add to the competition many United Nations development system entities face within a growing multilateral system.

#### Trends in core and non-core funding

4. The \$33.6 billion received in funding for operational activities for development in 2017 represents an increase of 12.6 per cent compared with the level in 2016. Core funding increased by 3.4 per cent and non-core funding by 15.3 per cent from 2016 to 2017, resulting in a decline in core funding as a share of the total, from 22.4 per cent to an all-time low of 20.6 per cent.

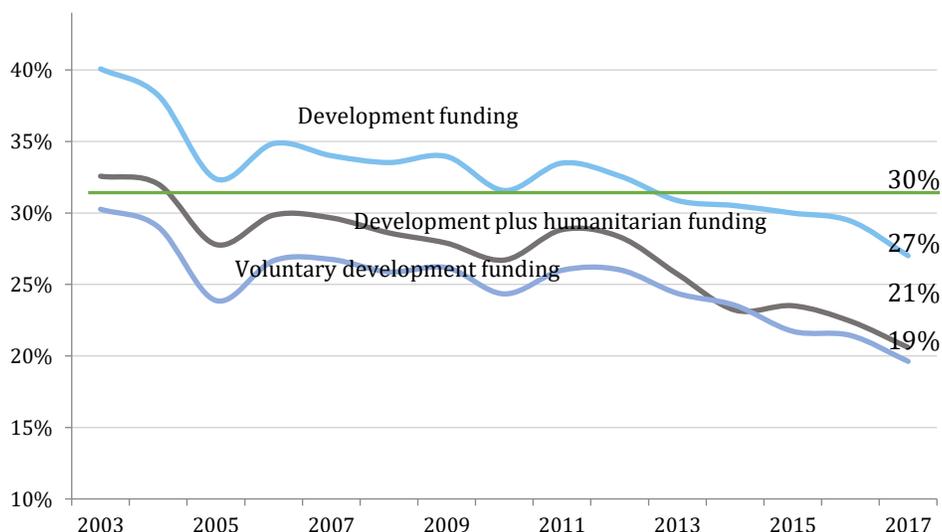
5. Figure III indicates that a similar pattern exists over the longer term. Non-core funding for the United Nations development system nearly doubled from 2007 to 2016, while core funding grew at a rate of approximately one fifth of the non-core rate. Non-core funding for humanitarian assistance activities was particularly robust, increasing by 185 per cent, nearly tripling over the decade. Core funding for development-related activities grew by 8 per cent over the same period.

Figure III  
Change over time in funding for United Nations operational activities for development, 2007–2016



6. The decline in the proportion of core funding to an all-time low was a key catalyst for the funding compact initiative (see [A/74/73/Add.1–E/2019/14/Add.1](#)). Figure IV illustrates the trend in the share of core resources as a percentage of total funding compared with the trends in that share when humanitarian funding and assessed contributions are excluded. Given that funding for humanitarian activities tends to be non-core by nature and, as shown in figure III, humanitarian activities make up an increasing proportion of the system’s overall activities, the nature of the activities being funded is one factor contributing to the declining share of core resources.

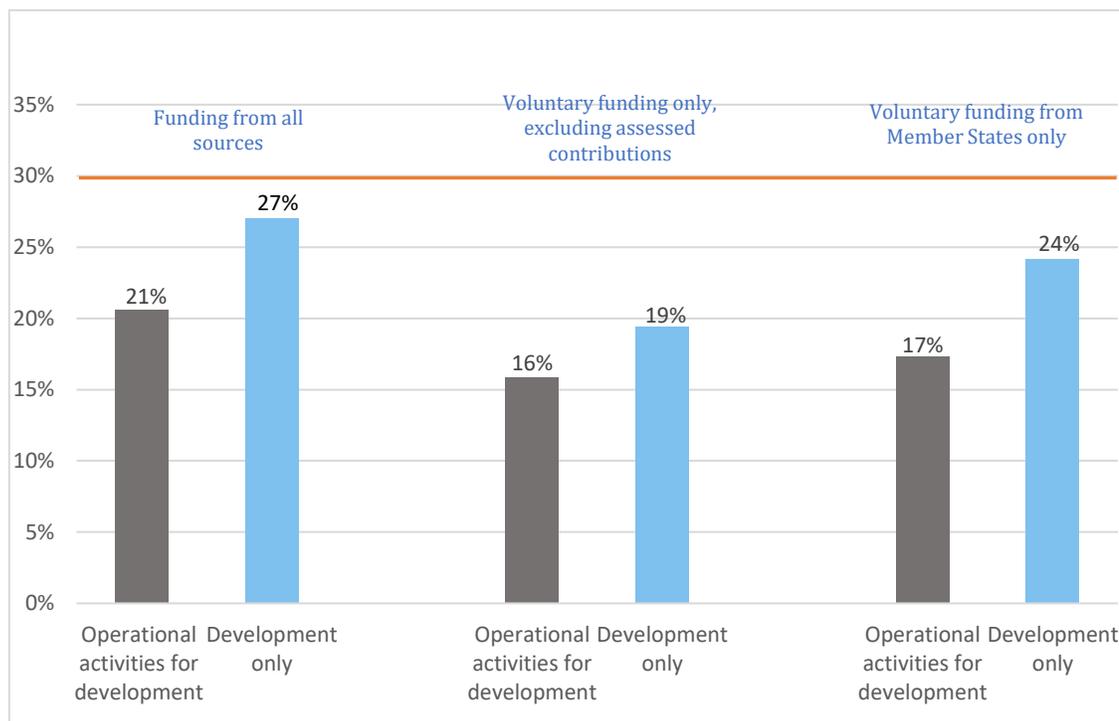
Figure IV  
Trends in the share of core resources



7. The funding compact stipulates that by 2023, 30 per cent of voluntary funding for development activities should be made up of core resources (ibid., para. 18). The last time the share of core resources in voluntary funding for development activities exceeded 30 per cent was in 2003, and the 2017 baseline stood at 19.4 per cent. When assessed contributions are included, 27 per cent of funding for development activities is in the form of core resources.

8. Another factor contributing to the decline is the rapid growth in resources coming from the European Commission, global funds, the private sector and non-governmental organizations (NGOs), almost all which is non-core funding. However, as shown in the figure V, core resources comprise only 17 per cent of voluntary funding from Member States, or 24 per cent if humanitarian funding is excluded. Furthermore, the core share of contributions by Member States has been declining. A recent survey conducted by the Development Assistance Committee of the Organization for Economic Cooperation and Development partially explains the reasons for increased earmarking of funds by Member States. The survey found growing domestic scrutiny within countries that are members of the Committee with regard to how their resources are spent, coupled with concerns over the inefficiency of multilateral organizations. This underscores the importance of the funding compact, in which United Nations development system entities commit to provide greater clarity on what they have achieved with the resources entrusted to them and to achieve efficiency gains.

Figure V  
**Core resources as a percentage of funding, 2017**



**Distribution of funding across entities**

9. Funding is concentrated in a relatively small number of United Nations development system entities. In 2016, the top eight (the World Food Programme (WFP), the United Nations Development Programme (UNDP), the United Nations Children’s Fund (UNICEF), the Office of the United Nations High Commissioner for

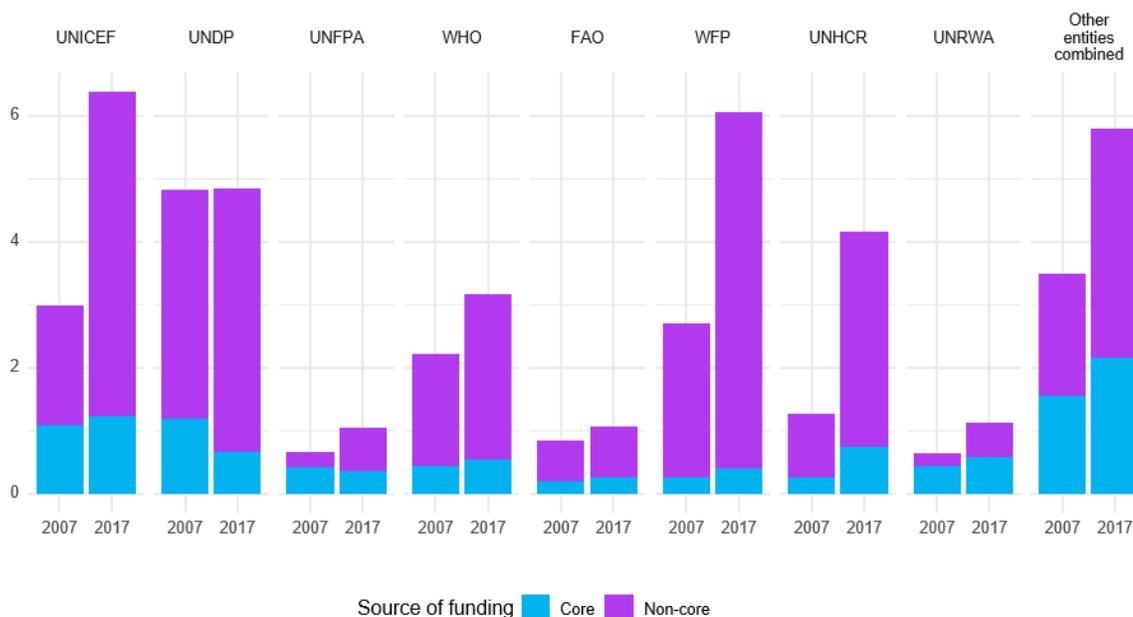
Refugees (UNHCR), the World Health Organization, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Population Fund (UNFPA)) accounted for 83 per cent of all contributions. The other 35 development system entities account for the remaining 17 per cent of funding for operational activities for development.

10. Figure VI shows the core and non-core contributions received by the eight largest United Nations development system entities in 2017 relative to 2007. For each of those entities, non-core contributions increased significantly. There were also notable increases in core funding for the three entities shown that engage primarily in humanitarian activities (WFP, UNCHR and UNRWA), as well as UNICEF, which benefits from a relatively diverse group of core contributors that includes private contributors.

11. System-wide, only nine entities received over 30 per cent of their voluntary contributions<sup>3</sup> in the form of non-earmarked core funding, which creates challenges for many of them, as it limits their ability to reallocate funding to underfunded areas in their strategic plans. That issue is at the heart of the funding compact, particularly commitment 4.<sup>4</sup>

Figure VI  
**Funding trend for major entities**

(Billions of current United States dollars)



12. The growth in humanitarian disasters resulting from the impacts of climate change as well as the increase in conflicts in recent years has accelerated the growing imbalance between core and non-core resources (since humanitarian funding tends to be primarily non-core in nature). Apart from that, Member States have been

<sup>3</sup> Excluding assessed contributions.

<sup>4</sup> In commitment 4, Member States pledge to provide predictable funding to the specific requirements of Sustainable Development Group entities, as articulated in their strategic plans, and to the United Nations Development Assistance Framework funding needs at the country level (see A/74/73/Add.1–E/2019/14/Add.1, para. 57).

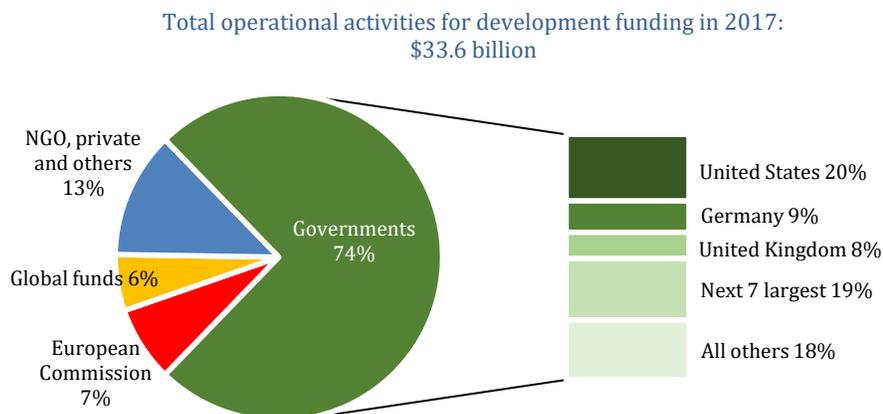
increasingly earmarking their funding for development-related activities for decades. The funding compact aims to reverse that long-term trend and bring about a better balance between core and non-core resources so that United Nations development system entities can effectively deliver on their strategic objectives and provide the holistic development solutions required by the 2030 Agenda for Sustainable Development.

## B. Burden-sharing

13. Government contributors account for nearly three quarters of the funding for operational activities for development (see figure VII). The next largest group consists of non-governmental organizations and the private sector, which accounted for over 13 per cent of funding in 2017, representing a significant increase from the 8 per cent share that that group of donors accounted for in 2011. That reality underscores the importance of United Nations development system entities providing transparent, comprehensive reporting of funds received from the private sector and other non-State contributors.

14. The remaining contributions in 2017 came through other multilateral channels, including the European Commission, which accounted for over 7 per cent of total funding, and global funds, accounting for 6 per cent. Funding through those two channels increased significantly in just three years, from under \$2.6 billion combined in 2014 to \$4.4 billion in 2017.

Figure VII  
Main groups of funding sources, 2017



15. In its resolution [71/243](#), the General Assembly urged United Nations development system entities to explore options to broaden and diversify their donor base. Out of 28 development system entities, 23, including all 9 United Nations funds and programmes and 7 of the 9 specialized agencies that responded to the survey, indicated that they reported annually to their governing bodies on concrete measures to broaden their donor base.

16. Among government contributors to the United Nations development system, there is heavy reliance on a few countries. In 2017, three donors – the United States of America, the United Kingdom of Great Britain and Northern Ireland and Germany – accounted for half of all funding for operational activities for development

received from Governments, and just seven contributors accounted for over two thirds of all government contributions.

17. Similarly, voluntary core funding for development activities are highly dependent on a few donors. The top five contributors accounted for 50 per cent of all voluntary core funding from Governments in 2017.

18. Broadening the donor base of the United Nations development system is a key objective of the funding compact and a commitment of Member States. They will meet that commitment by expanding the contributor base to inter-agency pooled funds, entity-specific thematic funds and the special-purpose trust fund for the resident coordinator system. The target is to have 100 Member States contribute to inter-agency pooled funds, 50 to entity-specific thematic funds and 100 to the resident coordinator system budget by 2021. In exchange, Sustainable Development Group entities have pledged to use better-disaggregated statistics in their reporting to improve visibility regarding who is providing the funding and how its impact has increased.

19. Figure VIII shows the top 15 government contributors and their contributions as a percentage of their gross national income (GNI). The figure indicates that even among the top contributors there are significant differences – not only in the volume of resources they provide but also in the percentage of GNI that their funding represents. There are four countries – Norway, Sweden, Denmark and the United Kingdom – that contribute at least 0.1 per cent of their GNI to the funding of United Nations operational activities for development.

Figure VIII

**Top 15 contributors to operational activities for development and their funding as a share of gross national income, 2017**



20. Programme countries contributed \$3.35 billion to the United Nations development system in 2017, which includes \$1.84 billion in local resources used to finance national programmes. Excluding local resources, they contributed \$1.55 billion to operational activities for development, which represents a significant increase of 12 per cent compared with 2016, although it equals the 2015 level.

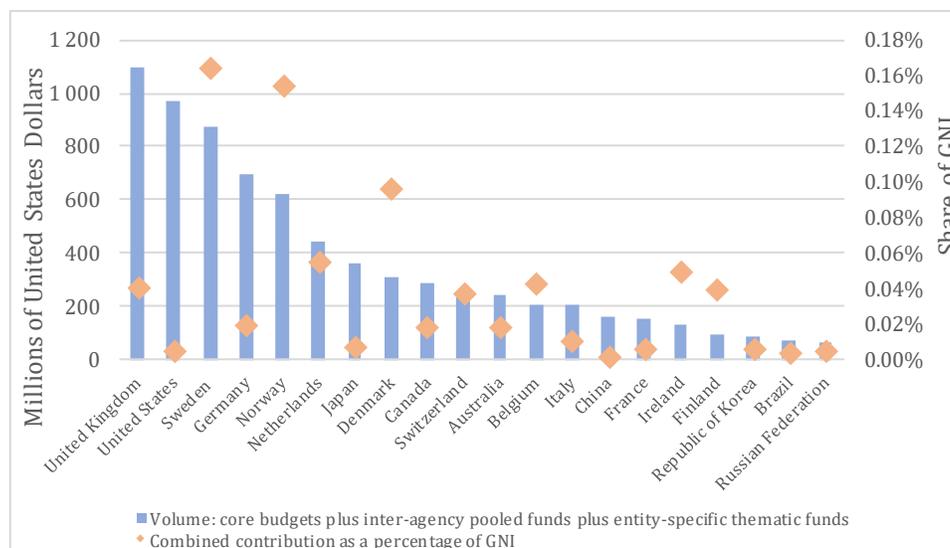
21. Core funding from programme countries totalled \$607 million in 2017, which represented a 23 per cent increase compared with 2016. Excluding local resources, core contributions accounted for 39 per cent of the \$1.55 billion in contributions.

22. Overall, there are solid indications that the contributor base of the United Nations development system is broadening given the rapid growth in funding from the private sector, NGOs, the European Commission and global funds, as well as notable contributions from some programme countries. The progress is slow, however, owing to the lack of any broadening of the base among government contributors, which still account for most of the funding. The heavy reliance on just a few Governments for a large portion of funding also makes the development system vulnerable to any policy changes that may occur within them.

### C. Quality of funding

23. The funding compact highlights three types of funding that United Nations development system entities need to achieve the specific requirements of their strategic plans and to provide more integrated support to Member States: core funding, funding for inter-agency pooled funds and funding for entity-specific thematic funds. Figure IX illustrates which Member States contributed the most funding for those three types combined in 2017 and the volume as a percentage of the country's GNI.

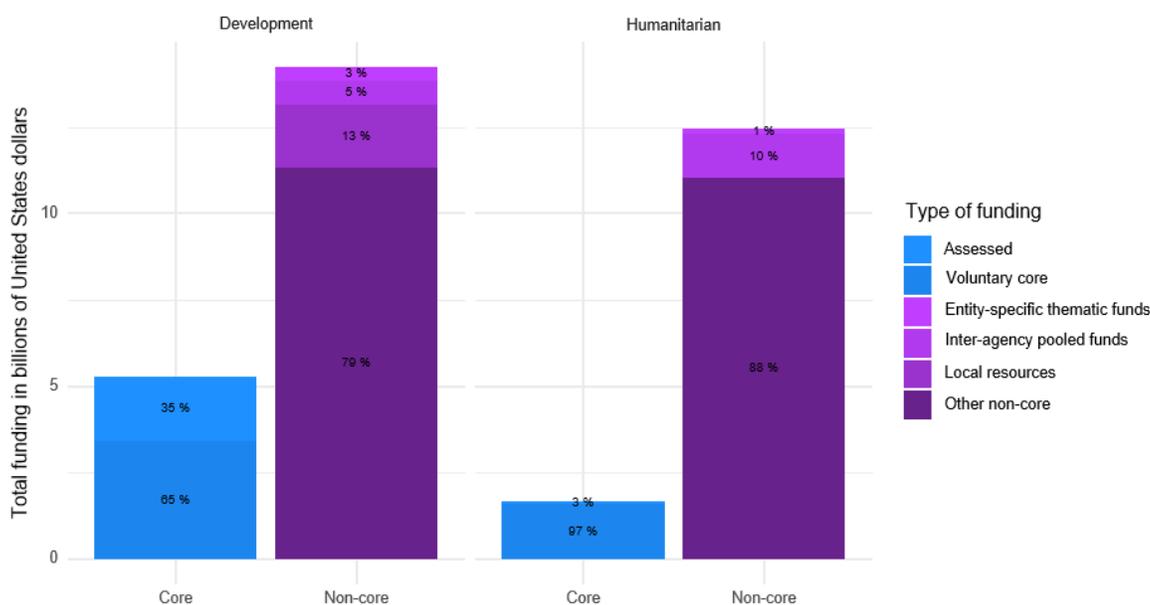
Figure IX  
**Top contributors to core budgets, inter-agency pooled funds and entity-specific thematic funds, 2017**



24. In its resolutions on the quadrennial comprehensive policy review, the General Assembly has noted the need to scale up the quality of non-core funding. In the funding compact, the target percentages of non-core resources for development-related activities channelled through inter-agency pooled funds and through entity-specific thematic funds by 2023 are 10 per cent and 6 per cent, respectively. As shown in figure X, those shares stood at 5 per cent and 3 per cent, respectively, in 2017. The earmarking of 92 per cent of non-core resources to an entity's specific development programme or project discourages integrated approaches and often leads to increased transaction costs and fragmentation of resources.

25. As for the funding of humanitarian activities, 10 per cent of voluntary non-core resources was channelled through inter-agency pooled funds in 2017, as illustrated in figure X. While they fall outside the scope of the funding compact, humanitarian activities are within the bounds of the quadrennial comprehensive policy review. United Nations entities carrying out humanitarian activities have repeatedly underscored the importance of flexible funding, including pooled funding, so that they can appropriately distribute resources across the areas covered by their strategic plans and humanitarian appeals.

Figure X

**Types of operational activities for development funding, 2017****Inter-agency pooled funds**

26. An inter-agency pooled fund is a multi-entity funding mechanism designed to support a clearly defined programmatic scope and its related results. They use co-mingled – not earmarked – contributions held by a United Nations fund administrator. The United Nations takes a leading role in making fund allocation decisions and in managing the fund. The funds are therefore a more flexible form of non-core contributions that enables development system entities to use them for jointly agreed priority programmes.

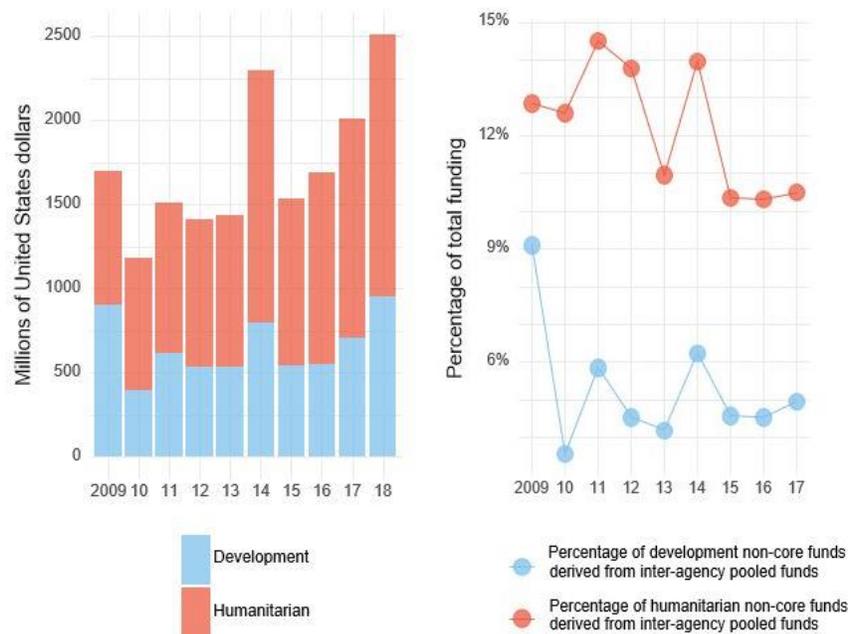
27. Inter-agency pooled funds strengthen the coordination, collaboration and coherence of the United Nations development system. During recent funding dialogues between Member States and development system entities, participants recognized that the indivisible and interconnected nature of the Sustainable Development Goals has reinforced the need for more flexible, predictable and integrated inter-agency financing. The discussions led to a commitment to double the share of non-core resources that are channelled through inter-agency pooled funds.

28. Figure XI provides an overview of the trend in contributions made to inter-agency pooled funds, including a breakdown by theme, both in terms of absolute volume and relative to total non-core contributions. In 2017, 65 per cent of contributions to inter-agency pooled funds went to funds with a humanitarian focus, with the remainder going to development-related funds.

29. In the report on the quadrennial comprehensive policy review for 2018, it was indicated that there had been no noteworthy growth in funding for inter-agency pooled funds between 2009 and 2016 (A/73/63–E/2018/8, para. 47). However, funding for inter-agency pooled funds increased notably in both 2017 and 2018.<sup>5</sup> In 2017, there was a 19 per cent increase in contributions to inter-agency pooled funds compared with 2016; in 2018 it is estimated that such contributions will have increased by another 25 per cent above the volume received in 2017.

30. The period 2016–2018 was unusual in that funding for development-related pooled funds increased more rapidly than funding for humanitarian inter-agency pooled funds. During that period, contributions to inter-agency development pooled funds increased by 72 per cent.

Figure XI  
**Deposits made to United Nations inter-agency pooled funds, by theme**



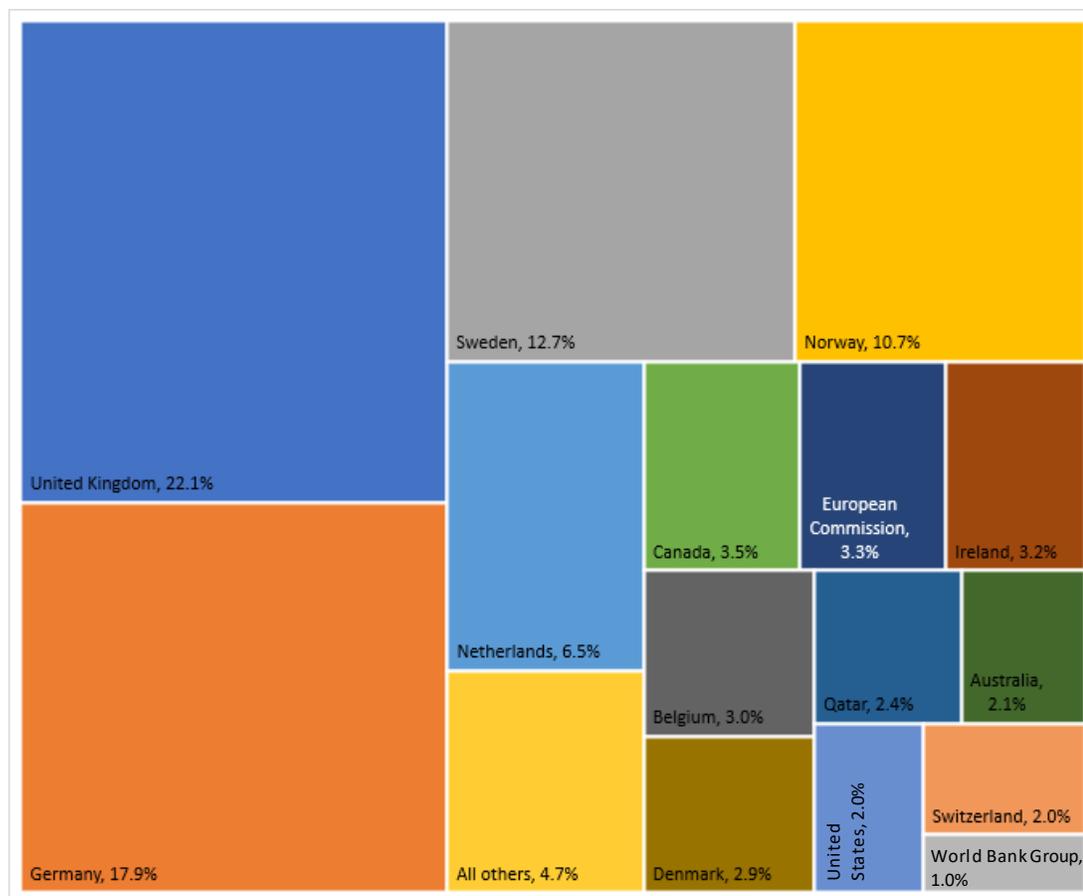
31. The recent trend for inter-agency pooled funds is on track to reach the funding compact target of \$3.4 billion by 2023. In general, non-core contributions are growing at such a pace that when contributions to inter-agency pooled funds are viewed as a percentage of total non-core flows, there is no significant change in the share of non-core funding channelled through inter-agency pooled funds between 2016 and 2017. As such, the target in the funding compact to double the share of non-core funding for development activities channelled through inter-agency pooled funds from 5 per cent to 10 per cent is more ambitious than would be the doubling of the absolute volume of contributions.

32. Despite growth in funding for United Nations inter-agency pooled funds in 2017, those funds in general are still heavily reliant on a small number of donors. The top five donors – Germany, the Netherlands, Norway, Sweden and the United Kingdom – accounted for 70 per cent of all contributions. Figure XII shows all of the

<sup>5</sup> Data for 2018 are preliminary.

contributors that accounted for at least 1 per cent of the funding of inter-agency pooled funds in 2017.

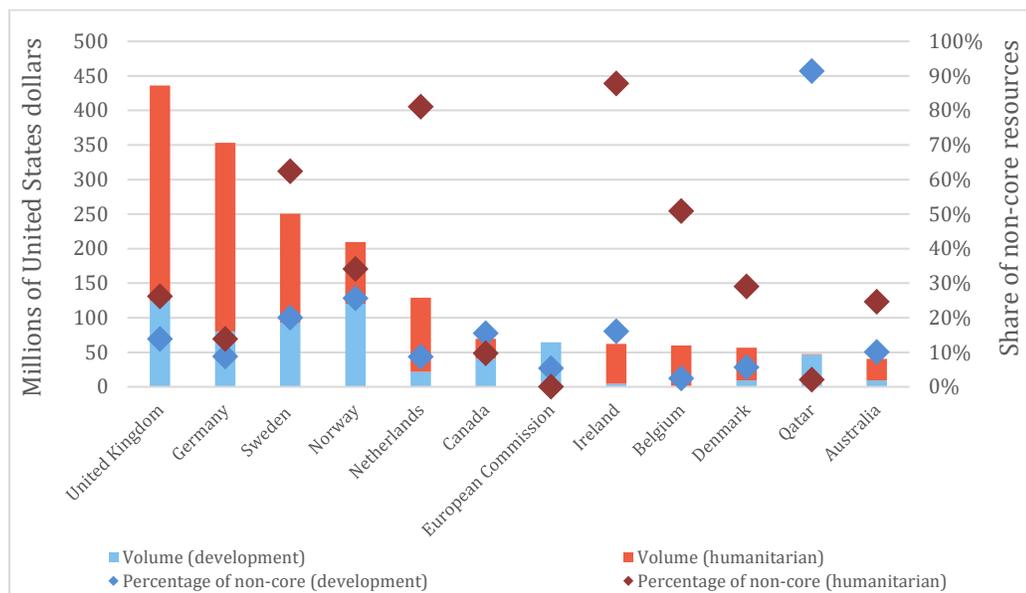
Figure XII  
Top contributors to inter-agency pooled funds, 2017



33. The top 12 contributors to inter-agency pooled funds that together accounted for 90 per cent of their funding in 2017 are shown in figure XIII. Of those, seven provided at least 10 per cent of their non-core contributions for development activities to the pooled funds and nine surpassed the same threshold with regard to non-core contributions for humanitarian activities. Among all contributors, 13 provided at least 10 per cent of their non-core contributions for development-related activities to inter-agency pooled funds in 2017.<sup>6</sup>

<sup>6</sup> Australia, Canada, Ireland, Israel, Liechtenstein, Liberia, Lithuania, Norway, Qatar, Slovakia, Sweden, the United Kingdom and the Bahamas.

Figure XIII  
Top contributors in terms of volume of funding for inter-agency pooled funds

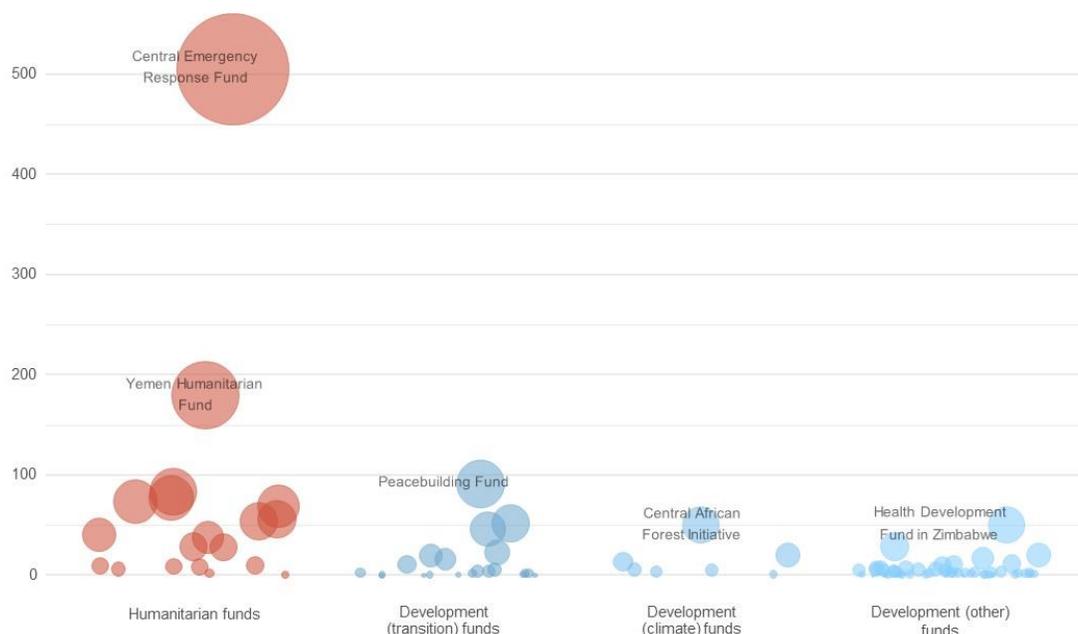


34. Inter-agency pooled funds can counteract some of the less positive effects of tightly earmarked non-core contributions, which is why they feature prominently in the recently agreed funding compact. However, inter-agency pooled funds need to be funded at scale because they come with a risk of higher transaction costs for United Nations development system entities, such as set-up and coordination costs, compared with core and other forms of non-core resources. Strong management and design of inter-agency pooled funds are needed to ensure that they attract sufficient resources to reap the benefits of economies of scale. Furthermore, coordination among the different funds must be strengthened to mitigate the risks of duplication. As part of the funding compact, development system entities have committed to increasing the efficiency and effectiveness of development-related inter-agency pooled funds by ensuring that there is a common set of management features (commitment 14).

35. Figure XIV illustrates how the \$2.0 billion in contributions were distributed among 101 inter-agency pooled funds in 2017. The size of the circles, corresponding to the amount of resources each fund attracted in 2017, indicates that funding was highly concentrated in a few large funds. The two largest funds, the Central Emergency Response Fund and the Yemen Humanitarian Fund, accounted for 35 per cent of the total volume of flows. On the other end of the scale, the 50 smallest funds accounted for just 5 per cent of contributions, or \$1.9 million each, on average.

Figure XIV  
**Contributions to inter-agency pooled funds, by theme, 2017**

(Millions of United States dollars)



36. Figure XIV also shows that the funds that attracted large amounts of resources tended to have a humanitarian focus, while most of the smaller funds had a development focus. Of the nine largest, eight were humanitarian funds, which accounted for 56 per cent of all inter-agency pooled fund resources in 2017. In all, 82 of the 101 funds had a development focus, which together attracted \$706 million in resources, or 35 per cent of the total flows to inter-agency pooled funds, with the 19 humanitarian funds accounting for the remaining 65 per cent.

#### **New inter-agency pooled funds**

37. At the global level, the Joint Fund for the 2030 Agenda for Sustainable Development was developed to catalyse financing required in connection with the 2030 Agenda. It draws on lessons learned from the experience of other inter-agency pooled funds, especially the Delivering Results Together Fund. The Joint Fund encourages new approaches to national policy formulation, implementation and sustainability to attract financing aimed at achieving the Sustainable Development Goals. It provides expertise in remedying inconsistencies in national policy with respect to the Goals and builds national readiness to support scalable investment, modelling and initiatives that support investments aimed at implementing the Goals.

38. The Joint Fund is an integral part of proposals for the future of the United Nations development system, and all Member States are called upon to capitalize the Joint Fund to the value of \$290 million annually. At the end of 2018, the Fund had received contributions totalling over \$46.1 million since its launch in June 2017.

39. Another new pooled funding mechanism is the Spotlight Initiative, launched by the United Nations and the European Union in September 2017 to address violence against women and girls. By early 2019, the European Union had contributed \$146.6 million and Albania another \$5,000, with allocations going to nine development system entities.

### Entity-specific thematic funds

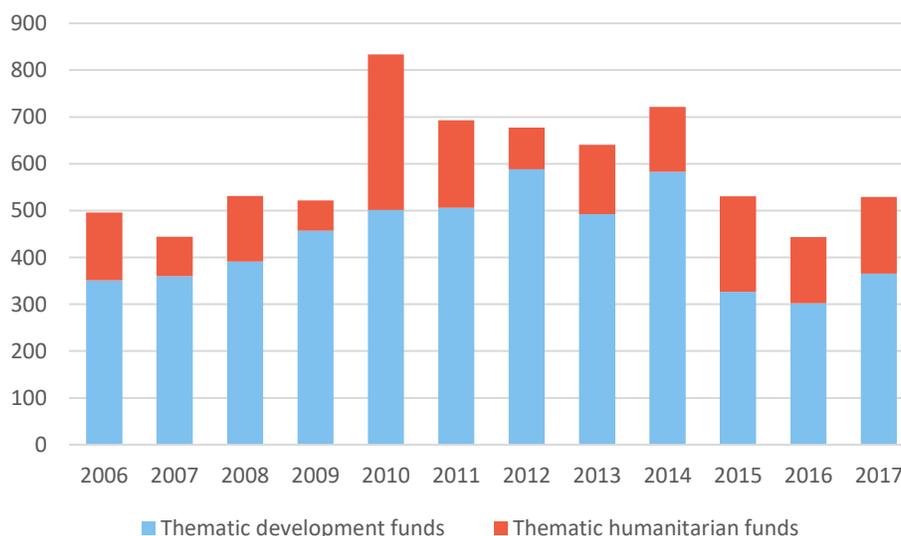
40. Entity-specific thematic funds are single-entity funding mechanisms designed to support high-level outcomes within a United Nations development system entity's strategic plan. The entity acts as fund administrator, decides on fund allocations and acts as the sole implementer with regard to all contributions received. Such funds offer more flexibility and help development system entities to fill gaps in underfunded areas of their strategic plans, since the resources are earmarked to broad thematic windows instead of specific projects.

41. Contributions to entity-specific thematic funds totalled \$557 million in 2017, an increase of 25 per cent compared with 2016. However, that amount is lower than that contributed each year between 2010 and 2014 (see figure XV). In the funding compact, the target contribution to entity-specific thematic funds of 6.0 per cent of non-core resources for development activities is established. The 2017 baseline stands at 2.8 per cent.

Figure XV

### Volume of funding for entity-specific thematic funds, 2006–2017

(Millions of United States dollars)



42. Of the \$557 million contributed to entity-specific thematic funds in 2017, 70 per cent went to funds with a development focus and the other 30 per cent to funds with a humanitarian focus. The private sector was the largest source of those contributions, accounting for nearly a third of the system-wide total in 2017. The

three largest government contributors to entity-specific thematic funds were Denmark, Norway and the United Kingdom.

43. In summary, there has been notable growth in the contributions to inter-agency pooled funds and entity-specific thematic funds in recent years. The prominence that those types of funds received during the dialogue in the Economic and Social Council on the longer-term positioning of the United Nations development system, the quadrennial comprehensive policy review and, most recently, the report of the Secretary-General on repositioning the development system to deliver on the 2030 Agenda (A/72/124–E/2018/3) has had a positive impact on the policy environment surrounding those funds. The funding compact will now become an essential means for carrying the momentum forward.

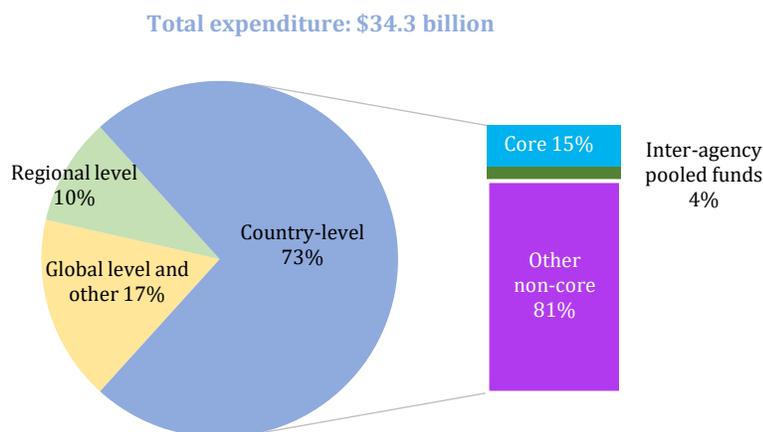
## II. Allocation of resources

### A. Overview of expenditures

44. Spending on operational activities for development totalled \$34.3 billion in 2017. Some \$25.2 billion, or 73 per cent, was spent at the country level, and another \$3.3 billion, or 10 per cent, was spent at the regional level. Accordingly, 17 per cent of total expenditures concerned either global activities, programme support and management or activities that could not be attributed to any other category (see figure XVI). Just over half, or 54 per cent, of expenditures were for development-related activities, while the other 46 per cent was spent on humanitarian activities.

Figure XVI

#### Broad distribution of expenditures for operational activities for development, 2017

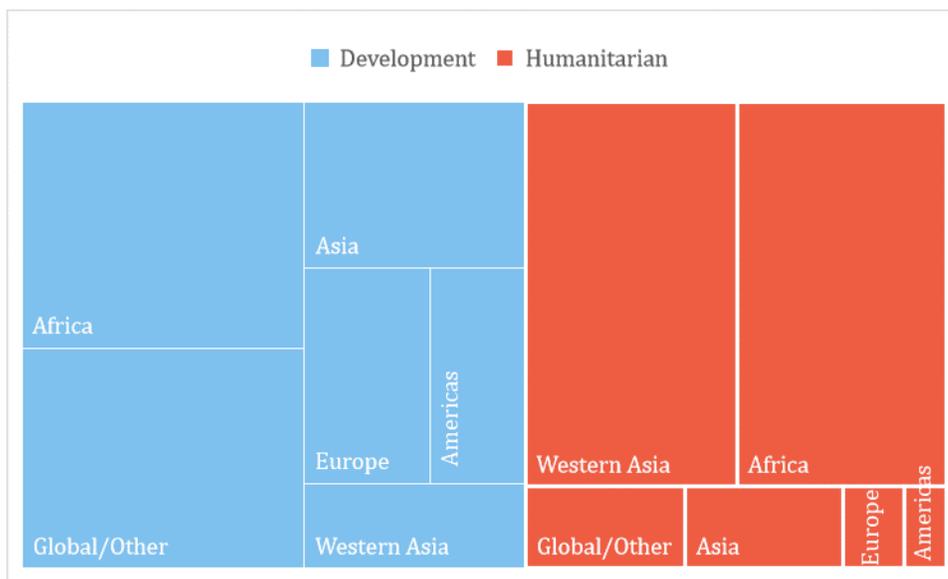


45. Of the \$34.3 billion in expenditures in 2017, 21 per cent of the resources were non-earmarked or core in nature. A higher proportion of global and regional expenditures came from core funds, so that only 15 per cent of the \$25.2 billion spent at the country level came from core resources and the other 85 per cent came from non-core resources.

46. In terms of the regional distribution of country-level expenditures in 2017, \$11.9 billion, or 42 per cent, was spent in Africa. The largest change in terms of the regional allocation of expenditures in recent years occurred in Western Asia. In 2011, that region accounted for only 6 per cent of spending on country-level operational

activities for development. By 2017, the share had increased to 28 per cent, most of which was spent on humanitarian activities. In terms of development-related activities, Africa remains the region with the greatest expenditure by far (see figure XVII).

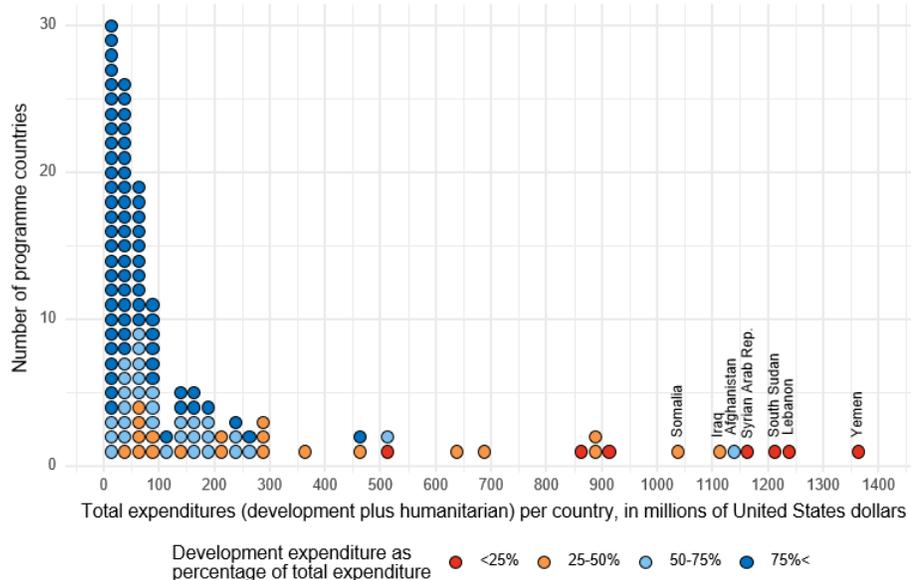
Figure XVII  
**Allocation of development and humanitarian expenditures by region, 2017**



## B. Resource allocation across programme countries

47. The report on the quadrennial comprehensive policy review for 2018 included an illustration of how United Nations development system expenditures were highly concentrated in relatively few programme countries (A/73/63–E/2018/8, figure XVI). Figure XVIII below shows the volume and degree of concentration of country-level expenditures in 2017 across the 151 programme countries, each of which is represented by a circle. The figure shows that, in the clear majority of countries, expenditures were below \$100 million and that those resources were spent primarily on development-related activities. At the opposite end of the chart, in 11 countries expenditure exceeded \$800 million. Humanitarian assistance dominated the activities in most of the large programme countries, with Afghanistan, the fifth largest, being a notable exception (see figure XIX (a) below).

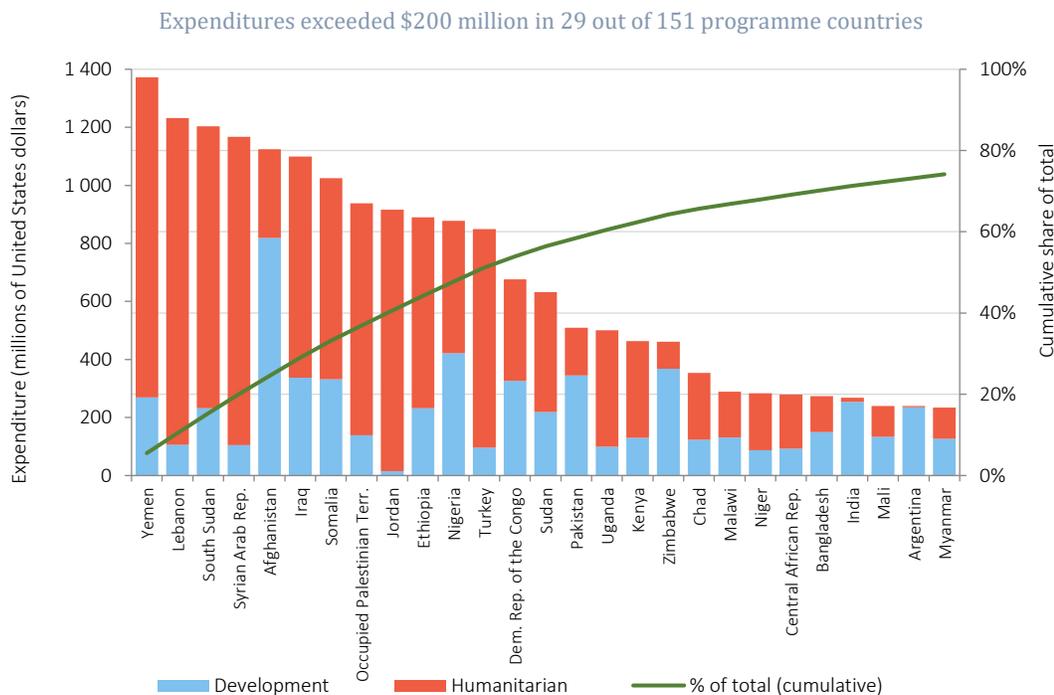
Figure XVIII  
Volume of expenditure in all programme countries, 2017



48. Figure XIX displays the expenditures for both development and humanitarian activities in 2017 for each of the 151 programme countries. Figure XIX (a) shows the 29 countries where expenditures exceeded \$200 million, which together accounted for 77 per cent of all country-level expenditures, including 89 per cent of all resources spent on humanitarian activities.

Figure XIX  
Level of expenditures in programme countries for development and humanitarian activities, 2017

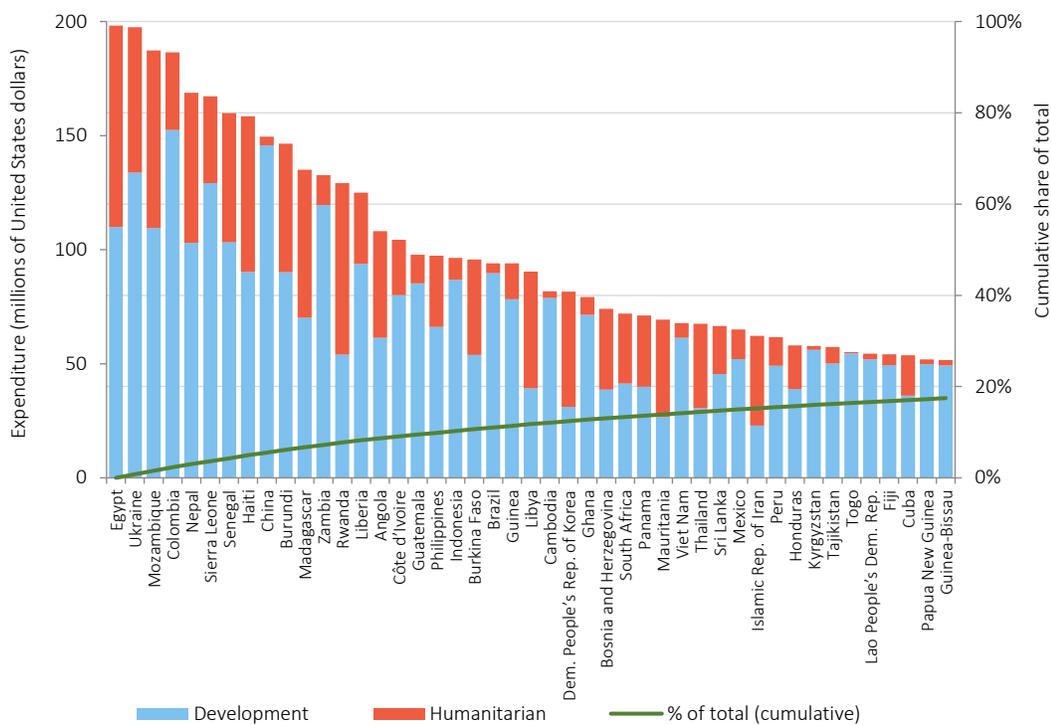
(a) Large level of expenditures (over \$200 million)



49. There were 45 countries where expenditures in 2017 were between \$50 million and \$200 million. In contrast to the large-expenditure group, in all but six countries in the medium-expenditure group, spending on development activities exceeded that on humanitarian activities (see figure XIX (b)).

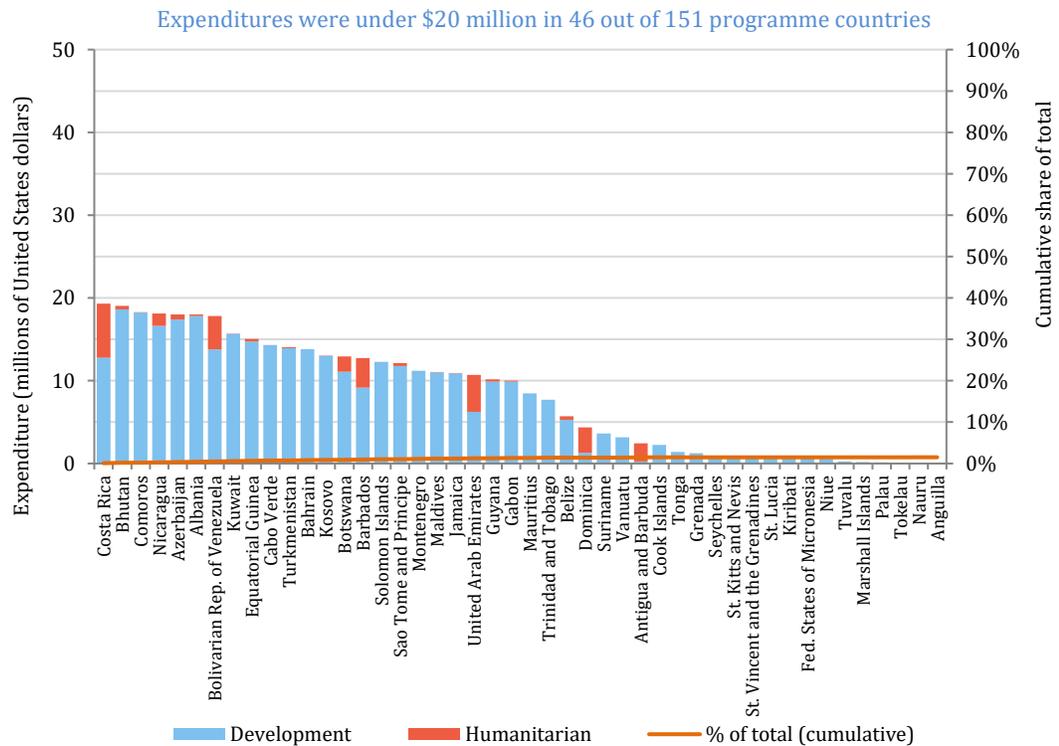
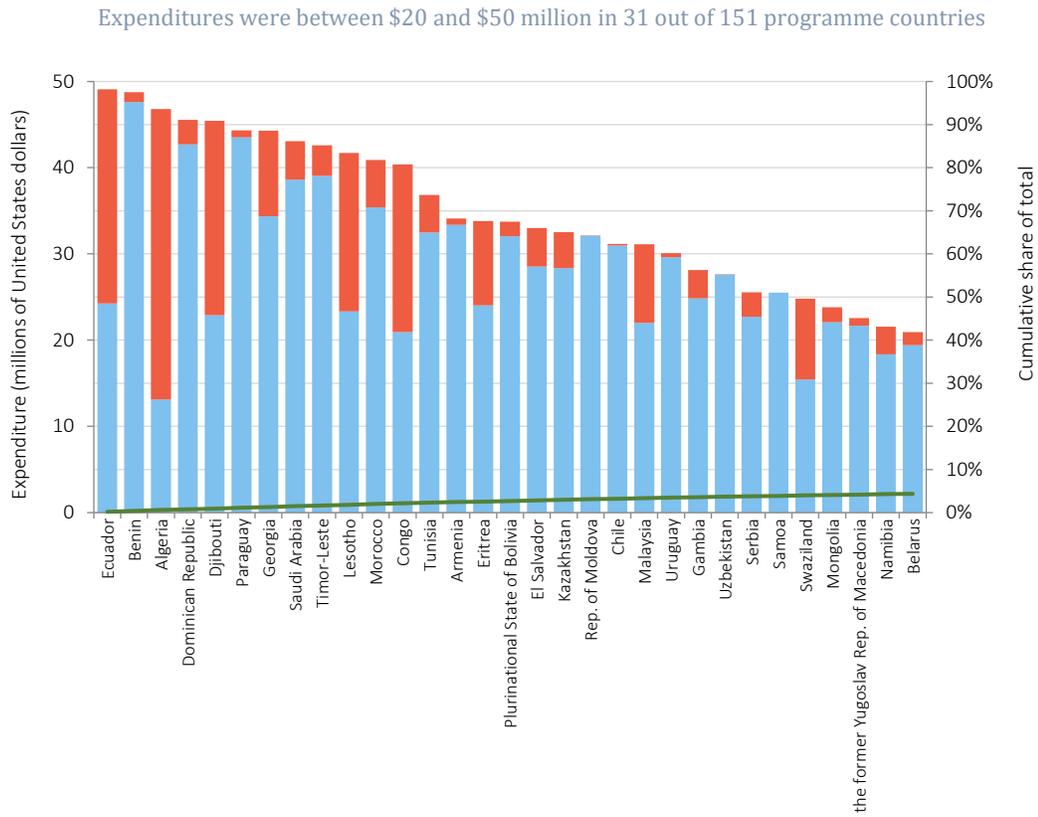
(b) Medium level of expenditures (\$50 million–\$200 million)

Expenditures were between \$50 and \$200 million in 45 out of 151 programme countries



50. In 77 countries, expenditures were under \$50 million in 2017. While more than half of the programme countries are included in that group, together they account for just 6 per cent of the total (see figure XIX (c)). Within that group, there are 46 countries with under \$20 million in expenditures, which together account for 1.5 per cent of spending on operational activities for development and 3 per cent of country-level expenditures for development-related activities.

(c) Small level of expenditures (under \$50 million)

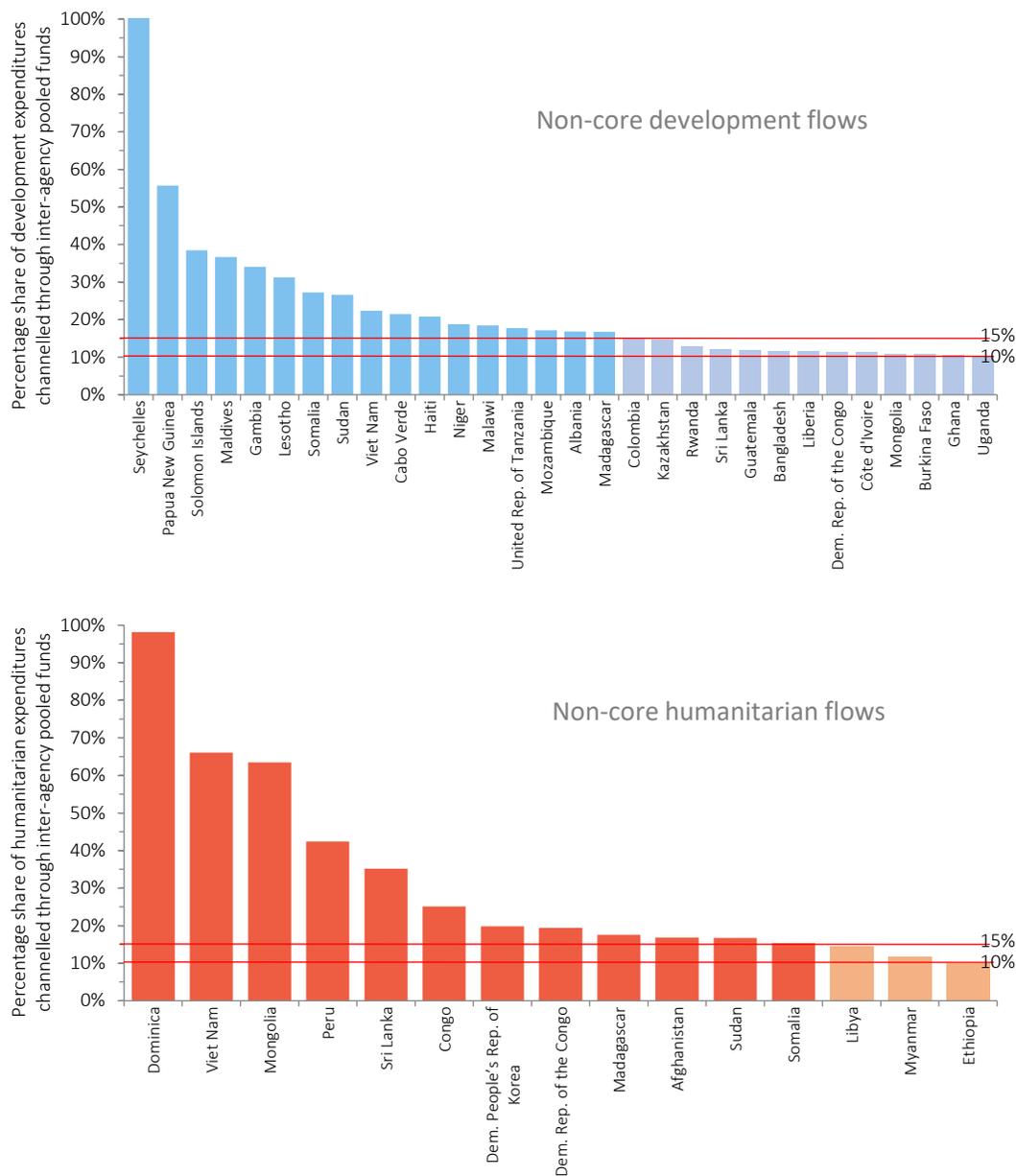


51. The General Assembly, in its resolution [71/243](#), noted that non-core resources had the potential to increase fragmentation and transaction costs. Figure XIX highlights how the issue of fragmentation is heightened, because not only are 85 per cent, on average, of country-level resources earmarked for specific purposes, but in most programme countries, the available resources are limited.

52. The large variation in the size of programme countries underscores the need to consider differentiated approaches to the configuration of the United Nations presence. In certain contexts, common premises can help to achieve efficiency gains and generate economies of scale by reducing the number of costly physical assets. In each of the countries where expenditures were below \$50 million in 2017, there were on average five or six physical United Nations offices. There would seem to be more opportunities for consolidating multiple development system entities in common premises in countries with a small level of expenditure, but only 20 per cent of premises in those countries are shared by two or more entities. On the other hand, common premises in small-expenditure countries tend to be shared by more development system entities. On average, there are 4 entities co-located in common premises in small-expenditure countries compared with 3.3 in those with a large level of expenditure.

53. In his report on repositioning the United Nations development system to deliver on the 2030 Agenda ([A/72/124–E/2018/3](#)), the Secretary-General noted that fragmentation and volatility were the norm, that the effective repositioning of the development system would depend, to a significant extent, on changes to current funding practices and that inter-agency pooled funds could help to alleviate fragmentation through collective action. But those funds need to be adequately resourced to achieve economies of scale. The United Nations Sustainable Development Group has estimated that at least 15 per cent of non-core expenditures should be channelled through inter-agency pooled funds in a given country in order for the funds to act as centres for coherence. Figure XX shows the programme countries with the largest share of expenditures channelled through inter-agency pooled funds in 2017. The figure shows that in 17 countries, at least 15 per cent of non-core development flows were channelled through inter-agency pooled funds. With regard to humanitarian flows, that threshold was reached in 12 countries. In 101 programme countries, less than 5 per cent of overall development and humanitarian non-core flows were channelled through inter-agency pooled funds.

Figure XX  
Programme countries with the highest proportion of non-core expenditures for development and humanitarian activities channelled through inter-agency pooled funds, 2017



### C. Expenditures in countries in special situations

54. Table 1 provides an overview of how expenditures were distributed among different groups of countries in special situations. The average United Nations expenditure in the 47 least developed countries was \$256 million in 2017, an increase of 17 per cent compared with 2016. Over half, or 57 per cent, of expenditures in the least developed countries were for humanitarian activities. The 32 landlocked developing countries received the highest expenditure per capita, although the share of total country-level expenditure spent in landlocked developing countries declined

from 28.8 per cent in 2016 to 27.2 per cent in 2017. Expenditures in small-island developing States increased by 17 per cent from 2016 to 2017, with Cuba and Haiti accounting for most of the increase.

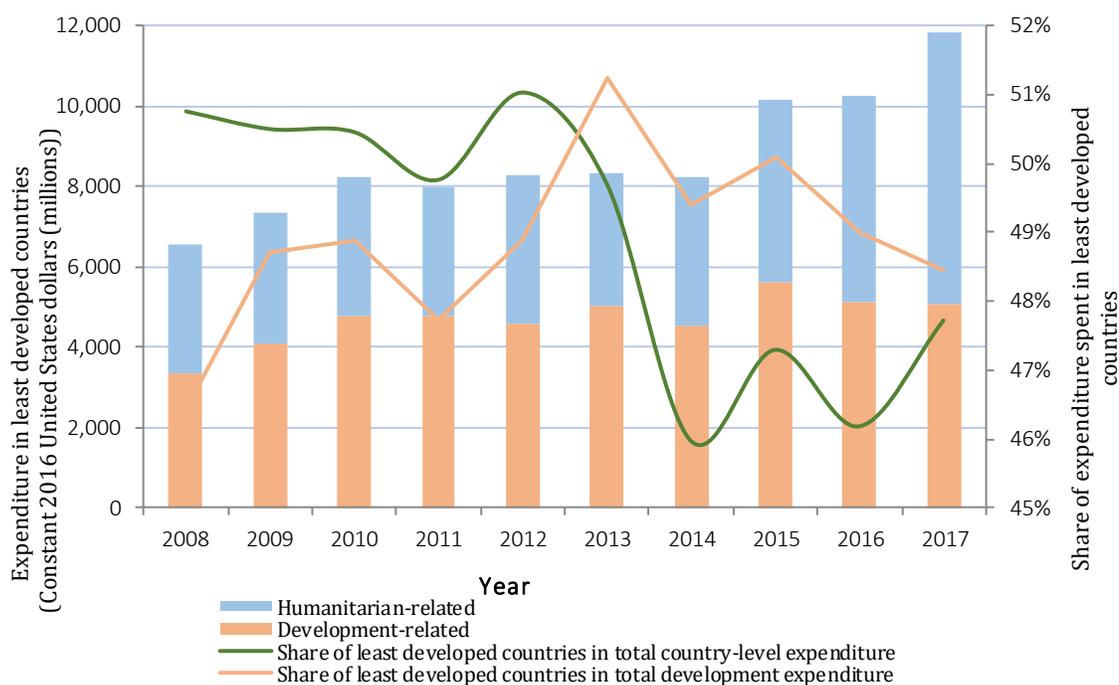
Table 1  
**United Nations expenditure by country group, 2017**

Group	Number of countries	Share of country-level expenditure (percentage)	(millions of United States dollars)		
			Average expenditure per country	Expenditure per capita	Average number of office premises
Least developed countries	47	47.7	256.0	12.0	22.4
Small island developing States	58	2.6	13.0	9.4	4.4
Landlocked developing countries	32	27.2	214.0	13.6	18.5
African countries	57	44.9	198.0	9.0	19.4

Note: the country groups are not mutually exclusive.

55. The expenditure on operational activities for development in the least developed countries totalled \$12 billion in 2017, which represented 47.7 per cent of total country-level expenditure. Both the volume of expenditure in the least developed countries and the share of total expenditure increased in 2017 compared with 2016, as shown in figure XXI. In terms of development-related expenditure in the least developed countries in 2017, the volume (\$5.1 billion) and share (48.7 per cent) of total development expenditure were similar to the amounts in 2016.

Figure XXI  
**United Nations expenditure in the least developed countries, 2008–2017**



### III. Transparency of financial flows

56. The collective aim is to effectively support the 2030 Agenda through a whole-of-system approach. In order to achieve that goal, the United Nations development system requires a better balance between core and non-core resources – and more non-core funding that is earmarked less. In 2017, less than a quarter of all voluntary contributions to the development system were either non-earmarked or contributed to inter-agency pooled funds or broadly earmarked entity-specific thematic funds. To incentivize more flexible and predictable funding, the Assembly also urged development system entities to be more transparent and accountable in their use of resources, which is also the driving argument underpinning the funding compact.

#### A. System-wide transparency

57. Most of the funding analysis set out in the present annex is based on information contained in the system-wide financial database managed by the High-level Committee on Management of the United Nations Chief Executives Board for Coordination (CEB). In response to the mandate of the General Assembly in its resolution 71/243 to improve the comparability of system-wide data, definitions and classifications, the High-level Committee on Management and the United Nations Sustainable Development Group are engaged in a joint effort to move away from the data structure developed in the pre-Sustainable Development Goal era and replace it with a road map for a more encompassing disaggregated system-wide “data cube” that is more compatible with the 2030 Agenda.

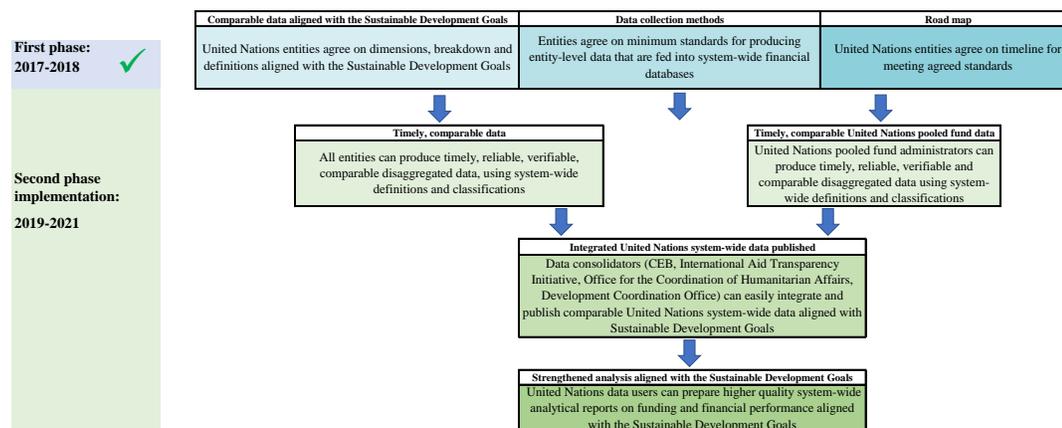
58. The first phase of the initiative has generated a new set of six data standards, with system-wide definitions and classifications that all United Nations development system entities can use in reporting to CEB. Over time, the disaggregated funding data submitted by the entities will be more reliable, verifiable, comparable and granular to better meet the requests of Member States and other stakeholders. The data standards were approved by the High-level Committee on Management and the United Nations Sustainable Development Group in the fourth quarter of 2018. In 2019, the members of the United Nations Sustainable Development Group will report on their funding flows using the new data standards, promising better, more comparable information in the 2020 report on the quadrennial comprehensive policy review.

59. In addition, the new data standards have introduced a common methodology and format for linking United Nations activities to the 2030 Agenda by defining the way in which funding information will be reported against the 17 Sustainable Development Goals and 169 associated targets. A transitional period is required for the full implementation of reporting against the Goals and targets, which extends to 31 December 2021.

60. Some of the work of the ad hoc data cube team was completed early enough that United Nations development system entities were able to integrate improvements in funding data that form the basis of analysis in the present report. For instance, in 2018, 42 out of 43 development system entities submitted their funding data to CEB, compared with two thirds in 2017, and 70 per cent of the entities reported expenditures disaggregated by country, compared with 46 per cent in 2017.

61. The second phase of the initiative, which will focus on implementing the agreed standards, will include two training workshops in 2019 for United Nations staff involved in the annual reporting of financial data (see figure XXII).

Figure XXII  
Results framework for the data cube initiative



62. While not intergovernmentally recognized, the International Aid Transparency Initiative reporting standard is shown to improve the transparency of development and humanitarian resources by allowing anyone to see clearly what is being funded where, by whom and for how much. In his report on the repositioning of the United Nations development system, the Secretary-General called for system-wide enrolment in the Initiative. Enrolment is also a factor in the commitments set out in the funding compact to strengthen entity and system-wide transparency and reporting. As of early 2019, 19 development system entities were publishing to the International Aid Transparency Initiative standard, representing an increase of 5 entities compared with the end of 2017. Those 19 entities accounted for 92 per cent of expenditures on operational activities for development. Several large contributors to the development system have been vocal about the importance of reporting against the standard, highlighting that compliance was a factor in funding decisions. The Initiative helps to ensure the comparability of data across development system entities, which is useful for such system-wide transparency initiatives as UNInfo. The information that development system entities report through the Initiative is also presented in real time through an online transparency portal.

### Country-level transparency

63. Common budgetary frameworks are designed to strengthen the quality of system-wide resource planning and mobilization and enhance country-level transparency. A medium-term common budgetary framework in every programme country should be viewed as a minimum requirement, given that eight years have passed since the United Nations Development Group, as it was then designated, introduced the tool as part of its overall guidance on the United Nations Development Assistance Framework. An annualized version of the common budgetary framework provides a more realistic assessment and projection of financial resources. It is therefore a more useful management tool for the resident coordinator and country team, and could help to address the issue of competition over resources highlighted by governments and other partners.<sup>7</sup>

64. In 2018, 66 per cent of United Nations country teams had a medium-term common budgetary framework and 46 per cent had an annualized common budgetary

<sup>7</sup> Feedback obtained through the 2017 survey of programme country governments.

framework. Together, the country teams with an annual framework accounted for 41 per cent of country-level development-related expenditure in 2017.

65. As part of efforts to improve coherence, transparency and accountability, UNInfo is expected to show clearly how resources are being used. As of March 2019, UNInfo was up and running for 32 country teams; the funding compact has set a target of 100 countries by 2021.

## **B. Cost recovery**

66. Since 2004, successive General Assembly resolutions on the quadrennial comprehensive policy review<sup>8</sup> have reiterated the importance of United Nations development system entities achieving full cost recovery in order to avoid using core resources to subsidize non-core projects. The need to achieve full cost recovery was indicated in the report of the Secretary-General on repositioning the development system to deliver on the 2030 Agenda (A/72/124–E/2018/3) and in General Assembly resolution 72/279. In response, within the funding compact, the development system commits to improving the comparability of cost classifications and definitions across entities to enhance transparency and promote better information on the true cost of United Nations programmes.

67. The 2018 Headquarters survey revealed that all but two United Nations entities<sup>9</sup> had adopted a cost-recovery framework to collect the costs of non-core projects financed by core resources. Regarding the two exceptions, the International Fund for Agricultural Development indicated it had submitted a policy for consideration and the International Labour Organization reported that it was exploring options in that regard.

68. At the meeting of the Finance and Budget Network in June 2018, it was recognized that although United Nations development system entities may agree on the principles of cost-recovery approaches, harmonization was challenging owing to the entities' different funding structures. One important variable relates to economies of scale. For programmes that are relatively small, a standard percentage-based recovery system is unlikely to compensate all of the administrative, support and other non-programme costs.

69. FAO began implementing a new cost-recovery policy in 2018. The policy incorporates support costs for services needed to deliver specific project inputs, such as the recruitment of personnel, the organization and delivery of technical assistance and the procurement of equipment and supplies when they occur. At the Finance and Budget Network meeting, United Nations development system entities welcomed the new approach of FAO of building support costs into project budgets at the unit price level. That practice could help to recover costs, especially for small projects, as compared with applying a standard percentage for the recovery of non-programme costs.

70. The General Assembly, in its resolution 71/243, requested that non-programme costs of United Nations development system entities be based on full cost recovery, proportionally, from core and non-core sources. There continues to be a significant difference in the distribution of non-programme costs between core and non-core funding sources (see table 2). Consequently, the remaining shares available for programme activities differ greatly. In 2017, 61 per cent of core resources were available for programme activities, compared with 93 per cent of non-core resources. Overall, 86 per cent of resources are spent on programme activities.

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<sup>8</sup> Until 2012, it was called the triennial comprehensive policy review.

<sup>9</sup> Though not exempt from the cost recovery mandate, this survey question excludes Secretariat departments, since their cost-recovery policies are defined centrally and are approved by the General Assembly for the entire Secretariat.

Table 2  
Breakdown of programme and non-programme expenditures, 2017<sup>a</sup>

	Core resources		Non-core resources		Total	
	Millions of United States dollars	Percentage share	Millions of United States dollars	Percentage share	Millions of United States dollars	Percentage share
Programme activities	3 231	60.9	18 968	92.6	22 199	86.0
Non-programme activities (e.g. programme support, management, development effectiveness)	2 077	39.1	1 523	7.4	3 599	14.0

<sup>a</sup> Based on data collected through the 2018 Headquarters survey, supplemented by online financial statements.

**United Nations Development Programme, United Nations Children’s Fund, United Nations Population Fund and United Nations Entity for Gender Equality and the Empowerment of Women**

71. In 2013, the Executive Boards of UNDP, UNICEF, UNFPA and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) – four organizations that together accounted for about 40 per cent of funding on operational activities for development – endorsed a general, harmonized cost-recovery rate of 8 per cent for non-core contributions, to be implemented beginning in 2014. The Boards reviewed that rate in 2016 and decided to maintain it.

72. In 2018, the four entities submitted a joint paper to their Boards with a proposal to move to a new modular approach that would be more explicit about reserving a fixed amount of core resources to fund certain activities deemed essential. The proposal is akin to a building block or modular methodology, with a detailed breakdown of functions in which the most essential activities of the entity would be prioritized according to the guidance, preference or decision of the Executive Board. Activities given the highest priority would be funded through core resources, while activities given a lower priority would be funded through revenue generated from charging the cost-recovery rate to programmes and projects, thus helping to ensure that the funding of the most essential activities would remain stable even if overall core funding fluctuated.

73. The Boards welcomed the joint proposal and requested the four entities to jointly review existing cost definitions, classifications of activities and associated costs with a view to further harmonizing their approaches and to present the review at the respective second regular sessions of the Boards in 2019. The Boards also requested the four entities to present a preliminary comprehensive proposal on the cost-recovery policy for consideration by the Boards at the first regular sessions of 2020, with a view to presenting a final comprehensive proposal for decision by the Boards at the second regular sessions in 2020.

74. It was acknowledged in the joint proposal that the four entities still had not achieved full cost recovery using the current methodology, which was due in part to the unwillingness of some donors to pay standard cost-recovery rates. The 2018 Headquarters survey revealed that most United Nations development system entities issued grant support fee waivers for some of their agreements. System-wide, agreements tied to such waivers totalled over \$1.2 billion in 2017. The funding compact includes commitments by Member States to comply with cost-recovery rates as approved by governing bodies (commitment 7) and by development system entities to fully implement and report on the approved cost-recovery policies and rates (commitment 12).